2013 Annual Report

servicestream
ESSENTIAL NETWORK SERVICES

Annual General Meeting

The Annual General Meeting of
Service Stream will be held at the
InterContinental Melbourne The Rialto
495 Collins Street, Melbourne
23 October 2013, 10.30am

Service Stream Limited

ABN 46 072 369 870

Annual financial report for the financial year ended 30 June 2013

Annual financial report for the financial year ended 30 June 2013

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Service Stream Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Service Stream Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 357 Collins Street Melbourne VIC 3000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 10 to 16, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 30 August 2013. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.servicestream.com.au

Corporate governance statement

This corporate governance statement summarises the main corporate governance practices of Service Stream Limited and its subsidiaries for the financial year ended 30 June 2013 ("FY13").

The Board is committed to achieving and maintaining high standards of corporate governance, in line with the ASX's Corporate Governance Principles*.*

Principle 1 – Lay solid foundations for management and oversight

The Board Charter sets out the Board's structure, along with its key roles and responsibilities.

The Board has also adopted a Reserved Powers Policy that sets out matters specifically reserved for determination by the Board as distinct from matters delegated to executives to manage the operations of the Group. The Board's focus is on representing and serving the interests of shareholders by setting the strategic direction for, and policies of, the Group and overseeing performance. Matters specifically referred to the Board for approval include Group strategy, financial plans, major policies, issues of equity, major capital expenditure, appointment and replacement of external auditor, ASX disclosures and matters involving amounts over specified limits or with potential to have a material impact on the financial position or reputation of the Group.

Responsibility for the Group's day-to-day operations, administration and management is delegated by the Board to the Executive Director (on 8 April 2013, the Managing Director, Mr Graeme Sumner, resigned from his role and Mr Brett Gallagher, a non-executive Director was appointed Executive Director on an interim basis).

The Board has approved a Delegation of Authorities Manual setting out the delegation of the Executive Director's authorities to members of the Senior Executive Team and other levels of management throughout the Group as appropriate.

The Board receives comprehensive Board papers in advance of each monthly Board meeting which contain standing agenda items such as safety, financial performance, operational issues and legal issues. Members of the Senior Executive Team are regularly invited to attend Board meetings to report directly to the Board on key business issues.

Performance and accountability of the Executive Director and Senior Executive Team

Upon appointment, each member of the Senior Executive Team signs a letter of engagement and is provided with an Induction Manual containing key information about the Group and its policies. Letters of engagement include terms and conditions in relation to duties, rights and responsibilities, termination, and where applicable, the period of the engagement.

In addition to regular informal mechanisms of performance evaluation and feedback, the Managing Director's performance was formally reviewed by the Board (facilitated by the Chairman) during the reporting period against key performance indicators recommended by the Remuneration and Nomination Committee and approved by the Board.

The Executive Director formally assessed the performance of each Senior Executive Team member during the reporting period against key performance indicators and other performance criteria. Each Senior Executive Team member is also provided with regular, informal feedback by the Executive Director and the Board.

The Remuneration and Nomination Committee considers the performance of the Managing Director and members of the Senior Executive Team when formulating remuneration arrangements, including short-term and long-term incentive plans and annual salary reviews. The short-term incentive plan contains measurable key performance indicators with respect to the current financial year budget that are approved by the Board, along with individual goals (that are specific, measurable, achievable, realistic and timely). The long-term incentive plan contains incentive targets for the financial years to which each offer made under the plan applies.

The Board Charter is available on the Company's website.

Principle 2 – Structure the Board to add value

The Board is comprised of a Non-Executive Chairman (Peter Dempsey), two Non-Executive Directors (Stephe Wilks and Deborah Page) and the Executive Director (Brett Gallagher). An Alternate Director (Mr. Robert Grant, Chief Financial Officer) is appointed to represent the Executive Director in his absence.

The Board believes that the current mix of Directors bring a broad range of complementary skills and experience to their responsibility of governing the Company. Further information about the Board (and the Company Secretaries) is set out in the Directors' Report on pages 7-27.

Director's independence

The Board regularly assesses whether a Director is independent and uses the independence and materiality tests as set out in the ASX Principles to assess independence. The Board has a policy of separating the role of Chairman and Executive Director and this policy is reflected in the Board's current practice with Peter Dempsey in the role of Chairman and Brett Gallagher in the role of Executive Director. The Chairman is independent and his role and responsibilities are independent from those of the Executive Director.

Committees

The Board has established three key Committees to assist in the execution of its duties and functions:

- Sustainability, Safety, Health and Environment Committee;
- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

Each of the above Committees has their own Charters approved by the Board. For details of membership of and attendance at Committee Meetings please refer to page 17 of the Directors' Report.

The Committee Charters are available on the Company's website.

Appointment of Directors

The Board actively and regularly considers the composition of the Board, taking into account the duration of each Director's tenure and the competencies required by the Company.

When nominating and appointing Directors, the Board takes into account its diversity objectives and seeks a balanced mix of qualifications, age, skill, gender and experience to achieve the most favourable outcome for the Company and its shareholders. Conditions relating to appointment are provided to all Directors, in writing, prior to appointment. The Company's Remuneration and Nomination Committee deals with the nomination and appointment of Directors and Board succession planning.

Apart from the role of Managing Director and any Alternate Director, all Directors are subject to re-election by rotation at least every three years in accordance with the Company's constitution.

Directors have a right of access to all relevant Group information and the Senior Executive Team. In addition, the Board Charter sets out the circumstances in which Directors may obtain independent professional advice.

At the end of each financial year, the Board assesses its performance and that of its Committees and individual members, to ensure its effectiveness in meeting shareholder expectations. This is undertaken by either a formal internal process, or in the instance of some Committees time is set aside at one of its meetings to consider how effective it had been during the year. The Board and all Committees were satisfied that they had been effective in performing their responsibilities during the year under their respective Charters.

Principle 3 – Promote ethical and responsible decision-making

The Company is committed to being a socially responsible corporate citizen. All Directors, employees and sub-contractors are expected to comply with the law and act at all times with integrity.

The Board has ultimate responsibility for resolving all matters concerning ethical and responsible decision-making, with policies and practices designed to ensure the integrity of the Company is maintained and investor confidence is enhanced.

The Company has a Standards of Behaviour Policy which contains a Code of Conduct that sets out the Group's expectations in relation to matters such as honesty, protecting the environment, relations with customers, prevention of fraud, conflicts of interest, sexual harassment and discrimination, disputes with fellow employees and the protection of information. The Board and the Senior Executive Team, through their own actions, promote and foster an ethical corporate culture for the entire Group.

A Whistleblower Policy which is supported by the Company's Whistleblower Protection Program has also been established to encourage a culture of reporting matters that may cause the Group financial loss or damage to its reputation. The program is compliant with AS:8004 "*a Whistleblower Protection Programs for Entities*".

Directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Group. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and does not participate when the relevant item is considered or voted on.

Dealing in Company shares by Directors, other officers and employees

The Directors have established a Securities Trading Policy which governs dealings in securities to ensure the highest standards of corporate conduct and governance.

Directors are required to advise the Company and the ASX of any changes in their interests in the Company, including securities in the Company.

Diversity

The Group is comprised of men and women of varying ages, ethnicities and cultural backgrounds. The Company has a Diversity Committee which formally reports to the Remuneration and Nomination Committee on an annual basis. During FY13, the Board established the following measurable objectives for achieving diversity within the Group:

1 **The Group will continue to build a culture of inclusion. By June 2013, the Group will commence diversity panel workshops on various topics (including gender, cultural, disability and age).**

   Progress to date: In November 2012 two diversity panel sessions were conducted on gender diversity and 81 employees attended the panel sessions.

2 **The Group will continue to implement initiatives to increase the number of women in leadership positions. By June 2013, the Group will develop succession plans to increase female representation in key leadership positions.**

   Progress to date: The Group continues to enhance its talent management processes to increase representation of women in leadership. In FY13, succession plans for business critical roles were undertaken with additional metrics developed to assess the proportion of women identified as successors. These metrics have been applied in the Group's talent review process and are supporting development planning for women across the Group - with the aim of deepening the pool of potential female successors for critical roles.

3 **The Group will ensure equity in remuneration principles. By June 2013, the Group will undertake an audit in relation to gender pay parity.**

   Progress to date: In FY13, the Group undertook an audit in relation to gender pay parity and developed and implemented strategies to address areas of difference.

4 **The Group will support the specific needs of our employees with families and provide them with helpful advice at critical times of their lives. By June 2013, the Group will develop a family support program to offer assistance and advice to employees in relation to aged care, child care and retirement.**

   Progress to date: In FY13 the Company partnered with SeventeenHundred to offer employees a family support program to provide employees with practical support and services to all employees about child care, aged care and retirement including the various government and company related benefits.

Having met the objectives set for the FY13, the Board will set new objectives for the year commencing 1 July 2013.

As at 15 August 2013, women constituted 21% of the Group's employees, 25% of the Board and 20% of the Senior Executive Team. The Group's annual public report which was lodged with the Workplace Gender Equality Agency on 29 May 2013 can be found on the Company's website.

The Company also requires senior managers including the Senior Executive Team to attend corporate governance training on an annual basis which includes a focus on diversity and the need for flexible work practices and inclusive behaviours to counteract unconscious bias in recruitment and progression.

The Diversity Policy, Code of Conduct, Securities Trading Policy and Whistleblower Policy can be found on the Company's website.

Principle 4 – Safeguard integrity in financial reporting

The Audit and Risk Management Committee has been established to assist the Board in providing shareholders and regulatory authorities with timely and reliable financial reports of the Company. The Committee is currently comprised of three independent non-executive Directors. The Committee is chaired by Deborah Page who is an independent non-executive Director and not Chairman of the Board.

Among other things, the Committee reviews audit scopes, assesses the performance of and fees paid to the external auditor, liaises with the external auditor to ensure that the annual audit and half-year review are conducted in an effective, accurate and timely manner and considers whether non-audit services provided by the external auditors are consistent with maintaining the external auditor's independence. The Committee reports to the Board on financial and audit matters at each relevant Board meeting.

The external auditor, PriceWaterhouseCoopers, was appointed in October 2012 following a competitive audit tender process. The Company's policy on the procedure for the selection and appointment of external auditors and rotation of the external audit engagement partner can be found on the Company's website.

The Executive Director and Chief Financial Officer state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with all relevant accounting standards.

Further information with respect to safeguarding the integrity of financial reporting, including information about the members and meetings of the Committee, is provided in the Directors' Report on page 17.

Principle 5 – Make timely and balanced disclosure

The Company is committed to providing timely and accurate disclosure to the market of all material matters concerning the Company. The Company Secretaries are responsible for liaison with the ASX in respect to the Company's disclosure obligations.

The Company has adopted the following mechanisms to ensure compliance and to create accountability at a senior management level for timely and balanced disclosure:

- All matters requiring disclosure by the *ASX Listing Rules* are disclosed to the ASX;
- The Directors, Executive Director, Chief Financial Officer and the Company Secretaries ("Disclosure Officers") are responsible for reviewing potentially material matters and determining what information should be disclosed;
- Only a Disclosure Officer may authorise communication on behalf of the Company in relation to matters requiring disclosure by the *ASX Listing Rules*;
- Executives must inform a Disclosure Officer of any potential disclosures as soon as they become aware of the information. The Senior Executive Team is responsible for ensuring staff understand and comply with this procedure;
- ASX and media releases must be approved by all Directors to ensure the disclosure is factual, includes all material information and is expressed clearly and objectively. All Senior Management are trained in respect to disclosure obligations including confidential information; and
- The Securities Trading Policy contains guidance on the disclosure obligations of employees and Senior Managers of the Company.

Principle 6 – Respect the rights of shareholders

The Company respects the rights of its shareholders and facilitates the effective exercise of those rights.

Shareholders are responsible for voting on the election of Directors at the Annual General Meeting.

The Company requires the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report (which is set out in pages 29 and 30).

The Company has a policy of effectively communicating with shareholders using various methods such as:

- the Annual Report which is made available to shareholders;
- disclosures made to the ASX;
- information uploaded in the "Investors" section of the Company's website;
- notices of meeting and explanatory memoranda in relation to resolutions to be put to a vote of shareholders;
- Annual General Meetings at which shareholders are given an opportunity to ask questions about and comment on the performance and operations of the Company and its subsidiaries and to vote on other items of business. The Company also recorded the 2012 Annual General Meeting enabling shareholders to view the meeting online where they were unable to attend in person;
- responding to communications from shareholders in a timely and responsive manner; and
- periodic investor presentations and briefings.

Principle 7 – Recognise and manage risk

The Company has established an Audit and Risk Management Committee to:

- assist the Board in identifying, monitoring and managing the Group's material business risks;
- review the Group's risk management policies and make recommendations to the Board from time to time to enhance the Group's risk management framework; and
- review the appropriateness and effectiveness of the Group's internal control procedures.

The Executive Director, the Audit and Risk Management Committee and the Board recognise that they have ultimate responsibility for ensuring that the risk mitigation actions and internal control environment of the Group is fit for purpose and adequate in terms of safeguarding shareholder value. The Company has put in place a comprehensive risk management framework that has been developed in line with the recommendations contained within the *AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines* standard.

As part of its risk management framework, the Board has adopted a Risk Management Policy to:

- implement a standard Group-wide approach to risk management;
- implement a structured and consistent process for identifying, assessing and managing business risks as well as opportunities;
- comply with all applicable laws, licensing and government regulations applicable to its business activities;
- promote a culture that accepts both good and bad news, encourages personal responsibility and expects proactive identification and management of risks and opportunities; and
- monitor, address and report on risk management performance measures.

In accordance with its risk management framework, the Group has in place various processes and internal controls designed to safeguard the Group's assets, minimise its liabilities and to ensure the integrity of its reporting.

The identification, assessment, monitoring and management of business risks and the internal controls environment is undertaken by the Senior Executive Team and reported to the Board on an on-going basis.

The Board has received an assurance from the Executive Director 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.

The Risk Management Policy can be found on the Company's website.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration and Nomination Committee (chaired by Peter Dempsey - independent Director and Chairman of the Board). The Committee has four members with all of its members being independent Directors, except since 8 April 2013 when Brett Gallagher's status changed to Executive Director.

The Committee has responsibility for reviewing and making recommendations to the Board in relation to remuneration, in particular ensuring that the Group offers remuneration which is fair and competitive, which is appropriately linked to performance, and which motivates the Senior Executive Team to pursue the long-term growth and success of the Group. The Committee also reviews senior management remuneration structures and succession plans and monitors the level and nature of Directors' remuneration to ensure it is in line with current standards. The Committee provides recommendations to the Board which, in turn, has ultimate responsibility for fair and responsible remuneration for Group personnel. As required, the Board engages appropriately qualified consultants to provide it with advice and recommendations.

No Executive Director or other executive participates in any decision relating to their own remuneration. Non-Executive Directors are remunerated by way of fees and statutory superannuation. The Executive Director is paid his pre-existing Director's fee and a fixed 'higher duties allowance' for the term of his current executive appointment. The Senior Executive Team (including Mr Grant) is remunerated by way of fixed salary, long-term and short-term incentives and superannuation. The remuneration report (at pages 19-26 of this annual financial report) details the remuneration of Directors and Senior Management.

Documents referred to in this Statement, are published in the Corporate Governance section of the Company's website, www.servicestream.com.au.

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Service Stream Limited and entities it controlled at the end of, or during, the year ended 30 June 2013, and in order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors and senior management

The names and particulars of the Directors of the Group during or since the end of the financial year are:

Name	Particulars
Peter Dempsey B. Tech. (Civil Eng.) (Adel) Grad. Diploma (Bus. Admin.) SAIT, FIEAust, MAICD. *Chairman*	*Term of Office: Chairman since November 2010* Peter Dempsey was appointed Chairman of Service Stream Limited on 1 November 2010. Peter has extensive construction and development experience and has been involved in these industries for the last 40 years. In 2003 he retired from A W Baulderstone Pty Ltd after a 30 year career, the last five years as Managing Director. Baulderstone undertook some of Australia's largest building and civil infrastructure projects with annual revenues up to $1.5b during his tenure. The company was also involved in projects for the resources sector, with operations in all Australian mainland states, Papua New Guinea, Indonesia and Vietnam. Peter is Chair of the Remuneration and Nomination Committee and is a member of the Audit and Risk Management Committee. Peter is currently a Non-Executive Director of Monadelphous Limited, as well as holding other Board roles with private construction and charitable organisations. Peter was a Non-Executive Director of Becton Property Group Limited from July 2008 until resigning on 26 February 2013. Peter has no other listed company directorships and has held no other listed company directorships in the last 4 years.
Brett Gallagher FAICD *Executive Director* *(appointed 8 April 2013)*	*Term of Office: Executive Director since 8 April 2013. Non-Executive Director since April 2010 until his appointment as Executive Director.* Brett Gallagher has over 20 years experience across the utility and facilities management industries, and was Managing Director and a major shareholder of the AMRS Group of companies ("AMRS") from 2003 until 2008 when that company was acquired by Service Stream. Brett was instrumental in the growth of AMRS, establishing it as Australia's largest metering services provider. Brett is Chair of the Safety and Environment Committee and was a member of the Audit and Risk Management Committee until his appointment as Executive Director. Brett also holds directorships and interests in a number of private businesses that operate predominately in the utilities sector. Brett has no other listed company directorships, and has held no other listed company directorships in the last 4 years.
Deborah Page AM B Ec (Syd), FCA, MAICD *Non-Executive Director*	*Term of Office: Non-Executive Director since September 2010* Deborah Page, a Chartered Accountant, has held senior executive positions with the Commonwealth Bank, Allen, Allen & Hemsley, IBM and the Lend Lease Group and is a former KPMG partner. She brings expertise developed from finance and operational executive roles and from her professional background in external audit and corporate advisory. Since 2001 she has worked exclusively as a Non-Executive Director across a range of industries, including energy, insurance, financial services and property. Deborah is Chairman of the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee.

Deborah is currently Chairman of Investa Listed Funds Management Limited, the responsible entity of the ASX-listed Investa Office Fund; and is a Non-Executive Director of Australian Renewable Fuels Limited. She is also a Non-Executive Director of The Colonial Mutual Life Assurance Society Limited and Commonwealth Insurance Limited, wholly owned subsidiaries of the Commonwealth Bank.

Deborah has held no other listed company directorships in the last 4 years.

Stephe Wilks
BSc (Macq) LLM (Syd)

Non-Executive Director

Term of Office: Non-Executive Director since September 2005

Stephe Wilks has over 20 years experience in the telecommunications industry both within Australia and overseas. He has held senior executive positions with BT Asia Pacific, Optus, Hong Kong Telecom, Nextgen Networks and Personal Broadband Australia. He was also a consulting director with investment bank, NM Rothschild.

Stephe is a member of the Audit and Risk Management Committee, the Safety and Environment Committee and the Remuneration and Nomination Committee.

Stephe is currently Chair of Eftel Limited, a Non-Executive Director of Tel.Pacific Limited and 3Q Holdings Limited, and was previously Chairman of Mooter Media Limited, and a Non-Executive Director of People Telecom Limited. Stephe is on the advisory board of the Network Insight Group and consults to a number of companies in the media and technology industries.

Robert Grant
BCom (Qld), FCPA

Chief Financial Officer
and Alternate Director for Graeme Sumner (until 8 April 2013) and Brett Gallagher (from 8 April 2013)

Term of Office: Alternate Director since December 2010 and Chief Financial Officer since June 2010

Robert (Bob) Grant has over 20 years experience in providing financial leadership in prominent Australian and multi-national companies across numerous sectors including infrastructure services, construction, energy, downstream oil and mining. Before joining Service Stream Bob held senior finance roles in Tenix, AGL and Shell.

Bob is an Alternate Director for Brett Gallagher, ensuring continuity of executive representation at Board discussions and meetings where Brett is not otherwise able to attend. In his capacity as Chief Financial Officer, Bob is responsible for all financial management, reporting, treasury, taxation and other finance shared services, as well as corporate services including property, supply chain and risk management.

Bob has no other listed company directorships and has held no other listed company directorships in the last 4 years.

Graeme Sumner
B Com (Auckland),
MBA (Massey), MAICD

Managing Director
(resigned 8 April 2013)

Term of Office: Managing Director until his resignation on 8 April 2013.

Graeme Sumner has broad experience in the information technology, telecommunications, electricity, engineering and mining services sectors. Prior to joining the Company he served as the Chief Executive of Transfield Services New Zealand and Chairman of Transfield Worley NZ and Inser Transfield Services Chile.

Graeme had no other listed company directorships and held no other listed company directorships in the last 3 years.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or related body corporate as at the date of this report.

	Service Stream Limited	
	Fully paid ordinary shares	Performance Rights
Directors	Number	Number
P Dempsey	570,000	-
D Page	129,400	-
B Gallagher	8,792,113	-
S Wilks	500,000	-
R Grant	144,166	1,579,319

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' report, on pages 19 to 26. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Performance rights granted to Directors and senior management

During and since the end of the financial year, an aggregate of 2,441,011 performance rights were granted to the following Directors and to the five highest remunerated officers of the Group as part of their remuneration:

Directors and senior management	Number of rights granted	Issuing entity	Number of ordinary shares under rights
R Grant [1]	522,297	Service Stream Limited	522,297
C Orr	205,458	Service Stream Limited	205,458
L Mackender	164,438	Service Stream Limited	164,438
D Hill	173,868	Service Stream Limited	173,868
G Sumner [2]	1,124,796	Service Stream Limited	1,124,796
S Ellich [3]	250,154	Service Stream Limited	250,154

1. R Grant was an Alternate Director for G Sumner until 8 April 2013 and for B Gallagher since that date.

2. G Sumner resigned from the position of Managing Director on 8 April 2013.

3. S Ellich resigned from the position of Executive General Manager – Fixed Communications on 28 May 2013.

Company secretary

Jessica Lyons joined Service Stream in September 2010 as Legal Counsel and was appointed Group Company Secretary in November 2010. Jessica has extensive experience within the legal profession, most recently as the in-house Regional Counsel for Nyrstar, the world's largest zinc producer. Jessica has a Bachelor of Laws and Bachelor of Arts from Monash University, and is also a member of Chartered Secretaries Australia.

Vicki Letcher joined Service Stream in June 2010 and was appointed as Service Stream co-Company Secretary in August 2012. Vicki holds a Bachelor of Laws and a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.

Jessica and Vicki are jointly responsible for corporate administration within the Group, and assist the Board fulfill their corporate governance obligations.

Principal activities

The Service Stream Group is a provider of essential network services, including access, design, build, installation and maintenance. These services are provided to copper, fibre and wireless telecommunications networks as well as to a range of private and public energy and water entities nationally.

Review of Operations and Financial Performance

Financial Overview

Service Stream had a particularly poor FY13 with a number of issues contributing to the material underperformance of the Group's Fixed Communications segment. Operational difficulties arising from a substantial change in the mix of work during the year and the recognition of material losses arising from the Group's 50% interest in the Syntheo Joint Venture resulted in Fixed Communications recording an EBITDA loss of ($32.0 million) and impairing goodwill by ($89.8 million). On a positive note, the Group's two other segments, Mobile Communications and Energy & Water performed well in delivering a combined EBITDA of $24.3 million being $2.8 million or 13.2% favourable to the prior year.

- Group revenue: down 11.1% to $526.6 million
- Group earnings before interest, tax, depreciation and amortisation (EBITDA): down 135.2% to ($13.4 million) loss
- Group net profit after tax (NPAT): down 671.9% to ($107.1 million) loss
- Group cashflow from operating activities: down 80.0% to $3.2 million

	Jun 2013	*EBITDA %*	Jun 2012	*EBITDA %*	Net change	*Change %*
Fixed Communications	227.1		300.2		(73.1)	
Mobile Communications	124.7		124.7		(0.0)	
Energy & Water	174.2		169.1		5.1	
Inter-company revenue	(0.8)		(2.2)		1.4	
Interest received	1.4		0.4		1.0	
Total Revenue	**526.6**		**592.2**		**(65.6)**	***(11.1%)***
Fixed Communications	(32.0)	*-14.1%*	21.7	*7.2%*	(53.7)	
Mobile Communications	10.0	*8.0%*	8.5	*6.8%*	1.4	
Energy & Water	14.3	*8.2%*	12.9	*7.6%*	1.4	
Write-off FX reserve[1]	(0.6)		(0.7)		0.1	
Unallocated Corporate Services	(5.1)		(4.4)		(0.7)	
Total EBITDA	**(13.4)**	***-2.5%***	**38.0**	***6.4%***	**(51.4)**	***(135.2%)***
Depreciation / Amortisation	(8.3)		(7.5)		(0.9)	
Goodwill impairment	(89.8)		0.0		(89.8)	
EBIT	**(111.5)**		**30.6**		**(142.1)**	***(465.0%)***
Net interest expense	(2.0)		(3.9)		1.9	
Income tax expense	6.5		(7.9)		14.5	
NPAT	**(107.1)**		**18.7**		**(125.8)**	***(671.9%)***

[1] The investment in Total Comm Infra Services Pvt Ltd (India) was sold during the current period. Upon sale, the cumulative amount of the exchange differences relating to this investment has been reclassified from equity to profit and loss. During the 2012 financial year, the Group recognised an impairment loss of $700,000 in relation to the investment held in Total Comm Infra Services Pvt Ltd (India). This amount was derived after taking the expected proceeds from the sale of this investment into consideration.

Revenue

Revenue of $526.6 million decreased by $65.6 million compared to prior comparative period driven primarily by:

- Fixed Communications revenue was down (-$73.1 million) due to:
    - Cessation of Telstra A&AS and Payphones contracts (-$165.9 million); partially offset by:
    - Syntheo Joint Venture additional volumes (+$22.3 million);
    - New Estates (Fujitsu and NBN Direct) additional volumes (+$39.2 million);
    - Commencement of Telstra Remediation (+$16.7 million) and NBN Field Service Delivery and Network Augmentation & Restoration Activities (+$6.7 million) contracts; and
    - All other minor contracts (+$7.9 million)
- Mobile Communications revenue was consistent with prior year although reflected a shift between large carrier programs:
    - Higher revenue from works undertaken for Telstra (+$32.8 million) was offset by reduced revenue from work undertaken for Vodafone (-$35.3 million);
    - Changes in the mix of work was also experienced with the proportion of revenue from construction activity being higher than the prior year when compared to revenue from site acquisition and design services.
- Energy and Water revenue was up $5.1 million due to:
    - Stronger year on year revenue from meter reading and replacement services (+$5.0 million).
    - Additional revenue from in-home services programs such as solar PV system installations being offset by the cessation of the installation of energy saving devices in residences in connection with the Queensland

Climate Smart and Victorian Energy Efficiency Target schemes and a minor decline in revenues from Customer Care.

- o 9,552 residential solar PV installations were completed in FY13 compared to 5,355 in the prior year.

Earnings before interest, tax, depreciation and amortisation

The Group's EBITDA loss of ($13.4 million) for the year was unfavourable to the prior year by $51.4 million.

- Fixed Communications recorded an EBITDA loss of ($32.0 million) compared to an EBITDA profit of $21.7 million in the prior year.
- Within this segment, the Syntheo Joint Venture ("Syntheo") in which the Group has a 50% interest, has recognised material losses in the current financial year as it has determined that the unavoidable costs of meeting the obligations under its contracts with NBN Co Limited exceed the economic benefits expected to be received under it. In March 2013, Syntheo and NBN Co entered into an Agreement under which Syntheo would complete certain design and construction works that were in progress in respect of the Northern Territory but that no further work would be instructed by NBN Co under the relevant contract for that region. Subsequent to year-end, in August 2013, Syntheo and NBN Co entered into an Agreement under which Syntheo would complete certain construction works that were in progress in respect of Western Australia and South Australia but that no further work would be instructed by NBN Co under the relevant contract for those states. In both cases, the Agreements required Syntheo to repay to NBN Co certain amounts that had been advanced to Syntheo for overhead expenses. As a result, the contracts have been determined to be onerous, and the losses forecast to be incurred in the delivery of the contracts have been brought to account in the current financial year. Service Stream has agreed for its joint venture partner to assume control of Syntheo and of the delivery of Syntheo's remaining obligations to NBN Co. In light of this, and subject to certain conditions, Service Stream's share of any losses incurred by Syntheo shall be ($19.5 million). The loss shown in the Group's financial statements for the year ended 30 June 2013 is ($19.9 million) which brings its life to date loss for this project to the aforementioned ($19.5 million).
- In addition, operational difficulties arising from a substantial change in the mix of work during the year has resulted in further losses of ($12.1 million) being recognised in this segment. During the year, Fixed Communications has incurred significant cost in connection with the demobilisation and financial close of the Telstra AAS and New Estates (Fujitsu) contracts concurrently with managing the complexity associated with mobilising and dealing with volume ramp-up volatility on several new contracts with Telstra and NBN Co. In addition, the business was impacted in May and June 2013 by the nation-wide temporary cessation of activities on Telstra's pit and pipe remediation program as a result of concerns regarding standardised procedures for the safe handling of potentially asbestos containing material. An incident on this program involving the handling of potentially asbestos containing material by a Service Stream subcontractor occurred during May 2013 in the Sydney suburb of Penrith. All known costs associated with that incident have been taken to account in FY13.
- Mobile Communications recorded EBITDA of $10.0 million for FY13. This result was impacted by charges totaling ($3.8 million) relating to the final settlement of a long standing litigated contractual dispute with Ericsson and the write-off of a Foreign Currency Translation Reserve following the sale of an investment in a wireless infrastructure operation in India. After adjusting for these non-recurring items, the EBITDA margin of 11.0% reflects the impact of price competitiveness on margins available from major carriers and the greater proportion of lower-margin construction activity that was undertaken during the year. The EBITDA result for the year was a 16.6% improvement over the prior year which was impacted by the initial settlement of the Ericsson dispute.
- Energy & Water recorded EBITDA of $14.3 million for FY13 being a 11.0% improvement over the prior year and in line with its increase in revenue.

Interest

- Interest expense of $3.4 million was $0.9 million lower than the prior period as a result of lower effective borrowing rates.

Tax

- An income tax benefit of $6.5 million was recorded for the period which accords with an effective tax rate of 27.4% after adjusting Profit Before Tax for the non-deductible goodwill impairment charge. This compares to an income tax expense of $7.9 million and an effective tax rate of 29.8% in the prior period.

Depreciation and amortisation

- A depreciation and amortisation charge of $8.3 million was recorded for the period. This was slightly higher than the prior year's charge of $7.5 million due an increase in capital expenditure.

Goodwill impairment

- In light of the Syntheo Agreements, and having reviewed and reassessed growth assumptions, forward business plans, weighted average cost of capital and discounted cash flow calculations, the carrying value of goodwill within the

Fixed Communications segment was reduced by $89.8 million.

Cashflow

Key movements in cashflow compared to the prior period are as follows:

- Net cashflow from operations decreased by $12.8 million to $3.2 million mainly due to:
    - Unfavourable working capital changes during the year resulted in an operating cash outflow before interest and tax of ($12.1 million) in Syntheo compared to an inflow of $13.5 million in the prior period.
    - The Group's other business activities generated an operating cash inflow before interest and tax of $5.6 million compared to $14.1 million in the prior year.
    - A net tax refund of $12.0 million was received during the year as a result of a change to the tax treatment of accrued revenue.
- Net investing cashflow increased by $6.9 million to $15.7 million mainly due to investments made by the Group in relation to both property fit-outs and core information technology systems.
- Dividends totaling $5.7 million were paid to shareholders during the year, comprising a 1 cent per share final dividend for FY12 and a 1 cent per share interim dividend for FY13.

Financial Position

The financial position of the Group has deteriorated as a consequence of the losses sustained by Syntheo on the Northern Territory, Western Australia and South Australia NBN contracts, together with the impact of operational difficulties experienced in Fixed Communications.

Net Assets reduced by ($112.6 million) over the financial year ended 30 June 2013, reflecting goodwill impairment of ($89.8 million), other net losses after tax of ($17.1 million) and dividends paid during the year of ($5.7 million). At 30 June 2013, Net Assets totalled $158.0 million, with Current Assets exceeding Current Liabilities by $39.6 million.

<u>Debt and Financing Facilities</u>

- Net debt increased by ($18.2 million) over FY13. The Group had net debt of ($52.0 million) at 30 June 2013 compared to ($33.9 million) at June 2012.
- The net debt at June 2013 comprised ($65.4 million) of borrowings offset by $13.4 million of cash on hand.
- The borrowings of ($65.4 million) have been classified as a current liability since the Group's banking facilities had less than 12 months of remaining term at balance date.
- The Group breached a number of covenants under its banking facilities at 31 March 2013 and 30 June 2013 as a consequence of the impact of the business' operating performance on its 12 month rolling EBITDA and EBIT financial metrics and the impairment charge relating to Fixed Communications' goodwill.
- Since balance date the Group has received credit approved term sheets from its financiers, Australia & New Zealand Banking Group Ltd and Westpac Banking Corporation for the renewal of its banking facilities out to 31 August 2014.
- The Board considers the terms of the offer from the Group's financiers to be commercially acceptable under the current circumstances and proposes to accept the offer and proceed to documentation.
- Under the terms of the offer all breaches of covenants during FY13 will be waived by the financiers upon execution of final lending documentation and several of the historical covenants are amended going forward or replaced with more relevant measures relating to performance against forecast.

<u>Other Balance Sheet</u>

Other key balance sheet movements during the year included:

- Syntheo working capital at 30 June 2013 was a net liability of ($21.1 million) compared to ($13.3 million) at June 2012. The bulk of the movement over the financial year reflects the raising of a liability for onerous contracts. The Group's 50% interest in Syntheo is accounted for on a proportionate consolidation basis, with 50% of each line of Syntheo's balance sheet taken into the respective line of the Group's balance sheet.
- Service Stream (excluding Syntheo) working capital at 30 June 2013 was a net asset position of $96.4 million and reflected a minor increase over the prior year's closing balance of $94.5 million.
- Accrued revenue of $84.8 million was ($11.7 million) down on prior year.
    - Fixed Communications accounted for $40.7 million of accrued revenue at year-end, down ($3.5 million) on prior year. The vast majority of the prior year balance related to Telstra AAS and New Estates (Fujitsu), whereas the current year's balance relating to predominately NBN programs reflects the change of work mix that has occurred during the year.
    - Mobile Communications accounted for $32.5 milion of the balance, down ($10.9 million) reflecting improvements made to the billing process during the year.
    - Energy & Water accounted for $11.6 million of the balance, up $2.7 million due to higher volumes of meter replacement services being undertaken in the latter part of the year.
- Lease Incentive of ($5.4 million) has been recognised on the balance sheet with $Nil for prior year. This relates to the

property lease for the Group's head office in Melbourne.

- The only other material year-on-year change to note is a $17.9 million reduction in Trade & Other Payables reflecting the lower levels of activity in May/June relative to the prior year, particularly in Fixed Communications.
- Property, plant & equipment at 30 June 2013 was $15.3 million compared to $10.1 million at June 2012 and reflects investments made during the year in the fit-out of properties.
- Intangible assets at 30 June 2013 was $123.9 million compared to $211.7 million at June 2012 with the change largely attributable to the Fixed Communications goodwill impairment charge of ($89.8 million).

Business Activities and Outlook

<u>Fixed Communications</u>

Fixed Communications provides a wide range of design, construction and maintenance services to the owners of copper and fibre optic telecommunications infrastructure assets. This segment also includes the Group's 50% interest in the Syntheo Joint Venture for the design and construction of the National Broadband Network in Western Australia, South Australia and Northern Territory.

- Telstra Programs
    - For the last several years, the vast majority of Fixed Communications' revenues have come from the Access and Associated Services (AAS) and Payphones contracts with Telstra. These contracts have now effectively ceased and relatively minor revenues can be expected going forward from this type of activity relative to the $68.8 million that was recognised in FY13.
    - During FY13, Fixed Communications was successful in winning a contract with Telstra for the remediation of pit and pipe assets in connection with making Telstra infrastructure available for use by the National Broadband Network. The contract, which commenced in December 2012, has an initial term of three years with two x two-year extensions, and covers New South Wales, Western Australia, South Australia and Northern Territory. Revenues of $16.7 million were recognised on this new contract in FY13. This program was temporarily suspended across the country in May 2013 as a result of concerns regarding standardised procedures for the safe handling of potentially asbestos containing material. The customer authorised a staged recommencement of this program in late August 2013.
- NBN Co Programs
    - During the year, Fixed Communications concluded activities on its contract with Fujitsu for the design and construction of in-estate and backhaul National Broadband Network infrastructure for New Estates. Revenues of $39.4 million were recognised on this contract in FY13, following revenues of $26.6 million in the prior year.
    - During the year, Fixed Communications was successful in winning a contract directly with NBN Co for the design and construction of in-estate and backhaul National Broadband Network infrastructure for New Estates, effectively the replacement for the Fujitsu contract. The contract, which commenced in July 2012, has an initial term of 18 months, and covers New South Wales, Western Australia, South Australia and Northern Territory. Revenues of $26.4 million were recognised on this new contract in FY13.
    - During the year, Fixed Communications was successful in winning contracts with NBN Co for Field Service Delivery (FSD) comprising customer connection lead-ins and in-home equipment installations; and customer and network call-outs and emergency response; as well as Network Augmentation and Restoration Activities (NARA) comprising asset augmentations and relocations; and asset repairs and maintenance. The contracts, which commenced in August 2012, have initial terms of two years with two x one-year extensions, and cover Victoria, Western Australia, South Australia and Northern Territory. Revenues of $6.7 million were recognised on these new contracts in FY13.
- Syntheo Joint Venture
    - As previously mentioned, Syntheo and NBN Co have entered into Agreements under which Syntheo will only complete certain in-progress works in Northern Territory, Western Australia and South Australia and that no further work will be instructed by NBN Co in those regions.
    - Syntheo has determined that the project will be materially loss making and in light of the Joint Venture partner assuming control of Syntheo and subject to certain conditions, Service Stream's share of any losses incurred by Syntheo shall be ($19.5 million) and Service Stream's contribution to any such losses shall be made in accordance with a prescribed schedule of payments. Service Stream's exposure has been fully provided for at 30 June 2013.
- Other
    - Fixed Communications also includes a number of other streams of work including that relating to Recoverable Works (RWs) and South East Queensland Under-road Drilling (SEQUD).

Fixed Communications' performance in FY13 was unacceptable and a number of leadership changes have been made as a consequence. The business won a number of significant contracts with NBN Co and Telstra in FY13 that provide it with a sound platform to generate substantial earnings going forward. The nature of the work that Fixed Communications undertakes for NBN Co is smaller in scale and lower in complexity compared to that which was being undertaken for NBN Co by Syntheo, and is contracted directly with the client as opposed to being contracted through a joint venture arrangement. The focus in FY14 is to ensure that these new contracts are operating effectively and profitability.

Mobile Communications

Mobile Communications provides turnkey and project management services for site acquisition, design and construction of wireless telecommunications infrastructure across Australia. The major customers of Mobile Communications are currently Telstra and Vodafone-Hutchinson.

- Mobile Communications' financial performance in FY13 was solid with EBITDA of $10.0 million on revenue of $124.7 million (8.0% margin) compared with EBITDA of $8.5 million on revenue of $124.7 million (6.8% margin) in the prior year.
- Both FY13 and FY12 financial results for this segment were affected by material charges arising from a litigated contractual dispute with Ericsson. This matter was finally concluded during FY13 and all settlement amounts have been paid.
- During the year, Mobile Communications was successful in securing a two-year extension of its contract with Telstra for the provision of Site Acquisition, Environmental and Design (SAED) services.
- Mobile Communications immediate outlook is excellent with the opportunity to provide an increased volume of design and construction services to its existing customers on the back of their continued investment in 4G wireless infrastructure, as well as new opportunities that may present with customers such as Huawei, Optus and NBN Co.

Energy & Water

Energy & Water provides a range of specialist metering and environmental services to utilities and government authorities nationally, and through the Customer Care business, provides contact centre services and end-to-end customer support for key contracts.

- Energy & Water's financial performance in FY13 was solid with EBITDA of $14.3 million on revenue of $174.2 million (8.2% margin) compared with EBITDA of $12.9 million on revenue of $169.1 million (7.6%) in the prior year.
- During the year, Energy & Water was successful in winning a contract with EDS Electrix. This is the company's first contract in the Electrical Distribution Services space, and delivers on a strategic diversification goal.
- During the year, the business was successful in renewing six meter reading contracts and two meter replacement contracts, although the Sydney Water metering contract ceased. The business is well progressed on discussions pertaining to its contract with Origin Energy for a range of in-home services including solar PV and hot water installations and a future extension to the current term.

Overall Group strategy, prospects and risks

The performance of the Fixed Communications segment and the Group overall in FY13 was disappointing. In April 2013, the Board announced the resignation of Graeme Sumner as Managing Director and that Non-Executive Board member Brett Gallagher would become Executive Director on an interim basis whilst the Company undertook an executive search process. In May 2013, further senior executive changes occurred in the Fixed Communications segment and over recent months a number of other senior management changes have been made to improve the operational and cost effectiveness of the Group's support service functions. The executive search process for a replacement Managing Director is progressing well.

Service Stream believes that demand for essential network services will remain strong in the medium term.

- The Australian government's investment in the National Broadband Network will continue to drive opportunities for Fixed Communications particularly in the areas of its proven competence such as New Estates and Customer Connections.
- In Mobile Communications, increasing demand for mobile data will continue to drive the development and augmentation of the necessary supporting infrastructure.
- In Energy & Water, network investment profiles remain positive as transmission and distribution networks upgrade ageing asset bases and work to deliver better demand side management solutions. The business is working with a number of partners on new opportunities in smart metering, energy efficiency in the home, hot water, heating solutions and solar PV installation and maintenance. As a result of continued upward pressure on energy prices to consumers, the business is very positive on the outlook for this sector as customers look to manage their energy consumption more effectively.

The Board is pleased to have secured a refinance of its banking facilities and the focus of the Group in FY14 will be on delivering its profit and cash flow targets now that the material risks associated with the Group's participation in the Syntheo Joint Venture have been removed.

The achievement of the Group's business objectives in the near term may be impacted by the following risks:

Availability of funding	The recent refinance of the Group's banking facilities involves operating the business within reduced facility limits and with a profile for the amortisation of debt that has been agreed with the Group's financiers. Whilst Management and the Board have reviewed the Group's cashflow forecasts and are confident that they can be delivered to the extent required, there is a risk that cashflow underperformance may require concessions to be sought from the financiers or access to additional funding by way of subordinated debt or equity.
Fixed Communications	Whilst the Board is confident that the necessary leadership changes have been made in Fixed Communications, and process improvements are being implemented, there is a risk that this operating segment may take longer than anticipated to return to the targeted levels of profitability.
Renewal of customer contracts	There are a number of key contracts that expire and are forecasted to be renewed during FY14. These include Fixed Communications' contract with NBN Co for the design and construction of new estates, Mobile Communications' contract with Telstra for the construction of wireless infrastructure, and Energy & Water's contracts with a number of utilities for meter reading and meter replacement services. Whilst Management and the Board are confident that these contracts will be renewed on appropriate terms and conditions, there is a risk that one or more of them may not.
Customer demand	Many of the Group's customer contracts do not contain volume commitments and are therefore dependent on the customer's demand requirements. Whilst Management and the Board have taken a balanced view on the level of customer demand that will arise under each of these contracts in FY14, there is a risk that the level of customer demand may be less than forecasted. Of particular note is the potential for further delays beyond August 2013 in the Telstra remediation program; a major change to the scope or timing of the Federal Government's NBN rollout; the level of marketing and demand for solar PV installations, and client delays in investment in new or upgraded wireless infrastructure.
Further impairment of goodwill	Following a review of growth assumptions, forward business plans, weighted average cost of capital and discounted cashflow calculations, the carrying value of goodwill within the Fixed Communications segment was written-down by $89.8 million in FY13 to leave a remaining balance of $27.7 million as at 30 June 2013. Any subsequent downwards revision of the recoverable amount of the Fixed Communications segment will result in a further impairment charge. Additional information pertaining to the risks associated with further impairment charges in Fixed Communications and other segments is provided in Note 16 of the financial statements.
Handling of potentially Asbestos containing material	Certain works undertaken by the Group for its customers may involve the handling of potentially asbestos containing material. Whilst the Group has established detailed procedures for the safe and regulatory-compliant handling of potentially asbestos containing material and has implemented rigorous training, accreditation and audit protocols in relation thereto, there is a risk of occasional non-compliance with these procedures by employees or subcontractors which may result in adverse publicity and additional cost to the Group.
Retention of key personnel	The talents of a relatively small number of key personnel contribute significantly to the Group's operational effectiveness. Whilst Management and the Board have implemented strategies to retain those personnel, including through their participation in the Group's short-term and long-term incentive plans, there is a risk that one or more of them may leave the Group.

FY14 Earnings Guidance

The Board expects the Group to return to profitability in FY14 and is anticipating an EBITDA outcome of around $20.0m with a bias to the second half.

Dividends

Dividends paid to shareholders during the financial year were as follows:

	2013 $'000	2012 $'000
Final ordinary dividend for the year ended 30 June 2012 of 1 cent (2011 – nil) per fully paid share, paid on 18 October 2012	2,834	-
Interim ordinary dividend for the year ended 30 June 2013 of 1 cent (2012 – 1 cent) per fully paid share, paid on 18 April 2013	2,834	2,834
	5,668	2,834

No final ordinary dividend was declared with respect to the financial year ending 30 June 2013.

Significant changes in state of affairs

Except for as stated in the Review of Operations and Financial Performance, there was no significant change in the state of affairs of the Group during the financial year.

Matters subsequent to the end of financial year

In July 2013, a variation to the Syntheo Joint Venture Agreement was executed, as a result of which Syntheo Stream's joint venture partner would assume control of Syntheo and of the delivery of its remaining obligations to NBN Co. Additional comments in relation to the Syntheo Joint Venture are included in note 13 Joint Ventures.

In August 2013, the Group received credit approved term sheets from its financiers, Australia & New Zealand Banking Group Ltd and Westpac Banking Corporation for the renewal of its banking facilities to 31 August 2014. Additional comments are included in note 2.2 Going Concern.

Except for as stated above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental regulation

Other than compliance with general obligations under Federal and State environmental laws and regulations, the Group's operations are not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory law.

Shares under option or issued on exercise of options

No unissued shares or interests under option are in existence as at the date of this report. No further share options have been issued during or since the end of the financial year.

Shares under performance rights

Details of unissued shares under performance rights at the date of this report are:

Issuing entity	LTIP Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
Service Stream Limited	FY11 Tranche	Ordinary	$0.0000	30 June 2013	1,024,702
Service Stream Limited	FY12 Tranche	Ordinary	$0.0000	30 June 2014	1,866,347
Service Stream Limited	FY13 Tranche	Ordinary	$0.0000	30 June 2015	3,018,425
					5,909,474

The holders of these rights do not have the right, by virtue of the performance right, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme. No further share rights have been issued during or since the end of the financial year.

In accordance with the Employee Share Ownership Plan the shares relating to the FY11 Tranche which vested on 30 June 2013 will be issued to participants who have met the vesting criteria within 14 days from the date on which the Company releases its results for the year end 30 June 2013.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member).

	Board of Directors		Audit and Risk Management Committee		Remuneration and Nomination Committee		Safety and Environment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P Dempsey	29	29	5	5	4	4	3	3*
D Page	29	28	5	5	4	4	3	3*
S Wilks	29	28	5	5	4	4	3	3
B Gallagher [1]	29	28	5	4 + 1*	4	4*	3	3
R Grant [2]	29	27	5	5*	4	4*	3	2*
G Sumner [3]	20	20	4	4*	3	3*	3	3

*Attended as Standing Invitee

1. B Gallagher has attended Board and Committee meetings in his capacity as Non-Executive Director (until 8 April 2003) and as Executive Director (from 8 April 2013).

2. R Grant is an Alternate Director for G Sumner (until 8 April 2013) and for B Gallagher (since 8 April 2013), and has only attended Board and Committee meetings in his capacity as Chief Financial Officer.

3. G Sumner resigned as Managing Director on 8 April 2013.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretaries, and all executive officers of the Group and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

Details of any amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 38 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) are compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services disclosed in note 38 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Management Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the *Code of Conduct APES 110 Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 28 of the annual financial report.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration report

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Service Stream Limited's Directors and its key management personnel for the financial year ended 30 June 2013. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details of each person covered by this report are detailed below under the following headings:

- Director and key management personnel details;
- remuneration policy;
- use of remuneration consultants;
- relationship between remuneration policy and Group performance;
- non-executive Directors remuneration policy;
- remuneration of Directors and key management personnel;
- voting and comments made at the Company's 2012 Annual General Meeting;
- key terms of employment contracts;
- share-based payments granted as compensation; and
- remuneration outcomes.

Director and key management personnel details

The following persons acted as Directors of the Company during or since the end of the financial year:

P Dempsey (Chairman)
B Gallagher (Non-Executive Director – until 8 April 2013, Executive Director – appointed 8 April 2013)
G Sumner (Managing Director – until his resignation on 8 April 2013)
D Page AM (Non-Executive Director)
S Wilks (Non-Executive Director)
R Grant (Alternate Director, Chief Financial Officer)

The following key management personnel held their current position for the whole of the financial year and since the end of the financial year, except as noted below:

S Ellich (Executive General Manager – Fixed Communications – until his resignation on 28 May 2013)
C Orr (Executive General Manager – Fixed Communications – appointed 28 May 2013)
D Hill (Executive General Manager – Mobile Communications)
L Mackender (Executive General Manager – Energy and Water)

Remuneration policy

The Board, through the Remuneration and Nomination Committee, reviews the remuneration packages of all Directors and key management personnel on an annual basis. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Group.

To retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Group's operations, the Board seeks the advice of external advisers in connection with the structure of remuneration packages.

The Group's remuneration framework is based on the concept of Total Employee Reward ("TER"). This encompasses three components:

1. fixed remuneration;
2. variable remuneration (at risk remuneration); and
3. reward and recognition.

1. Fixed remuneration

The Group's principal remuneration strategy is to maintain equitable and affordable rates of pay for all employees, based on their performance and the market in which the Group operates. Fixed remuneration is expressed as Total Fixed Remuneration ("TFR"). TFR includes salary, superannuation entitlements and salary sacrifice elections, and is used as the basis for remuneration review, leave payments, and termination and redundancy payments. Benefits such as mobile phones, incentive payments and work vehicles are excluded from this figure.

The range of remuneration for each position is established by reference to the complexity of the position (determined by reference to a job evaluation methodology) and general market remuneration data. From time to time, where a need arises, other more specific market data may be used for certain positions.

2. Variable remuneration

Variable Remuneration is currently comprised of the Short Term Incentive Plan, the Long Term Incentive Plan and the Executive Option Plan.

Short Term Incentive Plan ("STIP")

Employees invited to participate in the STIP have the opportunity to earn an annual lump sum incentive payment through the achievement of annual goals established with their manager and approved by the Salary and Reward Management Committee or Remuneration and Nomination Committee (as appropriate) at the beginning of each financial year.

The annual goals that are established are considered outside the normal scope of the employee's duties and require significantly above average performance. STIP performance goals are also tied directly to the annual objectives of the Group, which are linked directly to the overall Group strategy. All eligible employees' STIP is comprised of three mandated performance criteria, with weighting relevant for their role in the Group, as discussed below:

Performance category	Metrics	Weighting	
		Group Role	Divisional Role
Financial performance	Group earnings before interest, tax, depreciation and amortisation	50%	20%
	Divisional earnings before interest, tax, depreciation and amortisation	n/a	30%
Personal performance goals	Goals assessed through an internal performance management program based on individual performance against individual objectives.	50%	50%

Long Term Incentive Plan ("LTIP")

From time to time employees in senior management roles and/or Directors may be invited, with approval from the Board, to participate in the LTIP. The LTIP operates within the shareholder approved Employee Share Ownership Plan ("ESOP"), under the administration of the Remuneration and Nomination Committee. The extent of individual participation and the associated number of performance rights offered is recommended by the Managing Director and reviewed by the Remuneration and Nomination Committee, which will then make recommendations to the Board, and to shareholders at the Annual General Meeting in the case of Directors, for approval.

In accordance with the provision of the ESOP and consistent with the prior year, Directors and employees in senior management roles were invited to participate in the LTIP which entitled them to receive a number of performance rights in respect of the year ending 30 June 2013 ("FY13 Tranche"). Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long term incentive participation rate, which is expressed as a percentage of the participant's TFR, and the volume-weighted average market price of the Company's shares over a prescribed period of time. The performance rights are subject to service and performance criteria being:

- The participant must be an employee at the vesting date;
- 50% of the performance rights granted will each vest where:
  - The Group's earnings per share ("EPS") achieves annual growth of 10% or more (full achievement) or 7.5% (pro-rata achievement) over the performance period from an agreed base EPS, as detailed below:

Percentage of performance rights that vest	EPS growth per annum
0%	Below 7.5%
40%	At 7.5%
Proportional vesting	Greater than 7.5% and less than 10.0%
100%	10.0% and above

The table below details the performance period, vesting dates and EPS base for each of the LTIP tranches:

	FY11 Tranche	FY12 Tranche	FY13 Tranche
Performance period	3 years	3 years	3 years
Vesting date	30 June 2013	30 June 2014	30 June 2015
EPS base (cents per share)	3.85	5.80	6.60

- The Group's total shareholder return ("TSR") over the performance period is such that it would rank at or above the 75th percentile (full achievement) or the 50th percentile (pro-rata achievement) of a relevant peer group of companies being those comprising the ASX 200 Industrials index, as detailed below:

Percentage of performance rights that vest	TSR ranking
0%	Below the 50th percentile
50%	At the 50th percentile
Proportional vesting	Above the 50th percentile but below the 75th percentile
100%	75th percentile or above (top quartile)

Executive Option Plan ("EOP")

In the past employees in senior management roles were invited to participate in the Executive Option Plan ("EOP"). The EOP also operates within the Service Stream Employee Share Ownership Plan ("ESOP") under the administration of the Remuneration and Nomination Committee.

Refer page 25 for details of options in existence for the year ended 30 June 2013. No options were granted or vested under the EOP during the financial year.

Securities Trading Policy

The trading of shares issued to participants under any of the Company's Employee Share Plans is subject to, and conditional upon, compliance with the Company's Securities Trading Policy (which can be found on the Company's website). The Securities Trading Policy lists the prohibited conduct of Officers and Employees and includes insider trading, margin lending, speculative trading, short selling and entering into any hedging arrangements. Any non-compliance will be regarded as serious misconduct which may result in the termination of their employment.

3. Reward and recognition

From time to time an employee or a team of employees may work beyond the call of duty to meet a challenging objective, or may substantially exceed expectations. The Group encourages recognition and reward for such behaviours, and may choose to recognise high performance via a discretionary bonus.

Use of remuneration consultants

During the year the Remuneration and Nomination Committee engaged the services of the Hay Group to perform a review of the remuneration of the Board and of key management personnel, and to implement a job evaluation and classification approach within the Group. Under the terms of the engagement, the Hay Group provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $41,250 for these services.

The Hay Group has confirmed that the above recommendations have been made free from undue influence by member of the Group's key management personnel.

To ensure the recommendations made were free from undue influence the following arrangements were made:

The Hay Group was engaged by, and reported directly to, the Chair of the Remuneration and Nomination Committee.

The report containing the remuneration recommendations was provided directly to the Chair of the Board Remuneration and Nomination Committee.

Management was permitted to contact the Hay Group for scoping and undertaking of individual pieces of work, provided that key management personnel work was delivered according to the protocols above.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Relationship between remuneration policy and Group performance

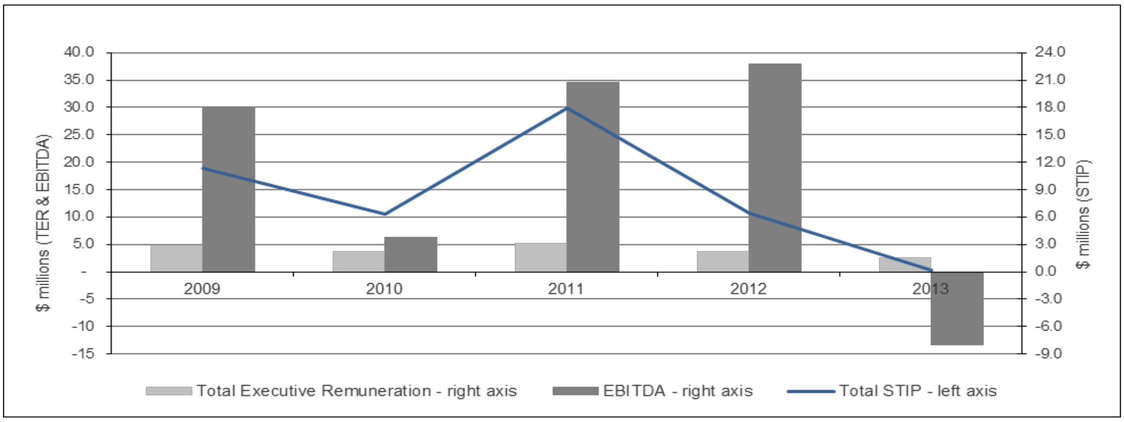
Each element of the remuneration framework is linked to the Group's financial performance. Changes to fixed remuneration are determined by an employee's performance and by the Group's capacity to fund any changes.

The Remuneration and Nomination Committee reviews the remuneration packages of all Directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance, data on remuneration paid by comparable companies and where appropriate, the Remuneration and Nomination Committee receives expert independent advice regarding remuneration levels required to attract and compensate Directors and executives, given the nature of their work and responsibilities.

In considering the Group's performance, the Remuneration and Nomination Committee have regard to a number of indices including the following:

	Results					Change				
	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2013 %	2012 %	2011 %	2010 %	2009 %
Total Executive Remuneration	2,662	3,719	5,274	3,727	4,841	(28.4%)	(29.5%)	41.5%	(23.0%)	12.4%
Revenue	526,593	592,216	633,290	520,781	558,216	(11.1%)	(6.5%)	21.6%	(6.7%)	23.9%
EBITDA [1]	(13,392)	38,041	34,584	6,401	30,147	(135.2%)	10.0%	440.3%	(78.8%)	(19.1%)
Net profit/(loss) before tax	(113,581)	26,643	22,631	(7,315)	15,300	(526.3%)	17.7%	(409.4%)	(147.8%)	(41.0%)
Net profit/(loss) after tax	(107,054)	18,716	16,452	(2,555)	11,118	(672.0%)	13.8%	(743.9%)	(123.0%)	(38.6%)
Share price at end of year	0.14 [5]	0.35	0.49	0.23	0.41	(60.0%)	(28.6%)	113.0%	(43.9%)	(59.0%)
Interim dividend [2]	1.00 cps	1.00 cps	-	-	3.50cps	-	n/a	-	(100.0%)	-
Final dividend [2 & 3]	-	1.00 cps	-	-	-	(100.0%)	n/a	-	-	(100.0%)
Basic earnings per share [4]	-37.77 cps	6.60 cps	5.80cps	-0.99cps	5.93cps	(672.3%)	13.8%	(685.9%)	(116.7%)	(43.6%)
Diluted earnings per share [4]	-37.77 cps	6.54 cps	5.80cps	-0.99cps	5.93cps	(677.5%)	12.8%	(685.9%)	(116.7%)	(40.5%)

1. Earnings before interest, tax, depreciation and amortisation.
2. Franked to 100% at 30% corporate income tax rate.
3. Declared after the balance date and not reflected in the financial statements of that year.
4. Earnings per share for prior years have been restated to reflect the October 2009 rights issue.
5. Based on the last available share price.



The overall level of key management personnel compensation takes into account the size, complexity, financial performance and growth prospects of the Group.

Non-executive Directors remuneration policy

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration. Non-Executive Directors are remunerated by way of fees and statutory superannuation (where applicable). The Executive Director is paid his pre-existing fixed Directors salary and a fixed higher duties allowance. The Non-Executive Directors and the Executive Director (Mr Gallagher) do not receive performance-based pay.

Fees are reviewed annually taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed in June 2013 with the Director's agreeing that a fee increase was not warranted given the current circumstances of the Company. The Directors have not had a fee increase in the past three years; as such there has been no requirement to seek shareholder approval of an increase to the aggregate Directors' fee pool. The Remuneration Report (at pages 19-26 of this annual financial report) details the remuneration of Directors. The maximum annual aggregate directors' fee pool limit is $500,000 as per the Company's Constitution. The following fees have applied:

	From 1 July 2013 $	From 1 July 2011 to 30 June 2013 $
Base fees		
Chair	138,975	138,975
Other non-executive directors	111,725	111,725
Additional fees		
Audit and risk committee - Chair	5,450	5,450

Remuneration of Directors and key management personnel

	Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payment	Total
2013	Salary & fees $	Short term incentives [6] $	Non-monetary $	Superannuation $	Long Service Leave $	Performance rights [7] $	$
Non-executive directors							
P Dempsey	127,500	-	-	11,475	-	-	138,975
S Wilks [1]	111,725	-	-	-	-	-	111,725
D Page	107,500	-	-	9,675	-	-	117,175
Executives							
B Gallagher [2]	152,298	-	-	13,334	-	-	165,632
G Sumner [3]	552,251	-	38,471	40,198	13,485	(82,388)	562,017
R Grant	417,392	-	-	25,695	8,355	60,923	512,365
D Hill	270,642	-	-	24,358	14,577	18,228	327,805
L Mackender	262,530	(2,146)	6,698	16,470	12,152	18,610	314,314
C Orr [4]	28,143	-	374	1,721	656	3,907	34,801
S Ellich [5]	319,376	24,311	46,875	23,342	9,104	(45,500)	377,508

1. S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which Stephe has a beneficial interest.

2. B Gallagher was a non-executive director until 8 April 2013 at which time he become Executive Director.

3. G Sumner held the position of Managing Director until 8 April 2013 and left the employment of the Group on 1 July 2013. Due to Graeme's cessation of employment his performance rights were forfeited, effective as at his date of resignation. Remuneration shown in the above table relates only to the period of time which Graeme was considered to be key management personnel.

4. C Orr was appointed to the position of Executive General Manager - Fixed Communications on 28 May 2013. Remuneration shown in the above table relates only to the period of time which Chad was considered to be key management personnel.

5. S Ellich held the position of Executive General Manager - Fixed Communications until 28 May 2013 and left the employment of the Group on 1 July 2013. Due to Stephen's cessation of employment his performance rights were forfeited, effective as at his date of resignation. Remuneration shown in the above table relates only to the period of time which Stephen was considered to be key management personnel.

6. Due to the failure of the Group to meet the required performance targets, there are no short term incentives payable for the year ended 30 June 2013. The amounts included above represent variances between the 30 June 2012 estimation as included in the remuneration report for the year ended 30 June 2012 and the amount subsequently paid.

7. The fair value of performance rights issued under the Long Term Incentive Plan, allocated on a pro-rata basis, to the current financial year. Where rights have been forfeited due to resignation or non-achievement of performance targets the relevant remuneration disclosure will be negative.

2012	Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payment	Total
	Salary & fees	Short term incentives [4]	Non-monetary	Superannuation	Long Service Leave	Performance rights [5]	
	$	$	$	$	$	$	$
Non-executive directors							
P Dempsey	127,500	-	-	11,475	-	-	138,975
S Wilks [3]	102,500	-	-	9,225	-	-	111,725
B Gallagher	102,500	-	-	9,225	-	-	111,725
D Page	107,500	-	-	9,675	-	-	117,175
Key management personnel							
G Sumner	650,642	235,448	63,230	63,750	1,874	106,637	1,121,581
R Grant [6]	364,500	151,051	-	47,500	1,117	7,444	571,612
R Stanton [1]	271,066	70,359	30,529	16,986	9,077	63,970	461,987
D Hill [2]	81,563	8,151	-	7,341	4,073	8,097	109,225
S Ellich	338,395	107,550	49,390	24,598	11,369	87,493	618,795
L Mackender	234,225	71,246	-	15,775	5,734	29,219	356,199

1. R Stanton held the position of Executive General Manager – Mobile Communications until 5 March 2012 and left the employment of the Group on 1 July 2012. Due to Rod's cessation of employment the performance rights, the value of which are shown in the above table, were forfeited, effective 1 July 2012.

2. D Hill was appointed to the position of Executive General Manager – Mobile Communications on 7 March 2012. The remuneration shown in the table above reflects the period 7 March 2012 to 30 June 2012.

3. S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which Stephe has a beneficial interest.

4. This amount represents cash short term incentives payable for the year ended 30 June 2012, which are scheduled to be paid in September 2012. Included in these amounts are any variances between the 30 June 2011 estimation as included in the remuneration report for the year ended 30 June 2011 and the actual amount subsequently paid.

5. The fair value of performance rights issued under the Long Term Incentive Plan in the current and prior reporting periods, allocated on a pro-rata basis, to the current financial year.

6. In the remuneration report for the year ended 30 June 2011, the amount shown for Robert Grant's performance rights was estimated based on a grant date of 18 February 2011. The issue of these rights was however subject to shareholder approval. This approval was obtained at the Company's Annual General Meeting on 26 October 2011 and the performance rights have subsequently been revalued based on this revised grant date. Included in the amount shown above is a downwards reduction of $87,774 in relation to this revaluation.

No Director or members of the key management personnel who were appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	2013	2012	2013	2012	2013	2012
Non-executive directors						
P Dempsey	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
S Wilks	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
D Page	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Executives						
B Gallagher	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
G Sumner	50.0%	40.0%	25.0%	20.0%	25.0%	40.0%
R Grant	50.0%	50.0%	25.0%	25.0%	25.0%	25.0%
D Hill	64.5%	64.5%	19.4%	19.4%	16.1%	16.1%
L Mackender	64.5%	64.5%	19.4%	19.4%	16.1%	16.1%
C Orr	57.1%	57.1%	28.6%	28.6%	14.3%	14.3%
S Ellich	64.5%	64.5%	19.4%	19.4%	16.1%	16.1%
R Stanton	n/a	64.5%	n/a	19.4%	n/a	16.1%

Voting and comments made at the Company's 2012 Annual General Meeting

The Company received more than 94% of "yes" votes on its Remuneration Report for the 2012 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Key terms of employment contracts

Except as detailed below, the employment contracts for key management personnel listed in the remuneration table provide for the following elements:

- base remuneration allocated between salary, non-monetary and post-employment benefits;
- payment of a short term bonus if and to the extent that the agreed short term annual targets, as determined by the Remuneration and Nomination Committee, are met.

Robert Grant

Robert (Bob) Grant's contract specifies his eligibility to be invited to participate in the LTIP.

Brett Gallagher

In addition to his directors fees of $111,725, Brett Gallagher has received a Higher Responsibilities allowance of $287,496 for the period in which he holds the position of Executive Director.

As a member of the Board, Brett is not eligible to accrue entitlements such as annual leave, sick leave and long service leave and during planned absences the higher responsibilities allowance referred above does not apply.

Furthermore, Brett is ineligible to participate in either the STIP or LTIP schemes.

Graeme Sumner

Graeme Sumner resigned from his position as Managing Director on 8 April 2013 and took no part in management of the Company from that date. Graeme's contract stipulates a six months' notice period post his resignation date. The Board agreed a waiver of this notice period and Graeme's employment with the Company ceased on 1 July 2013. Graeme's LTIP eligibility expires on the date of his resignation and the forfeiture of Graeme's LTIP has been taken into account in these financial statements.

Share-based payments granted as compensation

Executive Option Plan

In previous years, the Group operated an option-based scheme for its executives and senior employees.

During the financial year, the following arrangements remained in existence:

Option Series	Grant date	Expiry date	Grant date fair value	Vesting date
Series 18	23 October 2007	1 March 2013	0.1423	Vested 23 October 2007

During the year, no options were granted to or exercised by Directors and key management personnel as part of their remuneration. All options issued under the Executive Option Plan have now expired.

Long Term Incentive Plan ("LTIP")

The Group operates a LTIP whereby employees in senior management roles are granted performance rights subject to service and performance criteria. As at balance date, the following LTIP arrangements were in existence:

LTIP Series	Number	Grant date	Grant date weighted average fair value	Vesting date
FY11 tranche [1]	711,222	18 February 2011	Relative TSR hurdle - $0.720 EPS hurdle - $0.750	30 June 2013
FY11 tranche (R. Grant) [1,3]	313,480	18 February 2011	Relative TSR hurdle - $0.315 EPS hurdle - $0.315	30 June 2013
FY12 tranche [2]	1,866,347	25 November 2011	Relative TSR hurdle - $0.160 EPS hurdle - $0.250	30 June 2014
FY13 tranche [4]	3,018,425	30 November 2012	Relative TSR hurdle - $0.190 EPS hurdle - $0.290	30 June 2015

1. The performance period for the FY11 tranche of LTIP performance rights commenced 1 July 2010.
2. The performance period for the FY12 tranche of LTIP performance rights commenced 1 July 2011.
3. Although the grant date for Bob Grant's performance rights was 18 February 2011, the issue of these rights was not approved until the Company's Annual General Meeting on 26 October 2011.
4. The performance period for the FY12 tranche of LTIP performance rights commenced 1 July 2012.

Remuneration outcomes

The FY11 Tranche LTIP vested during the current financial year (vesting date: 30 June 2013). The table below details the vesting of the performance rights under this tranche. The achievement of the EPS and TSR targets are measured each year and performance rights can vest if the targets are met in any individual year. Performance is also measured over the 3 year period:

FY11 Tranche	EPS growth hurdle (base 3.85 cps)		Relative TSR hurdle	
	Measure	Achievement	Measure	Achievement
Year 1	50.8%	Yes	1st Quartile	Yes
Year 2	13.8%	Yes	4th Quartile	No
Year 3	-648.2%	No	TBA	TBA[1]
Year 1-3	-194.5%	No	TBA	TBA[1]

1. TSR hurdle not expected to be achieved however the measurement of the TSR will not be completed until after the release of FY13 results.

On vesting, each right converts to one ordinary share in Service Stream Limited.

The following table outlines the performance rights issued under the LTIP to Directors and key management personnel in the current financial year:

Name	Number of rights granted during the year	Number of rights vested during the year	Number of rights lapsed during the year
G Sumner [1]	1,124,796	-	2,685,339
R Grant [2]	522,297	313,480	313,480
D Hill	173,868	43,894	43,894
S Ellich [3]	250,154	149,882	605,660
C Orr [4]	205,458	128,135	128,135
L Mackender	164,438	41,003	41,003

1. G Sumner held the position of Managing Director until 8 April 2013. Due to G Sumner's cessation of employment his performance rights were forfeited.
2. R Grant is an Alternate Director for G Sumner (until 8 April 2013) and for B Gallagher (since 8 April 2013).
3. S Ellich held the position of Executive General Manager – Fixed Communications until 28 May 2013. Due to S Ellich's cessation of employment all non-vested performance rights were forfeited.
4. C Orr was appointed Executive General Manager – Fixed Communications on 28 May 2013.

For each cash bonus and grant of performance rights included in the tables on pages 23-26, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because either the service or performance criteria was not met, are set out below:

Name	STIP		LTIP			
	Awarded %	Forfeited %	Year granted	Vested	Forfeited	Financial years in which rights vests
G Sumner	0%	100%	2013	0.0%	100.0%	2015
			2012	0.0%	100.0%	2014
R Grant	0%	100%	2013	0.0%	0.0%	2015
			2012	0.0%	0.0%	2014
			2011	50.0%	50.0%	2013
D Hill	0%	100%	2013	0.0%	0.0%	2015
			2012	0.0%	0.0%	2014
			2011	50.0%	50.0%	2013
S Ellich	0%	100%	2013	0.0%	100.0%	2015
			2012	0.0%	100.0%	2014
			2011	50.0%	50.0%	2013
C Orr	0%	100%	2013	0.0%	0.0%	2015
			2012	0.0%	0.0%	2014
			2011	50.0%	50.0%	2013
L Mackender	0%	100%	2013	0.0%	0.0%	2015
			2012	0.0%	0.0%	2014
			2011	50.0%	50.0%	2013

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001.*

On behalf of the Directors

P Dempsey
Chairman
Melbourne, 30 August 2013

B Gallagher
Executive Director
Melbourne, 30 August 2013

Auditor’s Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2013, I declare that 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 audit; and

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

This declaration is in respect of Service Stream Limited and the entities it controlled during the period.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
30 August 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Independent auditor's report to the members of Service Stream Limited

Report on the financial report

We have audited the accompanying financial report of Service Stream Limited (the company), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Service Stream Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.1, 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 whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Service Stream 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 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 19 to 26 of the directors' report for the year ended 30 June 2013. 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.

Auditor's opinion

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
30 August 2013

Directors' declaration

In the directors' opinion:

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

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, 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;

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

P Dempsey
Chairman
Melbourne, 30 August 2013

B Gallagher
Executive Director
Melbourne, 30 August 2013

Consolidated statement of comprehensive income for the financial year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue from continuing operations			
Revenue from the rendering of services	5	526,600	592,190
Other income	6	(7)	26
		526,593	592,216
Expenses			
Employee salaries and benefits		(163,222)	(148,991)
Subcontractor fees		(153,083)	(227,778)
Site and construction costs		(91,752)	(77,635)
Raw materials and consumables used		(57,980)	(45,312)
Consulting and temporary staff fees		(12,065)	(11,334)
Company administration and insurance expenses		(11,305)	(11,536)
Occupancy expenses		(10,702)	(9,135)
Technology and communication services		(7,852)	(8,964)
Motor vehicle expenses		(10,768)	(8,158)
Other expenses		(6,167)	(3,535)
Loss on onerous contracts		(12,824)	-
Write back of currency translation differences		(576)	-
Impairment losses of investment in associate	12	-	(700)
Share of losses of investment in associate	12	(48)	(36)
Depreciation and amortisation	8.1	(8,345)	(7,486)
Goodwill impairment	16	(89,800)	-
Interest expense and other finance costs	7	(3,685)	(4,973)
(Loss) / profit before tax		(113,581)	26,643
Income tax benefit / (expense)	9	6,527	(7,927)
(Loss) / profit for the year		(107,054)	18,716
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign investment	25	576	(114)
Cash flow hedges	21	(203)	-
Total comprehensive income for the year		(106,681)	18,602
(Loss) / profit attributable to the equity holders of the parent		(107,054)	18,716
Total comprehensive income attributable to equity holders of the parent		(106,681)	18,602
Earnings per share			
Basic (cents per share)	27	(37.77)	6.60
Diluted (cents per share)	27	(37.77)	6.54

Notes to the financial statements are included on pages 36 to 87.

Consolidated balance sheet as at 30 June 2013

	Note	2013 $'000	2012 $'000
Assets			
Current assets			
Cash and cash equivalents	33.1	13,398	20,916
Trade and other receivables	11	61,888	63,943
Inventories		17,545	12,096
Accrued revenue	14	88,338	97,831
Other	17	5,170	2,374
		186,339	197,160
Assets classified as held for sale	10	-	330
Total current assets		186,339	197,490
Non-current assets			
Property, plant and equipment	15	15,291	10,052
Deferred tax assets	9.3	-	6,177
Intangible assets	16	123,869	211,677
Total non-current assets		139,160	227,906
Total assets		325,499	425,396
Liabilities			
Current liabilities			
Trade and other payables	19	69,518	81,095
Borrowings	20	65,414	988
Current tax liabilities	9.2	-	4,891
Provisions	22	10,483	11,332
Other	23	1,339	-
Total current liabilities		146,754	98,306
Non-current liabilities			
Trade and other payables	19	9,500	-
Borrowings	20	-	53,780
Provisions	22	2,731	2,643
Deferred tax liability	9.3	4,177	-
Other	23	4,094	-
Derivatives	21	203	-
Total non-current liabilities		20,705	56,423
Total liabilities		167,459	154,729
Net assets		158,040	270,667
Equity			
Capital and reserves			
Issued Capital	24	228,416	228,416
Reserves	25	2,527	2,372
Retained earnings / (accumulated losses)	26	(72,903)	39,879
Total equity		158,040	270,667

Notes to the financial statements are included on pages 36 to 87.

Consolidated statement of changes in equity for the financial year ended 30 June 2013

	Note	Share capital	Employee equity-settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings / (accumulated losses)	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011		228,416	2,242	-	(522)	23,997	254,133
Profit for the period		-	-	-	-	18,716	18,716
Other comprehensive income		-	-	-	(114)	-	(114)
Total comprehensive income for the year		-	-	-	(114)	18,716	18,602
Equity settled share based payment		-	766	-	-	-	766
Dividends paid	28		-	-	-	(2,834)	(2,834)
Balance at 30 June 2012		**228,416**	**3,008**	**-**	**(636)**	**39,879**	**270,667**
Loss for the period		-	-	-	-	(107,054)	(107,054)
Write back of currency translation reserve on sale of investment		-	-	-	636	(60)	576
Other comprehensive income		-	-	(203)	-	-	(203)
		-	-	(203)	636	(107,114)	(106,681)
Total comprehensive income for the year							
Equity settled share based payment		-	(278)	-	-	-	(278)
Dividends paid	28	-	-	-	-	(5,668)	(5,668)
Balance at 30 June 2013		**228,416**	**2,730**	**(203)**	**-**	**(72,903)**	**158,040**

Notes to the financial statements are included on pages 36 to 87.

Consolidated statement of cash flows for the financial year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		598,987	663,595
Payments to suppliers and employees (including GST)		(605,531)	(636,030)
Cash generated from / (used in) operations before interest and tax		(6,544)	27,565
Interest received		1,394	382
Interest paid		(3,655)	(3,989)
Income taxes paid / (refunded)		11,991	(7,998)
Net cash provided by operating activities	33.2	3,186	15,960
Cash flows from investing activities			
Payments for plant and equipment		(10,821)	(5,216)
Proceeds from sale of plant and equipment		175	144
Payment for intangible assets		(5,317)	(3,755)
Proceeds from sale of investment		282	-
Net cash used in investing activities		(15,681)	(8,827)
Cash flows from financing activities			
Proceeds from borrowings		42,327	15,336
Repayment of borrowings		(36,652)	(7,890)
Dividends paid		(5,668)	(2,834)
Net cash provided by financing activities		7	4,612
Net (decrease) / increase in cash and cash equivalents		(12,488)	11,745
Cash and cash equivalents at the beginning of the financial year		20,916	9,171
Cash and cash equivalents at the end of the financial year	33.1	8,428	20,916

Notes to the financial statements are included on pages 36 to 87.

Notes to the financial statements for the financial year ended 30 June 2013

1. General information

Service Stream Limited ("the Company") is a limited company incorporated in Australia and listed on the Australian Securities Exchange (ASX: SSM).

Service Stream Limited's registered office and its principal place of business are as follows:

Level 4, 357 Collins Street
Melbourne, Victoria 3000

The principal activities of the Company and its subsidiaries ("the Group") are described in note 4.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Service Stream Limited and its subsidiaries.

2.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Service Stream Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Directors on 30 August 2013.

<u>Compliance with IFRS</u>

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

<u>New and amended standards adopted by the Group</u>

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

<u>Early adoption of standards</u>

The Group have not elected to early adopt the Standards and Interpretations issued but not yet effective. Refer to note 2.31.

<u>Historical cost convention</u>

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

<u>Critical accounting estimates</u>

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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

2. Significant accounting policies (continued)

2.2 Going concern

The Group breached a number of covenants under its banking facilities at 31 March 2013 and 30 June 2013 as a consequence of the impact of the business' operating performance on its 12 month rolling EBITDA and EBIT metrics and the impairment charge relating to Fixed Communications' goodwill.

Since balance date, the Group has received credit approved term sheets from its financiers, Australia & New Zealand Banking Group Ltd and Westpac Banking Corporation for the renewal of its banking facilities out to 31 August 2014. The facilities being offered under the credit approved term sheets include a cash advance facility with an initial limit of $60 million, an overdraft facility of $5 million and a bank guarantee facility of $37 million. In addition to the payment of an establishment fee, the revised facilities will attract line fees and margins that will result in an increase in costs of between 200 and 250 bps compared to FY13. The credit approved term sheets define a number of conditions precedent and conditions subsequent.

The Board is confident the conditions precedent and subsequent will be satisfied. The Board also considered the terms of the offer to be commercially acceptable and proposes to accept the offer and to proceed to documentation.

The revised banking facilities will require the business to operate within reduced facility limits and to commit to the repayment of a total of $13 million from the cash advance facility over the course of FY14.

Under the terms of the offer, the breaches of covenants at 31 March 2013 and 30 June 2013 will be waived by the financiers upon execution of the final lending documentation. In addition, several of the former facility covenants are suspended, amended or replaced with more relevant measures. The former earnings-based covenants have been suspended and replaced with a covenant relating to performance against budgeted EBITDA. The asset-based covenants of Shareholder Funds and Net Tangible Assets will be reset in line with the actual metrics as at 30 June 2013.

Management and the Board have reviewed the Group's cashflow forecasts in the context of the Group's obligations under the revised facilities, and are of the view that there are reasonable grounds on which to conclude that the Group can continue to operate as a going concern.

Accordingly, the consolidated financial statements have been prepared on a going concern basis in the belief that the Company will realise its assets and settle its liabilities and commitments in the normal course of business.

2.3 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

Joint ventures

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 13.

2. Significant accounting policies (continued)

2.4 Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination.Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units and then pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash generating units). An impairment loss recognised for goodwill is recognised immediately in the profit or loss and is not reversed in a subsequent accounting period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Details of the Group's segment reporting is set out in note 4.

2.6 Investments in associates

An associate is an entity over which the Group has significant influence and one that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

2.7 Non-current assets held for sale

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 only satisfied when the sale is highly probable and the non-current 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

2.8 Investment in joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

The proportionate interest in the assets, liabilities, revenue and expenses of the joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 13.

2. Significant accounting policies (continued)

2.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

<u>Rendering of services</u>

Revenue from a contract to provide services is recognised when probable and measurable, as labour hours or contracted services are delivered.

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 2.10.

<u>Dividend and interest revenue</u>

Dividend revenue from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.10 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. This is normally measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Where this is the case, stage of completion is measured on a time basis. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work within accrued income. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work within income in advance. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as income in advance. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

2.11 Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

2. Significant accounting policies (continued)

2.11 Leases (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.12 Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ('$'), which is the functional currency of the Group and the currency used for the presentation of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in other currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur (therefore forming part of the net investment in a foreign operation). These differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.13 Employee benefits

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

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

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

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. Significant accounting policies (continued)

2.14 Share-based payments

Executive Option Plan

In the past employees in senior management roles were invited to participate in the Executive Option Plan ("EOP"). Equity instruments issued under the EOP were measured at fair value at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model was adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Details regarding the determination of the fair value of the EOP are set out in note 35.

The fair value determined at the grant date of the equity instruments issued under the EOP are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Executive Option Plan (continued)

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

No expense amount has been recognised in profit and loss for the year ended 30 June 2013 (2012: Nil) in respect of the EOP.

Long Term Incentive Plan

Equity-settled share-based payments to employees under the Long Term Incentive Plan ("LTIP") are measured at the fair value of the equity instrument at the grant date. As there are two separate hurdles, being relative total shareholder return ("TSR") and earnings per share ("EPS"), a fair value has been determined for each. In respect of the TSR hurdle, fair value is measured using a Monte-Carlo simulation, whilst for the EPS hurdle, fair value is measured using a Binomial tree methodology. Both valuation methodologies are underpinned by a 'risk neutral' probability framework with lognormal share prices. Details regarding the determination of the fair value of the LTIP are set out in note 35.

The fair value determined at the grant date of the LTIP is expensed on a straight-line basis over the vesting period. However, in respect of the EPS portion, at the end of each reporting period the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. Whereas the fair value determined for TSR at the grant date expensed on a straight-line basis with no adjustments, other than to take into account the impact of participants who will not meet the service period criteria.

An expense amount of (-$277,253) has been recognised in profit and loss for the year ended 30 June 2013 (2012: $765,732) in respect of the LTIP.

2.15 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Significant accounting policies (continued)

2.15 Taxation (continued)

Deferred tax (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

Refer to note 9.4.

2.16 Plant and equipment

Plant and equipment, leasehold improvements and motor vehicles are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amount payable to their present value as at the date of acquisition.

Depreciation is calculated on a straight-line basis so as to write off the net costs or other revalued amount of each asset over its expected useful life to its estimated residual value. Depreciation methods, estimated useful lives and residual values are reviewed at the end of each annual accounting period, with the effect of any changes recognised on a prospective basis.

Plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

• Leasehold improvements	2 - 10 years
• Plant and equipment	2 - 10 years
• Motor vehicles	3 – 7 years

2.17 Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated 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 and ability to complete the intangible asset and use or sell it;
- 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. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the

2. Significant accounting policies (continued)

2.17 Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure (continued)

period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Software

Software is carried at cost less accumulated amortisation and accumulated impairment. Amortisation is recognised on a straight line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual accounting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives used in the calculation of amortisation range from between 2 and 5 years.

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is de-recognised.

2.18 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have incurred 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 it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the 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 the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 so 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Significant accounting policies (continued)

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first in, first out basis. The inventory balance is comprised of purchase inventory, the cost of which is determined after deducting rebates and discounts. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.20 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

<u>Onerous contracts</u>

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group 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.

<u>Warranties</u>

Provisions for the expected cost of warranty obligations are recognised at the date of installation of the relevant products, at management's best estimate of the expenditure required to settle the Group's obligation.

2.21 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.21.1 Financial assets

All financial assets are recognised and de-recognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Such assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised costs of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the debt instrument or, (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2. Significant accounting policies (continued)

2.21 Financial instruments (continued)

2.21.1 Financial assets (continued)

Effective interest method (continued)

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. However this is limited to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the carrying amount would have been had the impairment not been recognised.

2.21.2 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial guarantee liabilities

A financial guarantee is a contract that requires the issuer of the guarantee to make a specified payment/s to the holder of the guarantee in the event that they suffer a loss due to the guarantee drawer's failure to make payment or otherwise satisfy their contractual obligations under an agreement with the holder. The drawer of the guarantee is required to reimburse the issuer for any loss suffered in satisfaction of the guarantee obligation to the holder.

Financial guarantee liabilities are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*; and

2. Significant accounting policies (continued)

2.21 Financial instruments (continued)

2.21.2 Financial liabilities and equity instruments (continued)

<u>Financial guarantee liabilities (continued)</u>

- the amount initially recognised, less where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

<u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' ("FVTPL") or 'other financial liabilities'.

<u>Other financial liabilities</u>

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest 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 estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying value on initial recognition.

<u>De-recognition of financial liabilities</u>

The Group de-recognises financial liabilities only when the Group's obligations are fully discharged, cancelled or otherwise expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid or payable is then recognised in profit or loss.

2.22 Derivative financial instrument

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting treatment for subsequent changes in fair value will be dependent upon whether the derivative was designated as a hedging instrument at its inception and the type of hedge.

The Group designates hedge accounted derivatives as either a:

- hedge of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedge of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

In accordance with the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*, the Group documents at the inception of the hedge transaction the relationship between the hedging instrument and the hedged item, as well as the risk being hedged and the risk management objective for undertaking the hedge transaction. The Group documents both at hedge inception and on an ongoing basis its assessment of whether the hedge transaction is expected to be and continues to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

The current fair values of derivative financial instruments used for hedging purposes are disclosed in note 21.

Changes in fair values taken to the hedging reserve are shown as adjustments to shareholders' equity in note 25.

The fair value of a hedging instrument is classified as a non-current asset or liability where it's remaining maturity is more than 12 months and classified as a current asset or liability where its remaining maturity is less than 12 months, as required.

Derivative financial instruments designated as held for trading are classified within the Balance Sheet as a current asset or liability, as required.

<u>Fair value hedge</u>

Changes in the fair value of derivatives that are designated as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

2. Significant accounting policies (continued)

2.22 Derivative financial instrument (continued)

<u>Cash flow hedge</u>

The portion of the gain or loss on the hedging instrument that is determined to be hedge effective is recognised within comprehensive income within the equity reserve. The gain or loss relating to the hedge ineffective portion is recognised immediately in profit or loss.

Amounts accumulated within the equity reserve are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument is de-designated, expires, is sold, terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity relating to the period where the hedge was effective may remain in equity and is then recognised when the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately reclassified to profit or loss.

2.23 Trade receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

2.24 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and are not discounted if the effect of discounting is immaterial.

2.25 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (“GST”), except:

(i) 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; or

(ii) for receivables and payables which are recognised inclusive of GST.

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 as operating cash flows.

2. Significant accounting policies (continued)

2.26 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.27 Contributed equity

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. Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Service Stream Limited as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Service Stream Limited.

2.28 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.29 Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

<u>Diluted earnings per share</u>

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to

take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.30 Rounding of amounts

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

2.31 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) and AASB 2012-6 *Amendments to Australian Accounting Standard – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015).

2. Significant accounting policies (continued)

2.31 New accounting standards and interpretations (continued)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective 1 January 2013).

  In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

  AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. Management has assessed the impact of AASB 10 and do not believe it changes our assessment of control over any entities.

  AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group's investment in the Syntheo Joint Venture will be classified as a joint arrangement under the new rules. As the Group already applies the proportionate consolidation method in accounting for this investment, AASB 11 will not have a material impact on the amounts recognised in its financial statements.

  AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

  Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

  The Group does not expect to adopt the new standards before their operative dates.

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013).

  AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group does not use fair value measurements extensively so it is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013).

  In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure

2. Significant accounting policies (continued)

2.31 New accounting standards and interpretations (continued)

requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

- AASB 2012-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014).

  The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 July 2014.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are 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 current and future periods.

3.1 Critical judgements in applying accounting polices

The following is the critical judgement that, apart from those involving estimations (see 3.2 below), the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

<u>Revenue recognition</u>

Under AASB 111 *Construction Contracts*, where a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance sheet date. This is a key area of judgement and is determined through an analysis of the contracted design documents to assess the proportion of contract costs incurred for work performed to date.

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Impairment of goodwill</u>

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Directors 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.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty

Income tax expense

Judgement is required in determining the Group provision for income taxes. The Group estimates its tax liabilities based on its current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the future period in which such determination is made.

Research and development tax concessions available to the business are estimated in the accounts because a full assessment of the position cannot be made by the year end.

Please refer to note 9 for further details on the Group's income tax balances.

4. Segment information

4.1 Products and services from which reportable segments derive their revenues

The Group has identified its segments based on the internal reports that are used and reviewed by the chief operating decision maker in assessing performance and determining the allocation of resources.

The Group's operating segments are determined based on the nature of the business activities undertaken by the Group. Unallocated costs include the costs of certain head office functions that are not considered appropriate to be allocated to the Group's operating businesses.

The principal products and services of each of these segments are as follows:

Fixed Communications	Fixed Communications provides a wide range of design, construction and maintenance services to the owners of copper and fibre optic telecommunications infrastructure assets. This segment also includes the Group's 50% interest in Syntheo, a Joint Venture with Lend Lease for the design and construction of the National Broadband Network in Western Australia, South Australia and Northern Territory.
Mobile Communications	Mobile Communications provides turnkey and project management services for site acquisition, design and construction of wireless telecommunications infrastructure across Australia. The major customers of Mobile Communications are currently Telstra and Vodafone-Hutchinson.
Energy & Water	Energy & Water provides a range of specialist metering and environmental services to utilities and government authorities nationally, and through the Customer Care business, provides contact centre services and end-to-end customer support for key contracts.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Information regarding these segments is presented below:

4. Segment information (continued)

4.2 Segment revenues and results

	Segment revenue		Segment result	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Fixed Communications	227,138	300,202	(31,970)	21,734
Mobile Communications	124,729	124,732	9,954	8,536
Energy & Water	174,157	169,083	14,276	12,866
Total of all segments	526,024	594,017	(7,740)	43,137
Eliminations	(825)	(2,183)	-	-
Investment in associate (i) (ii)			(576)	(700)
Unallocated			(5,076)	(4,396)
Earnings before interest, tax, depreciation and amortisation			(13,392)	38,041
Net Interest received/(paid)	1,394	382	(2,044)	(3,912)
Depreciation/Amortisation			(8,345)	(7,486)
Goodwill impairment			(89,800)	-
Total revenue	526,593	592,216		
(Loss) / profit before income tax expense			(113,581)	26,643
Income tax expense			6,527	(7,927)
(Loss) / profit for the period			(107,054)	18,716

(i) The investment in Total Comm Infra Services Pvt Ltd (India) was sold during the current period. Upon sale, the cumulative amount of the exchange differences relating to this investment has been reclassified from equity to profit and loss.

(ii) During the 2012 financial year, the Group recognised an impairment loss of $700,000 in relation to the investment held in Total Comm Infra Services Pvt Ltd (India). This amount was derived after taking the expected proceeds from the sale of this investment into consideration.

4.3 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Fixed Communications	120,650	201,398	52,018	35,542
Mobile Communications	99,150	108,298	19,783	26,913
Energy & Water	75,200	86,222	15,708	22,675
Total of all segments	295,000	395,918	87,509	85,130
Unallocated	30,499	29,478	79,950	69,599
Consolidated	325,499	425,396	167,459	154,729

4. Segment information (continued)

4.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Fixed Communications	2,690	2,775	3,547	2,227
Mobile Communications	497	297	975	1,390
Energy & Water	2,778	2,746	871	2,596
Total of all segments	5,965	5,818	5,393	6,213
Unallocated	2,380	1,668	10,366	2,624
Consolidated	8,345	7,486	15,759	8,837

4.5 Information on geographical segments

The Group carries out its business entirely within Australia except for an investment in Total Comm Infra Services Pvt Ltd incorporated in India. This investment was sold during the current period.

4.6 Information about major customers

In the current reporting period there were three customers (2012: two customers) which each contributed more than 10% of the Group's revenue. The relevant revenue by segment is shown below:

Largest customer	2013: Fixed and Mobile Communications $198.5 million (2012: Fixed and Mobile Communications $313.8 million).
Second largest customer	2013: Energy & Water $65.2 million (2012: Mobile Communications $63.7 million).
Third largest customer	2013: Fixed Communications $59.7 million.

No other single customer contributed 10% or more of the Group's total revenue in 2013 and 2012.

	2013 $'000	2012 $'000

5. Revenue

	2013 $'000	2012 $'000
Revenue from the rendering of services	525,206	591,808
Interest revenue	1,394	382
	526,600	592,190

6. Other income

	2013 $'000	2012 $'000
Gain / (loss) on disposal of plant, equipment and intangible assets	(7)	26
	(7)	26

7. Finance costs

	2013 $'000	2012 $'000
Interest on bank overdrafts and loans	2,341	2,874
Interest on obligations under finance leases	45	777
Other interest expense	1,052	643
Total interest expense	3,438	4,294
Facility costs	247	679
	3,685	4,973

8. Profit / (loss) for the year before tax

Profit / (loss) before income tax includes the following expenses:

	2013 $'000	2012 $'000
8.1 Depreciation and amortisation expense		
Depreciation of non current assets	4,502	4,435
Amortisation of intangible assets	3,843	3,051
	8,345	7,486
8.2 Operating lease rental expenses		
Minimum lease payments	5,178	5,665
	5,178	5,665
8.3 Employee benefit expense		
Post employment benefits:		
Defined contribution plans	11,358	10,004
Share-based payments:		
Equity settled share-based payments	(278)	766
	11,080	10,770

9. Income taxes

9.1 Income tax recognised in profit or loss

	2013 $'000	2012 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	(1,510)	7,023
Adjustments recognised in the current year in relation to the current tax of prior years	175	(171)
	(1,335)	6,852
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(5,192)	1,075
	(5,192)	1,075
Total tax expense relating to continuing operations	(6,527)	7,927

The tax expense for the year can be reconciled to accounting profit as follows:

	2013 $'000	2012 $'000
Profit from continuing activities	(113,581)	26,643
Income tax expense calculated at 30%	(34,074)	7,993
Effect of expenses that are not deductible in determining taxable profit:		
Goodwill impairment	26,940	-
Other	432	290
Items deducted for tax purposes only	-	(185)
	(6,702)	8,098
Adjustments recognised in the current year in relation to the current tax of prior years	175	(171)
	(6,527)	7,927

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

9.2 Current tax assets and liabilities

	2013 $'000	2012 $'000
<u>Current tax liabilities</u>		
Income tax payable attributable to:		
Parent entity	-	-
Entities in the tax-consolidated group	-	4,891
	-	4,891

9.3 Deferred tax balances

	2013 $'000	2012 $'000
Deferred tax balances expected to be recovered within 12 months	7,534	5,978
Deferred tax balances expected to be recovered after more than 12 months	(11,711)	199
	(4,177)	6,177

9. Income taxes (continued)

9.3 Deferred tax balances (continued)

Deferred tax balances arise from the following:

2013	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Carried forward losses $'000	Closing balance $'000
Temporary differences					
Tax Losses	-	-	4,808	1,510	6,318
Trade and other receivables	27	11	-	-	38
Accrued revenue	(2,106)	(279)	(20,640)	-	(23,025)
Trade, other payables and provisions	3,440	3,394	662	-	7,496
Share issue costs	199	125	-	-	324
Employee Benefits	4,699	314	(968)	-	4,045
Property, plant and equipment	(82)	168	(918)	-	(832)
Other	(0)	1,459	-	-	1,459
	6,177	5,192	(17,056)	1,510	(4,177)

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax liability	(4,177)
	(4,177)

2012	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Charged to equity $'000	Closing balance $'000
Temporary differences					
Trade and other receivables	(548)	(1,837)	-	-	(2,385)
Trade, other payables and provisions	7,782	918	(337)	-	8,363
Share issue costs	355	(156)	-	-	199
	7,589	(1,075)	(337)	-	6,177

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax assets	6,177
	6,177

Deferred tax assets and liabilities have been set off by the Company.

9.4 Tax consolidation

Relevance of tax consolidation to the Group

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Service Stream Limited is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 30. A tax funding arrangement and a tax sharing agreement has been entered into between the entities. As such a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right (except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequences) has been performed. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax consolidated group).

9. Income tax (continued)

9.4 Tax consolidation (continued)

Nature of tax funding arrangements and tax sharing agreements

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, Service Stream Limited and each of the other entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

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 an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

10. Assets classified as held for sale

During the year the Group disposed of its 40% investment in Total Comm Infra Services Pvt Ltd. Total Comm Infra Services Pvt Ltd is 40% owned by Total Communications Infrastructure (Singapore) Pte Ltd, a wholly owned subsidiary of the Group.

Upon sale of investment, the cumulative amount of the exchange differences relating to this investment has been reclassified from equity to profit and loss (refer to note 12).

The assets classified as held for sale at the end of the reporting period are as follows:

	2013 $'000	2012 $'000
Investment in Total Comm Infra Services Pvt Ltd	-	330
	-	330

11. Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	60,626	60,615
Allowance for doubtful debts	(132)	(91)
	60,494	60,524
Other	1,394	3,419
	61,888	63,943
Disclosed in the financial statements as:		
Current trade and other receivables	61,888	63,943
Non-current trade and other receivables	-	-
	61,888	63,943

11. Trade and other receivables (continued)

The ageing of trade receivables as at 30 June 2013 and 30 June 2012 respectively are detailed below:

	2013		2012	
	Gross $'000	**Allowance $'000**	**Gross $'000**	**Allowance $'000**
Not past due	46,054	-	48,742	-
Past due 0–30 days	12,036	-	9,005	-
Past due 31–60 days	1,287	-	1,678	-
Past due 61–90 days	109	-	136	-
Past 90 days	1,140	(132)	1,054	(91)
	60,626	(132)	60,615	(91)

The movement in the allowance for doubtful debts in respect of trade receivables is detailed below:

	2013 $'000	**2012 $'000**
Balance at the beginning of the year	(91)	(998)
Impairment losses recognised on receivables	(80)	(65)
Amounts written off during the year as uncollectible	39	536
Impairment losses reversed during the year	-	436
Balance at the end of the year	(132)	(91)

All new customers are subject to an external credit check to ascertain their risk profile against both internal and industry benchmarks. Additionally, credit checks determine appropriate internal credit limits to be applied. The average credit period on sales of goods and rendering of services is 30 days.

Trade receivables are periodically assessed for recoverability on an account by account basis, with appropriate provisions made for specific impairments. All risks associated with trade receivables have been provided for in the statement of financial position. Included in the Group's trade receivables balance are debtors with a carrying amount of $14.4 million (2012: $11.8 million) which are past due at the reporting date for which the Group has not provided. Based on the credit history of these trade receivables, they are considered to be recoverable.

Of the trade receivables balance at the end of the year, $22 million (2012: $26 million) is due from Telstra Corporation Ltd, $7 million (2012: nil) is due from Fujitsu Australia Ltd, $5 million (2012: $7 million) is due from Jemena Asset Management Pty Ltd, $4 million (2012: $9 million) is due from the Vodafone Hutchison Pty Ltd, $4 million is due from Origin Energy Limited (2012: $2 million), and $2 million (2012: $2 million) is due from Powercor Australia Ltd. Of the balance, 90% is held with large ASX, government entities or multinational companies.

12. Investments accounted for using the equity method

	2013 $'000	2012 $'000
Investment in associate	-	-
Balance at 1 July	330	1,180
Share of profit/(loss) for the year	(23)	(36)
Foreign exchange currency movements	(2)	(114)
	305	1,030
Impairment losses recognised in the profit and loss	-	(700)
Loss on sale of investment	(23)	-
Proceeds from sale of investment	(282)	-
Balance at 30 June	-	330

		Ownership interest	
		2013	2012
Name of entity	**Country of incorporation**	**%**	**%**
Total Comm Infra Services Pvt Ltd	India	-	40

Summarised financial information in respect of the Group's investment in associate is set out below:

	2013 $'000	2012 $'000
Financial position:		
Total assets	-	3,265
Total liabilities	-	(690)
Net assets	-	2,575
Group's share of associate net assets *(40%)*	-	1,030
Financial performance:		
Income	77	444
Expenses	(135)	(534)
Profit/(loss) of associate	(58)	(90)
Group's share of associate profit/(loss) *(40%)*	(23)	(36)

Dividends received from associates
During the year, the Group received no dividends (2012: nil) from the investment in the associate.

Capital commitments
The Group's share of capital commitments and other expenditure commitments of associates is nil.

13. Joint ventures

The Syntheo Joint Venture ("Syntheo") is an unincorporated joint venture entity between Service Stream Limited and Lend Lease Project Management & Construction (Australia) Pty Ltd (the "Parties") established on 25 January 2011 for the purposes of tendering for and subsequently undertaking certain works for NBN Co Limited ("NBN Co") in connection with the design and construction of the National Broadband Network. In September 2011, Syntheo entered into a two year contract with NBN Co to design and construct the National Broadband Network in Western Australia. In November 2011, Syntheo entered into a separate two year contract with NBN Co to design and construct the National Broadband Network in South Australia and the Northern Territory.

Under the terms of the Syntheo Joint Venture Agreement, each of the Parties have a 50% interest in Syntheo and have equal representation on the Syntheo Joint Venture Board. There was no change in the Group's ownership or voting interests in Syntheo during the financial year ended 30 June 2013.

In March 2013, Syntheo and NBN Co entered into an Agreement under which Syntheo would complete certain design and construction works that were in progress in respect of the Northern Territory but that no further work would be instructed by NBN Co under the relevant contract for that region. In August 2013, Syntheo and NBN Co entered into an Agreement under which Syntheo would complete certain construction works that were in progress in respect of Western Australia and South Australia but that no further work would be instructed by NBN Co under the contracts for those states. In both cases, the Agreements required Syntheo to repay to NBN Co certain amounts that had been advanced to Syntheo for overhead expenses. In July 2013, the Parties executed a variation to the Syntheo Joint Venture Agreement under which Lend Lease would assume control of Syntheo and of the delivery of its remaining obligations to NBN Co.

Syntheo has recognised material losses in the current financial year. Syntheo has determined that the unavoidable costs of meeting the obligations under its contracts with NBN Co exceed the economic benefits expected to be received under it. As a result, the contracts have been determined to be onerous, and the losses forecast to be incurred in the delivery of the contracts have been brought to account in the current financial year. In light of Lend Lease assuming control of Syntheo and subject to certain conditions, the Parties have agreed that Service Stream's share of any losses incurred by Syntheo shall be $19.5 million and that Service Stream's contribution to any such losses shall be made in accordance with a prescribed schedule of payments. The loss shown in the Group's financial statements for the year ended 30 June 2013 therefore is $19.9 million which brings its life to date loss in relation to Syntheo to $19.5 million.

In accordance with AASB 131 *Interests in Joint Ventures*, the Group has accounted for its interest in Syntheo for the financial year ended 30 June 2013 using proportionate consolidation. Under this method, the Group has accounted for its relevant share in the assets and liabilities, and the income and expenses of Syntheo on a line-by-line basis within the Group's financial statements. The following amounts are included in the Group's consolidated financial statements as a result of the proportionate consolidation of Syntheo:

	2013 $'000	2012 $'000
Financial position:		
Current assets	11,341	15,713
Non-current assets	586	-
Total assets	11,927	15,713
Current liabilities	31,427	15,357
Total liabilities	31,427	15,357
Net assets	(19,500)	356
Financial performance:		
Income	26,741	4,407
Expenses	(46,597)	(4,051)
Profit/(loss) for the year	(19,856)	356

14. Accrued revenue

	2013 $'000	2012 $'000
Accrued revenue	88,338	97,831
	88,338	97,831

The accrued revenue balance of $88.3 million (2012 $97.8 million) represents revenue which has yet to be invoiced to customers at year end, due to either the invoicing process not being finalised or work not yet reaching a stage where it can be invoiced. Many of the Group's customers require payment claims to be submitted and approved prior to invoices being issued. Although this extends the time revenue is held as accrued, it does result in a high level of recoverability of trade debtors. Where work has not yet reached a stage where it can be invoiced, revenue is accrued in line with the Group's accounting policies as outlined at notes 2.9 revenue recognition and 2.10 construction contracts.

15. Plant and equipment

	Leasehold improve-ments at cost $'000	Plant and equipment at cost $'000	Equipment under finance lease at cost $'000	Motor Vehicles at cost $'000	Motor Vehicles under finance lease at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 July 2011	4,378	9,699	7,951	2,667	3,059	27,754
Additions	1,478	3,441	-	163	-	5,082
Transfers [1]	784	3,838	(7,010)	2,359	(266)	(295)
Disposals	(29)	(314)	(258)	(402)	(20)	(1,023)
Balance at 1 July 2012	6,611	16,664	683	4,787	2,773	31,518
Additions	5,293	4,592	-	151	-	10,036
Transfers	(78)	1,049	(683)	2,407	(2,773)	(78)
Disposals	(477)	(548)	-	(640)	-	(1,665)
Balance at 30 June 2013	11,349	21,757	-	6,705	-	39,811
Accumulated depreciation and impairment						
Balance at 1 July 2011	(3,008)	(6,449)	(6,055)	(1,707)	(1,411)	(18,630)
Transfers [1]	(508)	(3,965)	6,908	(2,654)	917	698
Disposals	22	309	182	381	7	901
Depreciation expense	(955)	(1,182)	(1,273)	(243)	(782)	(4,435)
Balance at 1 July 2012	(4,449)	(11,287)	(238)	(4,223)	(1,269)	(21,466)
Transfers [1]	(34)	(238)	238	(1,269)	1,269	(34)
Disposals	454	436	-	592	-	1,482
Depreciation expense	(925)	(2,780)	-	(797)	-	(4,502)
Balance at 30 June 2013	(4,954)	(13,869)	-	(5,697)	-	(24,520)
Net book value						
As at 30 June 2012	2,162	5,377	445	564	1,504	10,052
As at 30 June 2013	6,395	7,888	-	1,008	-	15,291

1. Transfers between categories primarily relate to the reclassification of assets no longer held under finance lease arrangements.

16. Intangible Assets

	Software	Software under finance lease	Goodwill	Total
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at 1 July 2011	5,900	4,327	205,362	215,589
Additions	3,286	469	-	3,755
Transfers [1]	2,442	(2,147)	-	295
Balance at 1 July 2012	11,628	2,649	205,362	219,639
Additions	5,723	-	-	5,723
Disposals	-	-	-	-
Transfers	78	-	-	78
Balance at 30 June 2013	17,429	2,649	205,362	225,440
Accumulated amortisation				
Balance at 1 July 2011	(2,001)	(2,211)	-	(4,212)
Transfers [1]	(2,750)	2,051	-	(699)
Amortisation expense	(1,623)	(1,428)	-	(3,051)
Balance at 1 July 2012	(6,374)	(1,588)	-	(7,962)
Transfers [1]	(312)	346	-	34
Goodwill impairment	-	-	(89,800)	(89,800)
Amortisation expense	(2,960)	(883)	-	(3,843)
Balance at 30 June 2013	(9,646)	(2,125)	(89,800)	(101,571)
Net book value				
As at 30 June 2012	5,254	1,061	205,362	211,677
As at 30 June 2013	7,783	524	115,562	123,869

1. Transfers between categories primarily relate to the reclassification of assets no longer held under finance lease arrangements.

(a) Impairment tests for goodwill

Goodwill is monitored by management at the reportable segment level. Management is committed to ensuring that any changes in its operating environment are assessed in a prudent and timely manner.

For the purpose of impairment testing, goodwill should be allocated as follows:

- Fixed Communications – comprising activities involved in the design, construction and maintenance of fixed line (copper and fibre) infrastructure assets relative to the telecommunications sector – $27.7 million (FY12: $117.5 million).
- Mobile Communications – comprising activities involved in the site acquisition, design, construction and maintenance of mobile telephony infrastructure – $45.8 million (FY12: $45.8 million).
- Energy and Water – comprising activities involved in the provision of a range of specialist metering and environmental services to utilities and government authorities nationally. This includes the provision of contact centre services and end-to-end customer support – $42.0 million (FY12: $42.0 million).

(b) Key assumptions used for value-in-use calculations

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 and long-term strategic plans approved by the Board. Management determined budgeted gross margin from current and future contracts, based on past performance and its expectations for the future. Cashflows beyond the five-year period have been extrapolated using a 2.5% per annum growth rate. A pre-tax discount rate of 16.4% (2012: 14.4%) has been applied in order to discount expected future cashflows into present-day values.

(c) Impairment charge

In light of the performance of the Fixed Communications CGU and in particular the Syntheo Joint Venture, Management has reviewed and reassessed the growth assumptions, forward business plans, weighted average cost of capital and discounted cash flow calculations for this CGU. As a result of the results of this

16. Intangible assets (continued)

(c) Impairment charge (continued)

review, Management has reduced the carrying value of goodwill within the Fixed Communications segment by $89.8 million.

(d) Impact of possible changes in key assumptions

Fixed Communications

As a result of the goodwill impairment indicated above, any downwards revision of the recoverable amount of the Fixed Communications segment will result in further impairment charges.

If the budgeted cashflows used in the value-in-use calculation for the Fixed Communications CGU had been 5% lower than management's estimates at 30 June 2013 , the group would have recognised an impairment against the carrying amount of goodwill of $94.8m.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates (17.4% instead of 16.4%), the group would have recognised an impairment against goodwill of $95.5m.

Mobile Communications

Management has performed sensitivity analysis on the goodwill balances of the Mobile Communications CGU and believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Energy and Water

The recoverable amount of the Energy and Water CGU is estimated to be $73.3m (2012: $84.7m). This exceeds the carrying amount of the CGU at 30 June 2013 by $12.3m (2012: $31.5m).

If the pre-tax discount rate applied to the cash flow projections of the Energy and Water CGU was 17.6% instead of 16.4%, the recoverable amount of the CGU would equal its carrying amount. If the budgeted cashflows used in the value-in-use calculations of the Energy and Water CGU has been 6.5% lower than management's estimates at 30 June 2013, the recoverable amount of the CGU would equal its carrying amount.

17. Other assets

	2013 $'000	2012 $'000
Current		
Work in progress	2,584	405
Prepayments	2,498	1,743
Other	88	226
	5,170	2,374

18. Assets pledged as security

All companies of the Group, apart from a number of dormant entities, are subject to a registered deed of cross-guarantee in relation to any debts incurred by a Group entity (refer to note 31). A fixed and floating mortgage charge exists over all assets and uncalled capital of the Group as security for all borrowings under its various bank debt and finance facilities.

19. Trade and other payables

	2013 $'000	2012 $'000
Current		
Trade creditors[1]	21,183	34,440
Sundry creditors and accruals	38,987	31,832
Goods and services tax payable	1,858	1,389
Income in advance	7,490	13,434
	69,518	81,095
Non-current		
Sundry creditors and accruals	9,500	-
	9,500	-
Disclosed in the financial statements as:		
Current trade and other payables	69,518	81,095
Non-current trade and other payables	9,500	-
	79,018	81,095

1. Typically no interest is charged by trade creditors for the first 30 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

20. Borrowings

	2013 $'000	2012 $'000
Current		
Bank overdrafts	4,970	-
Cash Advance (i)	60,000	-
Finance lease liabilities (note 29.2)	444	988
	65,414	988
Non-current		
Cash Advance (i)	-	53,336
Finance lease liabilities (note 29.2)	-	444
	-	53,780
	65,414	54,768
Disclosed in the financial statements as:		
Current borrowings	65,414	988
Non-current borrowings	-	53,780
	65,414	54,768

(i) Trade finance and cash advance borrowings are drawn down from the Group's finance facility which at balance date was a $140.0m two-year, multi-option, multi-currency facility expiring in May 2014.

The Group breached a number of covenants under its banking facilities at 31 March 2013 and 30 June 2013. Since balance date, the Group has received credit approved term sheets from its financiers for the renewal of its banking facilities out to 31 August 2014. The facilities being offered under the credit approved term sheets include a cash advance facility with an initial limit of $60 million, an overdraft facility of $5 million and a bank guarantee facility of $37 million. Under the terms of the offer, the aforementioned breaches of covenants will be waived by the financiers upon execution of the final lending documentation. Refer note 2.2 for further details.

21. Derivatives

	2013 $'000	2012 $'000
Interest rate swap contracts designated as cash flow hedges	203	-
	203	-

The Group is party to derivative financial instruments in the normal course of business in order to hedge its financial exposures to fluctuations in interest rates undertaken in accordance with the Group's Risk Management Policy.

For the purposes of AASB 139, *Financial Instruments: Recognition and Measurement*, the Group elected at transaction date to designate its interest rate swap positions as cash flow hedges. The hedges are expected to be effective for the life of the hedge relationship due to the matched terms of the underlying exposure and the hedging instruments.

The mark-to-market valuation of all interest rate swap positions was ($203,441) as at 30 June 2013. The mark-to-market valuation represents the net present value of all expected future cash-flows that would be required to settle the liabilities on the swap positions at balance date.

To the extent that the hedge is effective any gain or loss from changes in the fair value of the hedging instruments is recognised in other comprehensive income in the hedging reserve within equity. In the year ending 30 June 2013, Service Stream has paid net swap settlement expenses of ($6,223) (2012: nil) on the swap positions which have been taken to the profit and loss statement in the interest expense line. Interest Rate Swaps currently in place cover approximately 50% (2012 – Nil%) of the variable loan principal outstanding at an average fixed rate of 3.16%.

22. Provisions

	2013 $'000	2012 $'000
Current		
Employee benefits (i)	9,703	10,504
Warranty provision (ii)	780	828
	10,483	11,332
Non-current		
Employee benefits (i)	2,731	2,643
	2,731	2,643
	13,214	13,975

(i) The provision for employee benefits represents annual leave and long service leave entitlements.

(ii) The provision for warranty claims represents the present value of the best estimate of the future outflow of economic benefits that will be required under the Group's obligation for warranties.

The movement in each class of provision during the financial year, other than employee benefits, is set out below:

2013	Warranty provisions $'000
Carrying amount at start of year	828
Charged/(credited) to profit or loss	
Additional provisions recognised	205
Unused amounts reversed	(253)
Carrying amount at end of year	780

23. Other

	2013 $'000	2012 $'000
<u>Current</u>		
Lease incentives	1,339	-
	1,339	-
<u>Non-current</u>		
Lease incentives	4,094	-
	4,094	-
	5,433	-

24. Issued capital

	2013	2012
283,418,867 fully paid ordinary shares (2012: 283,418,867)	228,416	228,416

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Number of shares '000	Share capital $'000
24.1 Fully paid ordinary shares		
Balance at 1 July 2011	283,419	228,416
Balance 30 June 2012	283,419	228,416
Balance at 30 June 2013	283,419	228,416

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

24.2 Share Options

As at 30 June 2013, all options issued under the Executive Option Plan ("EOP") have expired. Share options carry no rights to dividends and no voting rights. Further details of the EOP are contained in notes 2.14 and 35.

24.3 Performance Rights

As at 30 June 2013, employees have 5,909,474 performance rights issued under the Long Term Incentive Plan ("LTIP") in respect of the FY11 Tranche, the FY12 Tranche and the FY13 Tranche (2012: 6,775,355, FY11 and FY12 tranches). The rights for the FY11 Tranche vested on 30 June 2013, and in accordance with the Employee Share Ownership Plan, the shares relating to this tranche will be issued to participants who have meet the vesting criteria within 14 days from the date on which the company releases its results for the year ending 30 June 2013. The remaining rights are due to vest on 30 June 2014 (for the FY12 Tranche) and 30 June 2015 (for the FY13 Tranche). Each performance right converts into one ordinary share, subject to satisfaction of vesting criteria. Performance rights carry no rights to dividends and no voting rights. Further details of the LTIP are contained in notes 2.14 and 35.

25. Reserves

	2013 $'000	2012 $'000
Employee equity-settled benefits	2,730	3,008
Hedging reserves	(203)	-
Foreign currency translation	-	(636)
	2,527	2,372
Movements:		
Employee equity-settled benefits reserve		
Balance at beginning of financial year	3,008	2,242
Share-based payments	(278)	766
Balance at end of financial year	2,730	3,008

The equity-settled employee benefits reserve arises on the grant of rights to executives and senior employees under the Executive Option Plan.

Amounts are transferred out of the reserve and into issued capital if and when the rights are converted to shares. Further information about share-based payments is disclosed in notes 2.14 and 35 to the financial statements.

	2013 $'000	2012 $'000
Movements:		
Hedging reserves		
Balance at beginning of financial year	-	-
Revaluation	(203)	-
Balance at end of financial year	(203)	-

The hedging reserve is used to record revaluations with respect to gains and losses on a cash flow hedge instrument that are recognised in other comprehensive income. Amounts will be reclassified to profit or loss when the associated hedged transaction affects the profit or loss.

	2013 $'000	2012 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(636)	(522)
Translation on foreign investment - current earnings	576	(114)
Translation on foreign investment - retained earnings	60	-
Balance at end of financial year	-	(636)

Exchange differences relating to the translation from the functional currencies of the Group's investment in associate into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

26. Retained Earnings / (Accumulated Losses)

	2013 $'000	2012 $'000
Balance at beginning of financial year	39,879	23,997
Net profit attributable to members of the parent entity	(107,054)	18,716
Write back of currency translation reserve on sale of investment	(60)	-
Dividends paid	(5,668)	(2,834)
Balance at end of financial year	(72,903)	39,879

27. Earnings per share

	2013 Cents per share	2012 Cents per share
Basic earnings per share:		
Total basic earnings per share	(37.77)	6.60
Diluted earnings per share:		
Total diluted earnings per share [1]	(37.77)	6.54

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2013 $'000	2012 $'000
(Loss) / profit for the year attributable to owners of the Company	(107,054)	18,716
Earnings used in the calculation of basic EPS	(107,054)	18,716

	2013 No.'000	2012 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	283,419	283,419

Diluted earnings per share [1]

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2013 $'000	2012 $'000
(Loss) / profit for the year attributable to owners of the Company	(107,054)	18,716
Earnings used in the calculation of diluted EPS	(107,054)	18,716

	2013 No.'000	2012 No.'000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	285,316	286,214

	2013 No.'000	2012 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	283,419	283,419
Shares deemed to be issued for no consideration in respect of:		
- Long Term Incentive Plan (LTIP)	1,897	2,795
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	285,316	286,214

[1] The Group's financial result for the year ended 30 June 2013 is in a loss, as such the dilutive earnings per share equates to basic earnings per share.

28. Dividends

Recognised amounts	**2013 Cents per share**	**2012 Cents per share**
Fully paid ordinary shares		
Interim dividend	1.0	1.0
	1.0	1.0

	2013 $'000	**2012 $'000**
Fully paid ordinary shares		
Interim dividend	5,668	2,834

Unrecognised amounts	**2013 Cents per share**	**2012 Cents per share**
Fully paid ordinary shares		
Final dividend	-	1.0
	-	1.0

	2013 $'000	**2012 $'000**
Fully paid ordinary shares		
Final dividend	-	2,834

An interim dividend of 1.0 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 18 April 2013. No final ordinary dividend was declared with respect to the financial year ending 30 June 2013.

	Company	
	2013 $'000	**2012 $'000**
Adjusted franking account balance as at 30 June	2,480	21,793

29. Obligations under finance leases

29.1 Leasing arrangements

The Group leases plant and equipment, a number of motor vehicles and software assets with lease terms of between 1 to 4 years. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

29.2 Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Not longer than 1 year	449	1,032	444	988
Later than 1 year and not later than 5 years	-	449	-	444
Minimum future lease payments (i)	449	1,481	444	1,432
Less future finance charges	(5)	(49)	-	-
Present value of minimum lease payments	444	1,432	444	1,432
Included in the financial statements as: (note 19)				
Current borrowings			444	988
Non-current borrowings			-	444
			444	1,432

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

29.3 Fair value

The fair value of the finance lease liabilities is shown at note 34.10

30. Operating lease arrangements

30.1 Leasing arrangements

The Group leases a number of motor vehicles and premises throughout Australia. The rental period of each individual lease agreement varies between 1 and 7 years with the renewal options ranging from 1 to 6 years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals.

	2013 $'000	2012 $'000
30.2 Non-cancellable operating lease commitments		
Not longer than 1 year	6,031	4,839
Longer than 1 year and not longer than 5 years	14,260	10,565
Longer than 5 years	1,680	5,858
	21,971	21,262

31. Subsidiaries

Details of the Company's subsidiaries at 30 June 2013 are as follows:

Name of entity	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Parent entity			
Service Stream Limited (i)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (ii) (v)	Australia	100	100
Service Stream Communications Pty Ltd (ii) (iii) (v)	Australia	100	100
Total Communications Infrastructure Pty Ltd (ii) (iii) (v)	Australia	100	100
Service Stream Solutions Pty Ltd (ii) (iii) (v)	Australia	100	100
Radhaz Consulting Pty Ltd (ii) (v)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (ii) (iii) (v)	Australia	100	100
Milcom Communications Pty Ltd (ii) (iii) (v)	Australia	100	100
McCourt Dando Pty Ltd (ii) (iv)	Australia	100	100
McCourt Dando Civil Pty Ltd (ii) (iv)	Australia	100	100
McCourt Dando Plant Hire Pty Ltd (ii) (iv)	Australia	100	100
AMRS (Aust) Pty Ltd (ii) (iii) (v)	Australia	100	100
Service Stream Nominees Pty Ltd (ii) (iii) (vi)	Australia	100	100

(i) Service Stream Limited is the head entity within the tax-consolidated Group.
(ii) These companies are members of the tax-consolidated Group.
(iii) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
(iv) These companies are wholly owned subsidiaries of Service Stream Infrastructure Services Pty Ltd.
(v) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Service Stream Limited pursuant to ASIC Class Order 98/1418 and are relieved of the requirement to prepare and lodge an audited financial report.
(vi) Previously known as Service Stream Financial Services Pty Ltd

The following entities were deregistered and were removed from the deed of cross guarantee with Service Stream Limited during the course of the financial year:

Resourcing Solutions Pty Ltd
General Purpose Group Pty Ltd
Fibercom Technology Pty Ltd
Metering Services Australasia Pty Ltd
MSA Plant Pty Ltd

In addition to the above, Total Communications Infrastructure (Singapore) Pte Ltd was sold to a third party during the course of the year.

32. Deed of cross guarantee

The consolidated statement of comprehensive income of the entities party to the deed of cross guarantee are:

	2013 $'000	2012 $'000
Statement of comprehensive income		
Revenue from the rendering of services	499,987	587,897
Other income	(135)	(88)
	499,852	587,809
Employee salaries and benefits	(154,826)	(145,452)
Subcontractor fees	(147,033)	(227,707)
Site and construction costs	(79,135)	(77,635)
Raw materials and consumables used	(55,348)	(45,312)
Consulting and temporary staff fees	(12,065)	(11,325)
Company administration and insurance expenses	(10,105)	(11,220)
Occupancy expenses	(9,567)	(9,127)
Technology and communication services	(7,768)	(8,953)
Motor vehicle expenses	(9,781)	(8,152)
Other expenses	(5,115)	(3,444)
Loss on onerous contracts	-	-
Write back of currency translation differences	(576)	-
Impairment losses of investment in associate	-	(700)
Depreciation and amortisation	(8,266)	(7,486)
Goodwill impairment	(89,800)	-
Interest expense and other finance costs	(3,685)	(4,973)
(Loss) / profit before tax	(93,218)	26,323
Income tax benefit / (expense)	4,673	(7,820)
(Loss) / profit for the year from continuing operations	(88,545)	18,503
Profit for the year from discontinued operations	-	-
(Loss) / profit for the year	(88,545)	18,503
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign investment	576	-
Cash flow hedges	(203)	-
Total comprehensive income for the year	(88,172)	18,503
(Loss) / profit attributable to the equity holders of the parent	(88,545)	18,503
Total comprehensive income attributable to equity holders of the parent	(88,172)	18,503

32. Deed of cross guarantee (continued)

The consolidated balance sheet of the entities party to the deed of cross guarantee are:

Balance sheet	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	13,393	14,728
Trade and other receivables	61,667	63,927
Inventories	11,532	12,096
Accrued revenue	84,870	96,572
Other	4,537	1,623
	175,999	188,946
Assets classified as held for sale	-	647
Total current assets	175,999	189,593
Non-current assets		
Plant and equipment	14,705	10,052
Deferred tax assets due from Parent	-	6,177
Intangible assets	123,869	211,677
Total non-current assets	138,574	227,906
Total assets	314,573	417,499
Current liabilities		
Trade and other payables	45,090	73,236
Borrowings	65,414	988
Current tax liabilities payable to Parent	-	4,784
Provisions	9,633	11,332
Other	1,339	-
Total current liabilities	121,476	90,340
Non-current liabilities		
Borrowings	-	53,780
Provisions	2,731	2,643
Deferred tax liabilities	10,027	-
Other	4,094	-
Derivatives	203	-
Total non-current liabilities	17,055	56,423
Total liabilities	138,531	146,763
Net Assets	176,042	270,736
Equity		
Issued capital	228,416	228,416
Reserves	2,527	3,008
Retained earnings / (Accumulated losses)*	(54,901)	39,312
Total equity	176,042	270,736
*** Retained earnings / (Accumulated losses)**		
Retained earnings as at beginning of the financial year	39,312	23,643
Net profit	(88,545)	18,503
Dividends provided for or paid	(5,668)	(2,834)
Retained earnings as at end of the financial year	(54,901)	39,312

33. Notes to the statement of cash flow

33.1 Reconciliation of cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank	13,398	20,916
Bank overdraft (note 20)	(4,970)	-
Cash and cash equivalents	8,428	20,916

33.2 Reconciliation of profit for the year to net cash flows from operating activities

(Loss) / profit for the year	(107,054)	18,716
Loss / (gain) on sale of disposal of non-current assets	7	(26)
Depreciation and amortisation	8,345	7,486
Goodwill impairment	89,800	-
Impairment losses of investment in associate	-	700
Share of investment in associates loss	23	36
Expense recognised in respect of equity-settled share-based payments	(278)	766
Impairment loss recognised / (reversed) on trade receivables	80	(371)
Increase in deferred tax balances	10,354	1,412
Decrease in current tax liability	(4,891)	(1,483)
Movement in working capital:		
Decrease in receivables	1,975	37,841
Decrease/(increase) in accrued income	9,493	(56,580)
Increase in other assets	(2,796)	(2,419)
(Increase)/decrease in inventories	(5,449)	2,213
Increase in trade and other payables	4,338	8,409
Decrease in provisions	(761)	(740)
Net cash provided by operating activities	**3,186**	**15,960**

34. Financial instruments

The Group's activities expose it to a variety of financial risks including credit, currency, interest rate and liquidity risk exposures.

The Group's risk management program looks to identify and quantify these exposures and where relevant reduce the sensitivity to potential adverse impacts on its financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives financial instruments are used only for hedging purposes.

The Group operates a centralised treasury function that is tasked with the management of its day to day exposure to financial and currency risks. The treasury function is the only area authorised by the Board to transact financial instruments on behalf of the Group in the management these risk exposures.

The Group's use of financial instruments is controlled by documented Delegations of Authorities which are approved by the Board and which also include specific segregation of duties.

34.1 Capital risk management

The Group manages its available capital and liquidity to ensure that it is able to continue as a going concern and to maximise the potential returns to shareholders. Capital and liquidity risk management is primarily undertaken by the on-going monitoring of daily liquidity, ensuring that the Group has access to adequate levels of funding facilities, via optimising the amount, tenor and interest serviceability of debt drawn as well as the regular monitoring of various key financial metrics including debt to earnings ratios etc.

The capital structure of the Group consists of net debt (borrowings as detailed in note 20 offset by cash balances at bank) and equity (comprising issued capital, reserves and retained earnings as disclosed in notes 24, 25 and 26).

34. Financial instruments (continued)

34.1 Capital risk management (continued)

As a condition of its bank-provided finance facilities, the Group is subject to various debt covenants including maintenance of minimum levels of equity, gearing ratio and asset cover ratios all of which are monitored and reported upon on a quarterly basis to its bankers. The Group breached a number of covenants under its banking facilities at 31 March 2013 and 30 June 2013 as a consequence of the impact of the business' operating performance on its 12 month rolling EBITDA and EBIT metrics and the impairment charge relating to Fixed Communications' goodwill. Since balance date, the Group has received credit approved term sheets from its financiers for the renewal of its banking facilities out to 31 August 2014. Under the terms of the offer, the aforementioned breaches of covenants will be waived by the financiers upon execution of final lending documentation. In addition, several of the former facility covenants are suspended, amended or replaced with more relevant measures. Refer note 2.2 for further details.

The Board and senior management review the capital structure of the Group on at least an annual basis considering the relative cost and risks associated with each class of capital, as well as any restrictions or limitations that may exist in terms of the current mix of capital.

<u>34.1.1 Gearing ratio</u>

The gearing ratio at end of the reporting period was as follows.

	2013 $'000	2012 $'000
Debt (i)	65,414	54,768
Cash at bank	(13,398)	(20,916)
Bank guarantees	28,324	21,730
Total debt	80,340	55,582
EBITDA	(13,392)	38,041
Gearing ratio	-6.00x	1.46x

(i) Debt is defined as long-and short-term borrowings, as detailed in note 20.

34.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

34.3 Categories of financial instruments

	2013 $'000	2012 $'000
Financial assets		
Cash and bank balances	13,398	20,916
Loans and receivables	61,888	63,943
Financial liabilities		
Trade and other payables	79,018	81,095
Bank overdraft	4,970	-
Cash advances	60,000	53,336
Derivatives	203	-
Finance lease / hire purchase liabilities	444	1,432

34. Financial instruments (continued)

34.4 Financial risk management objectives

The types of financial risks to which the Group is typically exposed include market (interest rate and currency risks specifically), liquidity and credit risk.

The Group's central treasury function manages all borrowings and the provision of financial security undertakings.

Treasury is the only area within the Group that is authorised to transact financial and derivative financial instruments for the management of the Group's financial risk exposures.

The treasury function provides liquidity management, transactional banking, merchant payment, currency management and markets advice and associated services to all companies in the Group. It is also responsible for monitoring and managing the financial and operational risks relating to the Group's banking and financial market related operations.

The selling of naked options as well as on the use of any financial instrument for speculative purposes is prohibited under the Group's Financial and Treasury Risk Management Policy.

Compliance with financial risk management policies and financial exposure limitations are reviewed by senior management on a daily basis and regular reporting on risk management strategy and policy compliance is undertaken to the Group's Audit & Risk Management Committee as well as to its Board of Directors.

34.5 Market risk

Market risk is the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market based interest rates, security prices or currency rates.

The Group's funding activities routinely expose it to financial risks arising from changes in market interest rates (refer note 34.6).

The Group typically has only small short-term exposure to currency risk as the majority of its activities are conducted within Australia and priced in AUD.

Only limited amounts of stock and other material are sourced from abroad and priced in USD.

34.6 Interest rate risk management

The Group is exposed to interest rate risk through its borrowings and short-term investment activities.

Interest rate risk is managed by the use a mix of fixed rate and floating rate borrowings, and as required, by the hedging of residual risk exposure through the use of derivative financial instruments.

The sensitivity analyses below have been determined based on the Group's exposure to interest rate risk on its net floating rate borrowings as at the end of the reporting period.

Based upon a 100 basis point parallel increase in prevailing market interest rates, the Group's sensitivity to interest rate risk at 30 June 2013 was equivalent to a net profit before tax decrease of $349,704 (2012: $324,196).The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

34.7 Credit risk management

Credit risk refers to the risk that transaction counterparties will default on their contractual obligations resulting in a financial loss to the Group.

The Group transacts wholesale financial market transactions only with entities that have a minimum long term Investment Grade credit rating and typically only transacts with its credit approved Banking Panel members.

The Group's wholesale credit risk is calculated based upon the summation of any investments plus accrued interest held with the counterparty together with the net positive mark to market fair valuation of any derivative financial instruments also held with that counterparty.

The Group has adopted a retail and business-to-business credit policy of only dealing with creditworthy counter parties and where appropriate, obtaining sufficient collateral as a means of mitigating the risk of financial loss from credit defaults.

Credit information is supplied by independent rating agencies where available and the Group uses publicly available financial information and its own internal trading history to internally rate its major customers. Credit exposures and credit ratings of counter-parties are monitored regularly.

As stated in note 11, a significant portion of revenue is derived from major companies such as Telstra Corporation Limited, Fujitsu Australia Limited, Vodafone Hutchison Pty Ltd, Origin Energy Limited, and NBN Co Limited.

34. Financial instruments (continued)

34.7 Credit risk management (continued)

These are large entities with solid credit ratings and a good trading history and therefore the credit risk associated with these receivables is classified as low. The remaining trade receivables balance consists of a large number of customers, spread across the telecommunications and utilities sectors.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

34.8 Currency risk management

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the entity's functional currency and from the translation of net investments in foreign operations.

The Group operates only within Australia and receives revenues denominated in AUD.

Minor currency risk exposures arise due to a small annual volume of non-AUD denominated imports of materials. Currency risk on material imports is managed predominately through the use of AUD denominated contracts or by forward foreign exchange contracts on the low volume of foreign sourced materials.

At balance date no foreign exchange contracts were held (FY12: mark to market valuation of AUD -$45,214.08).

34.9 Liquidity risk management

Management of the Group's liquidity risk exposure is undertaken by the Group's treasury and finance functions daily and intraday by monitoring of the Group's actual cash flows and via regularly updated forecasting of payable and receivable profiles.

In order to maintain adequate liquidity, the Group typically maintains an inter-day cash buffer as well as having access to reserve overdraft facilities and committed funding lines with two different financial institutions.

Included in note 34.9.2 are details of the borrowing facilities available to the Group at 30 June 2013.

34.9.1 Liquidity and interest rate risk tables

The following tables detail the Group's maturity profile for non-derivative financial liabilities.

The table represents the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is contracted to repay principal. Where applicable, values represent both interest and principal cash flows.

	Weighted average interest rate $'000	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
2013							
Non-derivative financial liabilities							
Trade and other payables	-	(79,018)	(79,018)	(69,518)	-	(9,500)	-
Finance lease liabilities	4.19%	(444)	(449)	(449)	-	-	-
Derivatives	3.16%	(203)	(203)	(77)	(84)	(42)	-
Cash advances - variable	4.72%	(60,000)	(60,471)	(60,471)	-	-	-
		(139,665)	**(140,141)**	**(130,515)**	**(84)**	**(9,542)**	**-**
2012							
Non-derivative financial liabilities							
Trade and other payables	-	(81,095)	(81,095)	(81,095)	-	-	-
Finance lease liabilities	4.64%	(1,432)	(1,481)	(516)	(516)	(449)	-
Cash advances - variable	5.28%	(53,336)	(54,451)	(1,115)	-	(53,336)	-
		(135,863)	**(137,026)**	**(82,725)**	**(516)**	**(53,785)**	**-**

34. Financial instruments (continued)

34.9.2 Financing facilities	**2013 $'000**	**2012 $'000**
Bank guarantees:		
• amount used	28,324	21,730
• amount unused	16,676	28,270
	45,000	**50,000**
Secured bank overdraft:		
• amount used	4,970	-
• amount unused	5,030	5,000
	10,000	**5,000**

Secured commercial bill and equipment finance lease facilities were repaid in full and cancelled in May 2012 as part of the Group's refinancing activities. The current year balance below relates to an unsecured finance lease over IT licences.

• amount used	444	1,432
• amount unused	-	-
	444	**1,432**

The secured cash advance and trade finance facilities were established in May 2012 and are due to mature in May 2014:

• amount used	60,000	53,336
• amount unused	25,000	26,664
	85,000	**80,000**

Financial guarantees provided in the normal course of business are shown above. Based upon current expectations as at 30 June 2013, the Group considers that it is more likely than not that such amounts will not be payable under these arrangements.

Since balance date, the Group has received credit approved term sheets from its financiers for the renewal of its banking facilities out to 31 August 2014. Refer note 2.2 for further details.

34. Financial instruments (continued)

34.10 Fair value of financial instruments

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash	13,398	13,398	20,916	20,916
Trade and other receivables	61,888	61,888	63,943	63,943
Financial liabilities				
Trade and other payables	79,018	79,018	81,095	81,095
Cash advances - variable	60,000	60,000	53,336	53,336
Bank overdraft	4,970	4,970	-	-
Derivatives	203	203	-	-
Finance lease/hire purchase liabilities	444	403	1,432	1,308

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The derivatives included in the above table are considered to be level 2 financial instruments.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

35. Share-based payments

35.1 Executive option plan

The Group previously operated an Executive Option Plan ("EOP") under which executives and senior employees with more than five years service with the Group may be granted options to purchase ordinary shares in the Company.

The number of options granted was calculated in accordance with the performance-based formula approved by shareholders at a previous Annual General Meeting and was subject to approval by the Remuneration and Nomination Committee.

Executive share options carry no rights to dividends and no voting rights.

The Directors can, at their discretion, issue share options to executives and senior employees as part of the Group's remuneration policy. The following share-based payment arrangements were in existence during the current and comparative reporting periods:

35. Share-based payments (continued)

35.1 Executive option plan (continued)

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 15	500,000	4 January 2007	31 October 2011	1.0761	0.0767
Series 16	730,000	4 January 2007	31 October 2011	1.6311	0.1006
Series 17	40,000	23 October 2007	1 March 2012	0.9611	0.0823
Series 18	40,000	23 October 2007	1 March 2013	1.7111	0.1423

As at balance date, all options issued under this plan had expired.

Options were priced using a Black Scholes model. Where relevant, the expected life used in the model was adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility was based on the historical share price volatility over the previous two years. To allow for the effects of early exercise, it was assumed that employees would exercise the options after vesting date when the share price was two and half times the exercise price.

On 16 September 2009 the exercise prices of existing options were amended as a result of the new issue of shares under the renounceable rights offer announced to the market on 14 September 2009. The table above reflects the new exercise prices.

35.1.1 Movements in share options during the year

The following reconciles the outstanding share options granted under the EOP at the beginning and end of the financial year:

	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	40,000	1.7111	1,310,000	1.4012
Expired during the financial year	(40,000)	-	(1,270,000)	-
Balance at end of the financial year	-	-	40,000	1.7111
Exercisable at end of the financial year	-	-	40,000	1.7111

35.1.2 Share options exercised during the year

No share options granted under the EOP were exercised during the current financial year.

35.1.3 Share options outstanding at the end of the year

No share options were outstanding at the end of the year (2012: weighted average exercise price of $1.7111, and weighted average remaining contractual life of 244 days).

35.2 Long Term Incentive Plan ("LTIP")

From time to time employees in senior management roles and/or Directors may be invited, with approval from the Board, to participate in the LTIP. The LTIP operates within the shareholder approved Employee Share Ownership Plan ("ESOP"), under the administration of the Remuneration and Nomination Committee. The extent of individual participation and the associated number of performance rights offered is recommended by the Managing Director and reviewed by the Remuneration and Nomination Committee, which will then make recommendations to the Board, and to shareholders at the Annual General Meeting in the case of Directors, for approval.

In accordance with the provision of the ESOP and consistent with the prior year, Directors and employees in senior management roles were invited to participate in the LTIP which entitled them to receive a number of performance rights in respect of the year ending 30 June 2013 ("FY13 Tranche"). Each performance right converts into one Service Stream Limited ordinary share on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor

35. Share-based payments (continued)

35.2 Long Term Incentive Plan ("LTIP") (continued)

voting rights. The number of performance rights granted is based on the employee's long term incentive participation rate, which is expressed as a percentage of the participant's TFR, and the volume-weighted average market price of the Company's shares over a prescribed period of time. The performance rights are subject to service and performance criteria being:

- The participant must be an employee at the vesting date;
- 50% of the performance rights granted will each vest where:
  - o
  - o The Group's earnings per share ("EPS") achieves annual growth of 10% or more (full achievement) or 7.5% (pro-rata achievement) over the performance period from an agreed base EPS, as detailed below:

Percentage of performance rights that vest	EPS growth per annum
0%	Below 7.5%
40%	At 7.5%
Proportional vesting	Greater than 7.5% and less than 10.0%
100%	10.0% and above

The table below details the performance period, vesting dates and EPS base for each of the LTIP tranches:

	FY11 Tranche	FY12 Tranche	FY13 Tranche
Performance period	3 years	3 years	3 years
Vesting date	30 June 2013	30 June 2014	30 June 2015
EPS base (cents per share)	3.85	5.80	6.60

  - o The Group's total shareholder return ("TSR") over the performance period is such that it would rank at or above the 75th percentile (full achievement) or the 50th percentile (pro-rata achievement) of a relevant peer group of companies being those comprising the ASX 200 Industrials index, as detailed below:

Percentage of performance rights that vest	TSR ranking
0%	Below the 50th percentile
50%	At the 50th percentile
Proportional vesting	Above the 50th percentile but below the 75th percentile
100%	75th percentile or above (top quartile)

The following LTIP performance right arrangements were in existence at the end of the period:

LTIP Series	Number	Grant date	Grant date weighted average fair value	Vesting date
FY11 tranche [1]	711,222	18 February 2011	Relative TSR hurdle - $0.720 EPS hurdle - $0.750	30 June 2013
FY11 tranche (R. Grant) [1,3]	313,480	18 February 2011	Relative TSR hurdle - $0.315 EPS hurdle - $0.315	30 June 2013
FY12 tranche [2]	1,866,347	25 November 2011	Relative TSR hurdle - $0.160 EPS hurdle - $0.250	30 June 2014
FY13 tranche [4]	3,018,425	30 November 2012	Relative TSR hurdle - $0.190 EPS hurdle - $0.290	30 June 2015

1. The performance period for the FY11 tranche of LTIP performance rights commenced 1 July 2010.
2. The performance period for the FY12 tranche of LTIP performance rights commenced 1 July 2011.
3. Although the grant date for Bob Grant's performance rights was 18 February 2011, the issue of these rights was not approved until the Company's Annual General Meeting on 26 October 2011.
4. The performance period for the FY13 tranche of LTIP performance rights commenced 1 July 2012.

35. Share-based payments (continued)

35.2.1 Fair value of performance rights via the LTIP granted in the year

The performance rights with the relative TSR hurdle vesting condition have been valued using a Monte-Carlo simulation. The performance rights with the EPS hurdle vesting condition have been valued using a Binomial tree methodology. Both valuation methodologies are underpinned by a 'risk neutral' probability framework with lognormal share prices. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

35.2.2 Key inputs into the model

Tranche	Share Price at Grant Date		Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY13	$	0.34	2.8 years	50%	2.62%	5.7%	30 June 2015
FY12	$	0.30	2.6 years	60%	3.06%	6.7%	30 June 2014
FY11	$	0.77	2.4 years	60%	5.04%	1.0%	30 June 2013

35.2.3 Movements in the LTIP performance rights during the year

The following reconciles the outstanding performance rights granted under the LTIP at the beginning and end of the financial year:

	2013		2012	
	Number of performance rights	**Grant date weighted average fair value $**	**Number of performance rights**	**Grant date weighted average fair value $**
Balance at beginning of the financial year	6,775,335	0.378	2,864,212	0.604
Forfeited during the year	(5,259,236)	0.384	(152,543)	0.604
Granted during the year	4,393,375	0.240	4,063,666	0.205
Balance at end of the financial year	5,909,474	0.270	6,775,335	0.378
Balance vested at end of the financial year	1,024,702	0.604	-	-

The grant date weighted average fair value of $0.270 is the result of the separate criteria as set out at note 35.2.

During the current financial year, 1,024,702 performance rights granted under the LTIP vested. The performance rights outstanding at the end of the year have a weighted average fair value of $0.270 and a remaining contractual life of two years (FY13 Tranche) and one year (FY12 Tranche).

36. Key management personnel compensation

Details of key management personnel

The Directors of the Company and key management personnel of the Group during the year were:

- P Dempsey (Chairman)
- B Gallagher (Non-Executive Director – until 8 April 2013, Executive Director – appointed 8 April 2013)
- G Sumner (Managing Director – resigned 8 April 2013)
- D Page AM (Non-Executive Director)
- S Wilks (Non-Executive Director)
- R Grant (Alternate Director, Chief Financial Officer)
- S Ellich (Executive General Manager – Fixed Communications – until his resignation on 28 May 2013)
- C Orr (Executive General Manager – Fixed Communications – appointed 28 May 2013)
- D Hill (Executive General Manager – Mobile Communications)
- L Mackender (Executive General Manager – Energy and Water)

Key management personnel compensation

The aggregate compensation made to Directors and key management personnel of the Group is set out below:

	2013 $	2012 $
Short-term employee benefits	2,463,940	3,167,345
Post-employment benefits	166,268	215,550
Other long-term benefits	58,329	33,244
Termination benefits	-	-
Share-based payments	(26,220)	302,860
	2,662,317	3,718,999

The fair value of performance rights issued under the Long Term Incentive Plan, allocated on a pro-rata basis, to the current financial year. Where rights have been forfeited due to resignation or non-achievement of performance targets the relevant remuneration disclosure will be negative.

The compensation of each member of the key management personnel of the Group is set out in the Remuneration Report.

37. Related party disclosures

The immediate parent and ultimate controlling party of the Group is Service Stream Limited.

Balances and transactions between the Company and its controlled entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

37.1 Equity interests in related parties

37.1.1 Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 31 to the financial statements.

37.1.2 Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in notes 12 and 13 to the financial statements.

37.2 Transactions with key management personnel

37.2.1 Key management personnel compensation

Details of key management personnel compensation are disclosed in note 36 to the financial statements.

37.2.2 Loans to key management personnel

There are no outstanding loan balances with key management personnel of the Group or to their related parties. These balances do not include loans that are in-substance options and are non-recourse to the Group.

37. Related party disclosures (continued)

37.2.3 Key management personnel equity holdings

<u>Fully paid ordinary shares of Service Stream Limited</u>

The numbers of shares in the Company held during the financial year by each Director key management personnel member of the Group, including their personally related parties, are set out below.

	Balance at 1 July No.	Granted as compen-sation No.	Balance as at date of appointment No.	Net other change No.	Balance as at date of resignation No.	Balance at 30 June No.
2013						
P Dempsey	320,000	-	-	250,000	-	570,000
D Page	82,900	-	-	46,500	-	129,400
B Gallagher	8,792,113	-	-	-	-	8,792,113
S Wilks	255,000	-	-	245,000	-	500,000
G Sumner [2]	350,000	-	-	150,000	(500,000)	-
R Grant	144,166	-	-	-	-	144,166
S Ellich [2]	367,655	-	-	-	(367,655)	-
C Orr [1]	-	-	1,134	-	-	1,134
D Hill	1,134	-	-	-	-	1,134
L Mackender	49,434	-	-	-	-	49,434
2012						
P Dempsey	200,000	-	-	120,000	-	320,000
D Page	27,400	-	-	55,500	-	82,900
B Gallagher	8,792,113	-	-	-	-	8,792,113
S Wilks	-	-	-	255,000	-	255,000
G Sumner	350,000	-	-	-	-	350,000
R Grant	144,166	-	-	-	-	144,166
S Ellich	367,655	-	-	-	-	367,655
D Hill [1]	-	-	1,134	-	-	1,134

The movement in equity holdings disclosed reflects only those movements which took place during the period that persons were regarded as key management personnel.

1. The balance of securities held as at 1 July is nil as this person was not a key management person at that date.

2. The balance of securities held as at 30 June is nil as this person is no longer a key management person.

The numbers of rights and options over ordinary shares in the Company held during the financial year by each Director and other key management personnel of the Group, including their personally related parties, are set out below.

<u>Share options of Service Stream Limited</u>

During the financial year, no share options were issued to or exercised (2012: nil) by key management personnel.

37. Related party disclosures (continued)

37.2.3 Key management personnel equity holdings (continued)

Performance Rights of Service Stream Limited

	Balance at 1 July No.	Granted as compen-sation No.	Balance as at date of resignation No.	Net other change No.	Balance at 30 June No.	Balance vested at 30 June No.	Balance unvested at 30 June No.
2013							
G Sumner [1]	1,560,543	1,124,796	(2,685,339)	-	-	-	-
R Grant [2]	1,057,022	522,297	-	-	1,579,319	313,480	1,265,839
S Ellich [1]	505,389	250,154	(605,661)	-	149,882	149,882	-
C Orr [3]	-	205,458	-	432,058	637,516	128,135	509,381
L Mackender	215,583	164,438	-	-	380,021	41,003	339,018
D Hill	169,824	173,868	-	-	343,692	43,894	299,798

1. G Sumner and S Ellich is no longer key management personnel as at 30 June.
2. R Grant is an Alternate Director for G Sumner (until 8 April 2013) and for B Gallagher (since 8 April 2013), has only attended Board and Committee meetings in his capacity as Chief Financial Officer.
3. C Orr was appointed to the position of Executive General Manager – Fixed Communications during the year.

All performance rights issued to key management personnel during the financial year were made in accordance with the provisions of the LTIP.

Further details of the LTIP and of performance rights granted during 2013, 2012 and 2011 financial years are contained in notes 35 to the financial statements.

37.2.4 Other transactions with key management personnel of the Group

Brett Gallagher is a Director of Techsafe Australia Pty Ltd ("Techsafe"), which is currently performing inspections and certifications of residential solar panel installations for the Group. The terms under which Techsafe provides services are standard, arm's length and of low value (approximately $20,000 per month) (2012: approximately $24,205 per month).

In addition, the Company leases an office/warehouse in which Brett holds an interest. The terms of the lease have been independently reviewed and are standard arm's length and at market value. The total rent and outgoings paid for this property was $103,247 (2012: $101,286). This lease arrangement ceased on 30 June 2013.

37.3 Transactions with other related parties

37.3.1 Transactions between Service Stream Limited and its related parties

During the financial year, the following transactions occurred between the Company and its other related parties:

- The Company recognised tax payable in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to / from the Company are made in accordance with the terms of the tax funding arrangement.
- The Group provided design and project management services to the Syntheo Joint Venture. The costs incurred for the provision of these services have been recouped during the year.

The following balances arising from transactions between the Company and its other related parties are outstanding at the reporting date:

- Loans receivable totaling $99,905,960 are receivable from subsidiaries (2012: $101,054,404).
- Trade receivables totaling $3,378,155 being 50% of the unpaid portion of amounts the Group has invoiced the Syntheo Joint Venture for costs incurred on its behalf during the year.

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.

37. Related party disclosures (continued)

37.3 Transactions with other related parties (continued)

37.3.1 Transactions between Service Stream Limited and its related parties (continued)

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the Company and its controlled entities were eliminated in the preparation of consolidated financial statements of the Group.

37.3.2 Parent entities

The ultimate parent entity in the Group is Service Stream Limited. Service Stream Limited is incorporated in Australia.

38. Remuneration of auditors

Auditor of the parent entity

	2013 $	2012 $
Audit or review of the financial report	235,000	315,000
Additional fees in connection with audit of financial report	100,000	-
Preparation of the tax return	25,000	20,000
Other assurance services	-	6,500
Tax advice and other services	39,000	26,000
	399,000	367,500

During the period, Service Stream Limited appointed PricewaterhouseCoopers as its auditor. The comparative period refers to amounts paid to Deloitte Touche Tohmatsu.

39. Commitments for expenditure

Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in notes 29 and 30 to the financial statements.

40. Contingent assets and liabilities

Contingent liabilities and claims, indeterminable in amount, exist in the ordinary course of business. All known liabilities have been brought to account and adequate provision has been made for any known and anticipated losses.

41. Events after the reporting period

In July 2013, a variation to the Syntheo Joint Venture Agreement was executed, as a result of which Syntheo Stream's joint venture partner would assume control of Syntheo and of the delivery of its remaining obligations to NBN Co. Additional comments in relation to the Syntheo Joint Venture are included in note 13 Joint Ventures.

In August 2013, the Group received credit approved term sheets from its financiers for the renewal of its banking facilities out to 31 August 2014. Refer note 2.2 for further details.

Except for as stated above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

42. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	2013 $'000	2012 $'000
42.1 Financial position		
Current Assets	10,908	15,730
Non-current assets	182,844	222,665
Total Assets	193,752	238,394
Current liabilities	31,535	20,357
Non-current liabilities	4,177	-
Total liabilities	35,712	20,357
Net Assets	158,040	218,038
Issued capital	211,779	211,779
Retained earnings / (accumulated losses)	(56,428)	3,291
Reserves – Equity settled employee benefits	2,689	2,968
Equity	158,040	218,038
42.2 Financial performance		
(Loss) / profit for the year	(59,719)	249
Other comprehensive income	-	-
Total comprehensive income	(59,719)	249

42.3 Guarantees entered into by the parent entity

The parent entity is party to the Group's bank debt facilities as a security provider under the Security Trust Deed. In addition, there are cross guarantees given by the parent entity as described in notes 31 and 32.

ASX Additional Information for the financial year ended 30 June 2013

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

A. Distribution of Shareholders Number as at 2 September 2013

Category (size of holding)	Holders
1-1,000	547
1,001-5,000	1,104
5,001-10,000	680
10,001-100,000	1,618
100,001+	261
	4,210

B. There are 4,210 holders of fully paid ordinary shares.

The Company has no other class of shares issued.

C. The number of shareholdings held in less than marketable parcels is 1,376.

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 2 September 2013 are:

Shareholder	Ordinary	%
Thorney Investment Group Australia Pty Ltd	53,711,859	18.95
Maple-Brown Abbott	28,038,834	9.89
Gandel Springwest Pty Ltd	15,797,924	5.57

E. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

These securities have no voting rights.

F. Net Tangible Assets

The net tangible assets per security is $0.1206 (2012: $0.2081).

G. 20 Largest Shareholders as at 2 September 2013 - Ordinary Shares

Name of 20 largest shareholders in each class of share	Ordinary shares Fully paid number of shares held	% Held
HSBC Custody Nominees (Australia) Limited	57,363,161	20.24
RBC Investor Services Australia Nominees Pty Limited	27,335,493	9.64
UBS Wealth Management Australia Nominees Pty Ltd	18,185,428	6.42
Gandel Springwest Pty Ltd	15,797,924	5.57
Citicorp Nominees Pty Limited	11,591,927	4.09
Rubi Holdings Pty Ltd	6,900,611	2.43
National Nominees Limited	3,574,966	1.26
Dr Roger Graham Brooke & Mrs Sally Ann Brooke	3,107,142	1.10
Bond Street Custodians Limited	2,964,906	1.05
J P Morgan Nominees Australia Limited	2,316,675	0.82
Sandhurst Trustees Ltd	2,119,939	0.75
Global Property Services Pty Limited	1,498,997	0.53
Mr Darren Ronald Patterson	1,389,600	0.49
Mrs Maree Helen Theiler	1,317,760	0.46
Miclod Holdings Pty Ltd	1,241,630	0.44
Navigator Australia Ltd	1,138,219	0.40
Mr Robert Scott Minney	994,945	0.35
Mr John Carthew William Burston & Mrs Catriona Mary Burston	993,600	0.35
Brispot Nominees Pty Ltd	898,114	0.32
Serviceworks Connect Pty Ltd	895,261	0.32
	161,626,298	57.03

Corporate Directory

Directors

Peter Dempsey
Brett Gallagher
Deborah Page AM
Stephe Wilks
Robert Grant

Company Secretary

Vicki Letcher
Jessica Lyons

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Auditors

PricewaterhouseCoopers