servicestream
ESSENTIAL NETWORK SERVICES

2015 Annual Report

Annual General Meeting

The Annual General Meeting of
Service Stream Limited will be held at the
InterContinental Melbourne The Rialto
495 Collins Street, Melbourne
21 October 2015, 10.30am

Service Stream Limited

ABN 46 072 369 870

Annual financial report for the financial year ended 30 June 2015

Annual financial report for the financial year ended 30 June 2015

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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 financial performance on pages 4 to 9, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 12 August 2015. 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

Directors' report

Your Directors present their report on the consolidated entity (the Group) consisting of Service Stream Limited and entities it controlled at the end of, or during, the year ended 30 June 2015, 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:

Brett Gallagher

Chairman

Term of Office: Non-Executive Director from April 2010 to April 2013 and from November 2013 to May 2014, Managing Director from April 2013 to November 2013, Executive Director from May 2014 to February 2015, Chairman since March 2015.

Qualifications: FAICD.

Brett Gallagher has over 20 years' experience across the utility and facilities management industries, and was Managing Director and a shareholder of the AMRS Group of Companies (now Energy and Water) from 2003 until 2008 when that Group was acquired by Service Stream. Brett was instrumental in the growth of AMRS, establishing it as Australia's largest metering services provider.

Brett is Chairman of the Sustainability, Safety, Health and Environment Committee and was a member of the Audit and Risk Committee until his appointment as Managing Director and more recently 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 three years.

Leigh Mackender

Managing Director

Term of Office: Managing Director since May 2014.

Leigh joined Service Stream when it acquired the AMRS Group of Companies (now Energy and Water) in February 2008, prior to which he held various management roles with the AMRS business since joining in 2005. Leigh was appointed to the role of Executive General Manager of Energy and Water in April 2011.

Leigh was previously responsible for overseeing the Energy and Water business' national operations which includes metering, asset inspection and in-home services divisions operating across the electricity, gas and water markets.

Leigh has over 15 years of extensive experience working within the industrial services sector and held various roles in private and public businesses specialising in contract management, financial analysis, business development and commercial negotiations.

Leigh has recently completed the final requirements for the award of a Masters of Business Administration from Victoria University.

Leigh has no other listed company directorships and has held no other listed company directorships in the last three years.

Peter Dempsey

Non-Executive Director

Term of Office: Chairman from November 2010 to February 2015, Non-Executive Director since March 2015.

Qualifications: B. Tech. (Civil Eng.) (Adel), Grad. Diploma (Bus. Admin.), SAIT, FIEAust, MAICD.

Peter Dempsey was appointed as Non-Executive Director of Service Stream Limited on 1 November 2010 and held the role of Chairman until March 2015. 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 Chairman of the Remuneration and Nomination Committee, a member of the Audit and Risk Committee and is the lead independent director.

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 three years.

Deborah Page AM

Non-Executive Director

Term of Office: Non-Executive Director since September 2010.

Qualifications: B Ec (Syd), FCA, MAICD.

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 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, Brickworks Limited and BT Investment Management Limited.

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

Stephe Wilks

Non-Executive Director

Term of Office: Non-Executive Director since September 2005.

Qualifications: BSc (Macq) LLM (Syd).

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 Committee, the Sustainability, Safety, Health and Environment Committee and the Remuneration and Nomination Committee.

Stephe is currently Chairman of Bulletproof Group Limited and a Non-Executive Director of Tel.Pacific Limited, and was previously Chairman of Mooter Media Limited and Eftel Limited, and a Non-Executive Director of People Telecom Limited and 3Q Holdings 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.

Stephe has no other listed company directorships and has held no other listed company directorships in the last three years.

Robert Grant

Chief Financial Officer

Term of Office: Alternate Director from December 2010 to August 2014, Chief Financial Officer since June 2010.

Qualifications: BCom (Qld), FCPA.

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.

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 three years.

Directors' shareholdings

The following table sets out each Director's relevant interest in shares and rights in shares 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
B Gallagher	10,390,679	-
P Dempsey	1,073,637	-
D Page	332,928	-
S Wilks	710,911	-
L Mackender	137,163	1,594,994

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 12 to 20. 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, the following performance rights were granted to 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
L Mackender	1,000,000	Service Stream Limited	1,000,000
R Grant	700,000	Service Stream Limited	700,000
M Saloyedoff	650,000	Service Stream Limited	650,000
K Smith	650,000	Service Stream Limited	650,000
P McCann	650,000	Service Stream Limited	650,000
	3,650,000		3,650,000

Company secretary

Vicki Letcher joined Service Stream in June 2010 and was appointed Company Secretary in August 2012. Vicki holds a Bachelor of Laws and a Bachelor of Commerce and is also a member of the Institute of Chartered Accountants and of the Governance Institute. Vicki is responsible for the corporate administration, risk management and corporate governance of the Group.

Vicki has broad experience across a number of industries, including manufacturing, consumer goods and professional services having previously held a range of senior finance positions with Deloitte and Foster's Group Limited.

Principal activities

The Service Stream Group is a provider of essential network services, including access, design, build, installation and maintenance. These services are provided across 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 continued its return to profitability and strengthened its balance sheet during the financial year (FY15) with significant improvements in all key financial measures.

Key financial measures

$ million	FY15	FY14	Change		
Revenue	411.3	389.6	21.7	6%	▲
EBITDA	25.4	16.6	8.8	53%	▲
EBITDA %	6.2%	4.3%	1.9%		▲
Net profit after tax	11.7	2.3	9.4	408%	▲
Earnings per share (cents)	3.03	0.76	2.28	301%	▲
Operating Cashflow	32.3	24.9	7.5	30%	▲
Net Cash / (Net Debt)	14.8	(10.4)	25.2	(242%)	▲
Total dividends declared (cents)	1.50	0.00	n/a	n/a	▲

Group revenue improved to $411.3 million from $389.6 million with the 6% year-on-year increase attributable to growth in Fixed Communications, offset by reductions to varying degrees in each of Mobile Communications and Energy & Water. Revenue was strong in the second-half of the year with a 48%:52% H1:H2 split.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) improved to $25.4 million from $16.6 million with the 53% increase over the previous year also largely attributable to Fixed Communications. Whilst Mobile Communications also reported an improved EBITDA result on the back of improved productivity and margin performance, Energy & Water reported lower EBITDA than the previous year due to lower revenue.

Group net profit after tax (NPAT) improved to $11.7 million from $2.3 million with the >400% increase attributable to the aforementioned improvement in EBITDA along with a $2.7 million reduction in depreciation & amortisation and a $3.0 million reduction in net interest expense & financing costs.

Basic earnings per share (EPS) improved to 3.03 cents from 0.76 cents with the increase attributable to the significant increase in NPAT offset by the impact of a higher average number of shares on issue during the year (386.39 million) than compared to the previous year (305.49 million).

Group operating cashflow before interest and tax (OCFBIT) of $34.0 million was greater than EBITDA due to non-cash items and a reduction in net working capital. Operating cashflow of $32.3 million was strong with tax payments of Nil and financing outflows of ($1.6 million) significantly lower than the prior year.

The Group's strong profitability and cashflow outcomes for the year permitted the Board to return the Company to dividends with a 0.5 cent (fully-franked) interim dividend for FY15 paid on 16 April 2015, and the declaration of a 1.0 cent (fully-franked) final dividend payable on 8 October 2015.

The Group's Net Debt (excluding capitalised transaction costs) was reduced by $25.2 million during the year due solely to the business' generation of cashflow. At year-end the Group had Net Cash of $14.8 million comprising cash on hand of $14.8 million and borrowings of Nil, compared to Net Debt at the prior period end of ($10.4 million) comprising cash on hand of $6.6 million and borrowings of ($17.0 million) (excluding capitalised transaction costs).

Segment results
compared to prior corresponding period

$ million	FY15		FY14		Change	
Fixed Communications	180.6		98.4		82.2	
Mobile Communications	154.0		166.9		(12.9)	
Energy & Water	77.3		124.2		(47.0)	
Eliminations & Interest Rec'd	(0.7)		0.1		(0.7)	
Total Revenue	411.3		389.6		21.7	
Fixed Communications	13.3	7.4%	2.4	2.4%	10.9	4.9%
Mobile Communications	13.3	8.7%	7.7	4.6%	5.6	4.0%
Energy & Water	3.5	4.6%	11.2	9.0%	(7.7)	(4.4%)
Unallocated Corporate Services	(4.8)	(1.2%)	(4.8)	(1.2%)	(0.0)	0.1%
Total EBITDA	25.4	6.2%	16.6	4.3%	8.8	1.9%
Depreciation & Amortisation	(6.3)		(9.0)		2.7	
EBIT	19.1	4.6%	7.6	1.9%	11.5	2.7%
Financing costs	(1.9)		(5.0)		3.0	
Income tax expense	(5.4)	31.5%[1]	(0.3)	11.1%[1]	(5.1)	
Net profit after tax	11.7	2.8%	2.3	0.6%	9.4	2.3%

[1] Effective tax rate

Revenue

Revenue increased by $21.7 million compared to the prior corresponding period driven primarily by:

- Fixed Communications revenue was up (+$82.2 million) primarily due to a significantly higher number of customer connections under the Field Service Delivery (FSD) and Network Augmentation & Restoration Activities (NARA) contracts with nbn. The balance of the increase was due to higher volumes of remediation activities under the Duct Infrastructure & Associated Services (DIAS) contract with Telstra and a new revenue contribution relating to Fibre-to-the-Node trials undertaken for both nbn and Telstra partially offset by a decrease in new estate activity under the New Developments (ND) contract with nbn.
- Mobile Communications revenue was down (-$12.9 million) due to a decrease in the volume of wireless site acquisition & design services and construction activity which was partially offset by an increase in revenue from wireline activities including the recoverable and minor works contracts with Telstra and minor works undertaken for nbn.
- Energy and Water revenue was down (-$47.0 million) primarily due to lower revenue from meter replacement activities resulting from cessation of the electricity smart meter program in Victoria (-$23.4 million). The balance of the reduction was due to lower revenue from in home services activities (predominantly solar PV) which was impacted by moving the business model to one where the bulk of the requisite materials (eg. solar panels and inverters) was provided to Service Stream by the customer on a “free-issue” basis, and lower revenue from customer care activities.

Earnings before interest, tax, depreciation and amortisation

The Group’s EBITDA of $25.4 million for the year was favourable to the prior year by $8.8 million.

- Fixed Communications achieved an EBITDA of $13.3 million for FY15 which represents an improvement of $10.9 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 4.9 percentage point increase in margin on the back of scale efficiencies and improved productivity.
- Mobile Communications also recorded EBITDA of $13.3 million for FY15. This represents an improvement of $5.6 million over the prior year. The higher EBITDA resulted from a 4.0 percentage point increase in margin on the back of improved productivity and workflow continuity and despite the reduction in revenue detailed above.

- Energy & Water reported an EBITDA of $3.5 million for FY15, a decrease compared to the prior year of ($7.7 million), due primarily to the lower revenue detailed above and the ensuing scale inefficiencies.

Net interest expense and finance costs

- Net interest expense and finance costs of $1.9 million were $3.0 million favourable to the prior period reflecting lower levels of borrowings and bank guarantee utilisation during the year along with improved pricing and conditions that applied following refinancing of the Group's facilities in August 2014.

Tax

- An income tax expense of $5.4 million was recorded for the period. Whilst income tax expense was $5.1m higher than the prior period, the increase was in line with higher profit before tax and the effective tax rate for the year of 31.5% was in line with expectations.

Depreciation and amortisation

- A depreciation and amortisation charge of $6.3 million was recorded for the period. This was $2.7 million favourable to the charge in the prior year due to a significant proportion of assets (including those related to the electricity smart meter program in Victoria) becoming fully depreciated or amortised at the end of FY14.

Cashflow

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

- Net cashflow from operations was $32.3 million compared to $24.9 million in the prior period. The $7.5 million improvement can be attributed to:
    - Service Stream operations (prior to the impacts of contributions to the Syntheo Joint Venture FY15: nil, FY14: $20.4m outflow) generated $34.0 million in operating cashflow before interest and tax (OCFBIT) for the year compared to $50.7 million in the prior period. Both periods produced more OCFBIT than EBITDA, although the reduction in working capital in FY15 was less than the reduction achieved in the prior period;
    - Net interest and other finance costs paid of $1.6 million were $3.8 million less than the prior year, predominately due to lower levels of borrowings and bank guarantee utilisation along with improved pricing as noted above; and
    - There were no tax payments nor refunds in either the current year or prior period.
- Net investing cash outflows for the year increased by $1.6 million to $3.7 million due to:
    - $1.2 million increase in capital expenditure; and
    - $0.3 million decrease in proceeds from the sale of assets.
- Net financing outflows, excluding repayment of borrowings, for the year increased by $3.5m due to:
    - $1.5 million expended in the current year to acquire a total of 5.4 million shares in Service Stream Limited to satisfy the Group's forecasted obligations under share-based incentive schemes; and
    - $1.9 million payment with respect to the 0.5 cents per share interim dividend.

Financial position

The financial position of the Group improved during the year with Net Assets increasing by $9.7 million, predominately due to the impact of NPAT achieved over the period (+$11.7 million) less dividends paid during the year (-$1.9 million). At 30 June 2015 Net Assets totalled $189.3 million (30 June 2014: $179.6 million), with Current Assets exceeding Current Liabilities by $74.5 million (30 June 2014: $58.3 million).

Debt and financing facilities

- The Group ended the year with Net Cash of $14.8 million compared to Net Debt at the prior period end of ($10.4 million). The Net Cash at June 2015 comprised cash on hand of $14.8 million less borrowings of Nil. The Net Debt at June 2014 comprised ($17.0 million) of borrowings (excluding capitalised transaction costs) offset by $6.6 million of cash on hand.
- Bank guarantee utilisation at year-end of $10.9 million was marginally lower than the prior year-end's $11.6 million.
- The Group concluded a refinance of its banking facilities over the course of the year. The Group's bankers are Australia & New Zealand Banking Group and HSBC Bank Australia Limited.
- The Group's finance facilities at 30 June 2015 comprised cash advance lines totaling $35.0 million (drawn: Nil), bank guarantee facilities totaling $20.0 million (drawn: $10.9 million) and overdraft facilities totaling $5.0 million (drawn: Nil).

- The Group was in compliance with, and had substantial head-room on each of the financial covenants applying under the Syndicated Facilities Agreement with its bankers.

Other Balance Sheet

Other key balance sheet movements during the year included:

- Service Stream working capital at 30 June 2015 was a net asset position of $53.7 million and reflected a $7.9 million decrease from the prior year's closing balance of $61.7 million.
- Trade and other receivables of $34.1 million was ($4.7 million) down on the prior year-end.
- Inventories have increased marginally from $6.9 million to $7.6 million.
- Accrued revenue of $77.8 million was $6.2 million up on prior year-end, reflecting higher revenue over the year, in the second-half of the year in particular.
- Trade and other payables of $52.9 million has increased by $9.8 million with the bulk of the increase relating to higher year-end accounts payable balances.
- Provisions of $11.9 million has increased marginally from the prior year-end balance of $9.5 million.
- Property, plant & equipment at 30 June 2015 was $8.1 million compared to $10.7 million at 30 June 2014 and reflects the annual deprecation charge substantially exceeding new purchases for the year.
- Intangibles of $120.8 million remains largely unchanged.

Business activities and outlook

Fixed Communications

Fixed Communications provides a wide range of design, construction, maintenance and customer connection services to the owners of telecommunications network infrastructure and to telecommunications retail service providers in connection with the roll-out of the National Broadband Network in Australia.

- Fixed Communications' financial performance in FY15 significantly improved over the prior year, delivering an EBITDA of $13.3 million on revenue of $180.6 million (7.4% margin), compared with EBITDA of $2.4 million on revenue of $98.4 million (2.4% margin) in the prior year.
- During FY15, Fixed Communications delivered services to customers under its four key contracts, each of which operated for the entirety of the year: New Developments contract with nbn, Field Service Delivery (FSD) contract with nbn, Network Augmentation & Restoration Activities (NARA) contract with nbn and Duct Infrastructure & Associated Services (DIAS) contract with Telstra.
- During the year, Fixed Communications undertook Fibre-to-the-Node (FTTN) trials for each of nbn and Telstra. Under these trials, 13 of 18 Service Areas have been practically completed for Telstra in the Newcastle area in NSW, whilst 3 of 4 Service Areas have been practically completed for nbn in the Gympie area in Queensland.

Mobile Communications

Mobile Communications provides program management and turnkey services for infrastructure projects across Australia, principally in the telecommunications sector. Service capability covers site acquisition, town planning, design, and management of construction projects requiring specialist skill sets in wireless and fixed line telecommunications, signalling and power.

- Mobile Communications' financial performance in FY15 also saw significant improvement with EBITDA of $13.3 million on revenue of $154.0 million (8.7% margin) compared with EBITDA of $7.7 million on revenue of $166.9 million (4.6% margin) in the prior year.
- During the year, Mobile Communications was successful in securing renewals of both of its key wireless contracts:
    - A new Wireless Design & Construction Contract was entered into with Vodafone Hutchison Australia (VHA) in March 2015. The contract has an initial term of two years with a two-year extension at VHA's election.
    - A new Wireless Design & Construction Contract was entered into with Telstra in April 2015. The contract has an initial term of three years with the option of a one-year extension.

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 declined in FY15 with EBITDA of $3.5 million on revenue of $77.3 million (4.6% margin) compared with EBITDA of $11.2 million on revenue of $124.2 million (9.0% margin) in the prior year. The primary reason for the decline in financial performance was lower revenue as detailed above.
- Energy and Water was successful in renewing all but one of the metering contracts that expired during the year, and in May 2015 announced that it had entered into a new metering field services contract with Active Stream (a wholly owned subsidiary of AGL Energy Limited) for an initial term of three years with the option of two one-year extensions. The new contract with Active Stream provides a platform for Energy & Water to participate in a large scale electricity smart meter replacement program following the conclusion of the government-mandated replacement program in Victoria in late FY14.
- During the year Energy & Water completed 2,678 residential solar PV installations at an average size of 3.7kw (total installed capacity 9.9 megawatts) and commenced commercial solar PV work with 373 kw of commercial capacity installed. This compares to the prior year's 2,626 residential solar PV installations at an average size of 3.3kw (total installed capacity 8.7 megawatts).
- Subsequent to year end, Energy and Water announced that it had renewed its solar PV contract with Origin Energy for a further three years, with the option of two one-year extensions. The renewed contract with Origin Energy provides a platform for Energy & Water to continue to participate in the solar PV market and to expand product offerings (eg. residential battery storage) on the back of technological advances and cost reductions to complement existing PV technologies.

Overall Group strategy, prospects and risks

The financial performance of the Group improved during the year in line with the Board's expectation.

The Board is pleased with delivery against the Group's strategic plan, a summary of which was presented to shareholders at the 2014 Annual General Meeting. The Board believes that the Group is well placed under the leadership of Managing Director, Leigh Mackender, to take advantage of growth opportunities as they present and to maximise shareholders returns.

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.
- Energy network owners, retailers and governments will continue to pursue better demand side management, use of consumption data and distributed generation presenting significant opportunities in smart metering, in-home services and asset maintenance.

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

Customer concentration	Management and the Board are conscious of the Group's exposure to a small number of key customers and infrastructure programs as a source of revenue and profitability, but accepts that concentration to customers such as nbn, Telstra and Vodafone Hutchison Australia is a natural consequence of operating in the telecommunications sector in Australia. In that context, Management and the Board remain alert to factors that could disrupt or delay the flow of work from those customers, and implement strategies to actively pursue the diversification of income streams both within and separate to those customers by developing and offering a broad range of services and geographic coverage.
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 take a balanced view on the level of customer demand that is expected to arise under each of these contracts in forecasting financial performance, there is a risk that the level of customer demand may be less than forecasted.

In addition, the potential variability in that customer demand presents operational challenges to the Group. In this regard, Management and the Board are conscious of the need to maximise the variability of the business' cost base and structures through the use of sub-contractors wherever possible. Processes are therefore established and maintained to attract, mobilise and retain key sub-contractor resources to ensure that they are available at the right time and right place to match customer's forecasts of volume as they change over time.

Contract management

Given that Service Stream's operating model is premised on the provision of infrastructure services to customers under periodically renewed contracts, Management and the Board are conscious of the risks that can arise through the acceptance of sub-optimal conditions in customer contracts and through the ineffective commercial administration of these contracts over their term.

In recent time, it has become evident that large customers are trying to impose higher liability regimes onto contractors such as Service Stream, and that emerging risks around data security and privacy are gaining greater contractual attention.

Management and the Board therefore remain focused on ensuring that appropriate contract management disciplines are effectively embedded in the organisation to manage contract risk and to maximise contract entitlements. In that context, Management has established a new Group Commercial function reporting to the Managing Director, which has developed and implemented a revised New Business / Bid Management Framework during the year.

Renewal of customer contracts

Whilst the Group successfully renewed and extended all of the major customer contracts that expired during the year (in particular the wireless design and construction contracts with each of Telstra and Vodafone Hutchison Australia and the solar PV installation contract with Origin Energy), the renewal of contracts remains a risk that Management and the Board continues to actively monitor and manage.

Service Stream operates in a limited number of market segments in which there are relatively few competitors. Management and the Board are therefore particularly conscious of the risks related to the loss of business to competitors either through their leverage of potentially more cost effective business platforms or as a consequence of their potential adoption of loss-leading strategies to maintain market share.

A number of contracts with key customers across the business expire during FY16. Management is confident that the majority of them will be either extended or renewed where there is ongoing work.

Retention of key personnel and sourcing of subcontractors

The talents of a relatively small number of key personnel contribute significantly to the Group's operational effectiveness. Management and the Board have implemented strategies to retain those personnel, including participation in appropriate incentive arrangements, and are in the final stages of deploying a talent identification and succession program across the business.

Access to an appropriately skilled and resourced pool of sub-contractors across Australia is also critical to Service Stream's ability to successfully undertake and complete work for its customers. During FY15 Management has been particularly focused on mobilising a large pool of sub-contractors to undertake a significantly increased volume of customer connection work for nbn, and on developing systems and strategies to ensure that a sufficiently large sub-contractor workforce can be attracted to undertake additional work for nbn as its new multi-technology policy gains momentum in FY16.

Working with potential safety hazard

In undertaking work and delivering programs for its customers, Service Stream's employees and contractors can operate in potentially hazardous environments and perform potentially hazardous tasks.

Management and the Board remain alert to the safety risks posed to employees and contractors, devote significant time to monitoring the effectiveness of the Group's safety framework, and have implemented a wide range of controls to prevent injuries to employees and contractors.

Information management

Service Stream's operational agility, overall cost effectiveness and ability to convert works to cash in a timely manner are becoming increasingly reliant on the appropriate management of data and information.

Management and the Board remain alert to ensuring that sufficient funds are made available to maintain fit-for purpose system applications and infrastructure, and that IT investments are appropriately prioritised and undertaken effectively.

Dividends

An interim dividend of 0.5 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 April 2015. In addition, on 12 August 2015, the Directors declared a fully franked final dividend of 1.0 cent per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, to be paid to shareholders on 8 October 2015. This dividend has not been included as a liability in these consolidated financial statements. The dividend will be paid to all shareholders on the Register of Members on 4 September 2015 and the total dividend estimated to be paid is $3,856,000. No dividends were payable in respect of the financial year ended 30 June 2014.

Significant changes in the 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

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.

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 performance rights

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

Issuing entity	Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
Service Stream Limited	FY13 LTIP	Ordinary	$0.00	30 June 2015	1,572,487
Service Stream Limited	FY14 LTIP	Ordinary	$0.00	30 June 2016	3,987,543
Service Stream Limited	FY15 LTIP	Ordinary	$0.00	30 June 2017	2,460,000
Service Stream Limited	FY15 ESBIP	Ordinary	$0.00	30 June 2015	4,650,000
					12,670,030

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 FY13 LTIP and FY15 ESBIP tranches which vested on 30 June 2015 will be issued to participants after release of the FY15 financial statements where and to the extent that the vesting criteria has been satisfied.

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		Health, Safety & Environment Committee		Term of Directorship
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	
B Gallagher	17	17	4	4*	4	4*	3	3	5 years
P Dempsey	17	17	4	4	4	4	3	3*	5 years
D Page	17	17	4	4	4	4	3	3*	5 years
S Wilks	17	16	4	4	4	4	3	3	10 years
L Mackender	17	17	4	4*	4	4*	3	3	1 year
R Grant	17	3^	4	1*^	4	1*^	3	0*^	4 years

* Attended as a Standing Invitee

^ R Grant resigned as Alternate Director for Leigh Mackender on 25 August 14. The number of meetings attended referred to above relate only to the period R Grant held the position of Alternate Director.

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 officers of the Group and any related body corporate against a liability necessarily incurred as such a Director, Secretary or officer to the extent permitted under the Corporations Act 2001.

The contract of insurance prohibits the general disclosure of the terms and conditions, nature of the liability insured or the amount of the deductible or premium paid for the contract.

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 necessarily 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 27 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 27 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk 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 22 of the annual financial report.

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate governance statement

Service Stream Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Service Stream Limited has reviewed its corporate governance practices against the 3rd edition ASX Corporate Governance Principles and Recommendations. Service Steam is compliant with all ASX Corporate Governance Principles and Recommendation, except for recommendation 2.5. Due to the fact that Mr Gallagher held the role of Managing Director from April to November 2013 and Executive Director from May to December 2014, he is currently deemed to not be independent.

A description of Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at http://www.servicestream.com.au/investors/corporate-governance. The corporate governance statement is accurate and up to date as at 12 August 2015 and has been approved by the Board.

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 2015 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 2014 Annual General Meeting;
- key terms of employment contracts; and
- share-based payments granted as compensation.

Director and key management personnel details

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

B Gallagher (Executive Director until February 2015, Chairman since March 2015)
L Mackender (Managing Director)
P Dempsey (Chairman until February 2015, Non-Executive Director since March 2015)
D Page AM (Non-Executive Director)
S Wilks (Non-Executive Director)
R Grant (Alternate Director until August 2014, Chief Financial Officer)

The following other 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:

P McCann (Executive General Manager, Energy and Water since August 2014)
M Saloyedoff (Executive General Manager, Mobile Communications)
K Smith (Executive General Manager, Fixed Communications)

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 may seek the advice of external advisers in connection with the structure of remuneration packages as the Board considers necessary.

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 Share Based Incentive Plan.

2.1 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 Group and individual goals agreed with the Remuneration and Nomination Committee (RNC) and their line manager respectively at the beginning of each financial year.

Payment of STIP-related bonuses is dependent on the achievement of at least 90% of the Group's EBITDA target for the financial year for all participants, regardless of their personal performance. Once this criteria is satisfied, bonus payments are based equally on Group performance and achievement of individual goals as illustrated below.

50% Group Financial Performance		50% Individual Performance	
Performance to Budget	Percentage paid out	KPI Quadrant - individual goals	Example percentage allocation
Below 90%	0%	Financial	50%
At 90%	50%	Market & Customer	20%
> 90% and < 100%	Proportional	Safety & People	20%
100%	100%	Risk & Governance	10%

Individual goals are tied directly to the annual objectives of the Group, which are linked directly to the overall Group strategy categorised into the four quadrants of Financial, Market & Customer, Safety & People and Risk & Governance. The weighting applied to each of these quadrants varies depending on the role and responsibilities.

2.2 Long Term Incentive Plan ("LTIP")

From time to time employees in senior management roles and 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, 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 2015 ("FY15 LTIP"). 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 or other issue price as deemed appropriate by the Board.

Performance rights for each of the LTIP tranches are subject to service and performance criteria being:

A The participant must be an employee at the vesting date;

B 50% of the performance rights granted will each vest where:

(i) The Group's earnings per share ("EPS") achieves annual growth of 10% or more over the performance period from an agreed base EPS, as detailed below (FY13 LTIP and FY15 LTIP) or EPS achieves set targets based on 10% growth from the base (FY14 LTIP).

LTIP Tranche	FY13	FY14[1]	FY15
Performance Period	3 years	3 years	3 years
Vesting date	30 June 2015	30 June 2016	30 June 2017
EPS base (cents per share)	6.60	2.55	0.76

[1] The FY14 LTIP targets are: Year 1: 2.81, Year 2: 3.09, Year 3: 3.40.

Subject to the following proportional vesting:

Percentage of performance rights that vest	EPS Target
0%	Below 75%
40%	At 75%
Proportional vesting	Greater than 75% and less than 100%
100%	100% and above

(ii) 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: Subject to the following proportional vesting:

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)

Performance rights will vest to the extent that the participant remains employed by the Company on the vesting date and to the extent that the Company's performance over the relevant period satisfies the vesting conditions.

2.3 Executive Share-Based Incentive Plan ("ESBIP")

The ESBIP was established during the current financial year and eligible executives and Directors were, with approval from the Board, invited to participate. By accepting the offer to participate in the ESBIP, executives forfeited their entitlement to participate in both the LTIP and the STIP. ESBIP 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.

The ESBIP invitation letter provided to participants sets out the rights and obligation of the plan, and provides details regarding the number of rights that will be offered to the participants on an annual basis (by way of an annual offer letter) over a five year period. 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 FY15 ESBIP performance rights are subject to service and performance criteria being:

A The participant must be an employee at the later of the date on which the Company releases its results for the financial year ending 30 June 2015 (FY15) or otherwise determines that the vesting conditions have been satisfied; and

B(i) at least 10% growth in earnings per share (EPS) for FY15 is achieved; or

B(ii) an average of at least 10% compound growth in EPS per annum for the Aggregate Period is achieved.

ESBIP Tranche	FY15
Performance Period	1 year
Vesting date	30 June 2015
Aggregate Period end date	30 June 2017
EPS base (cents per share)	0.76

Performance rights will vest to the extent that the participant remains employed by the Company on the vesting date and to the extent that the Company's performance over the relevant period satisfies the vesting conditions.

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

The Remuneration and Nomination Committee did not engage the services of remuneration consultants during the year.

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.

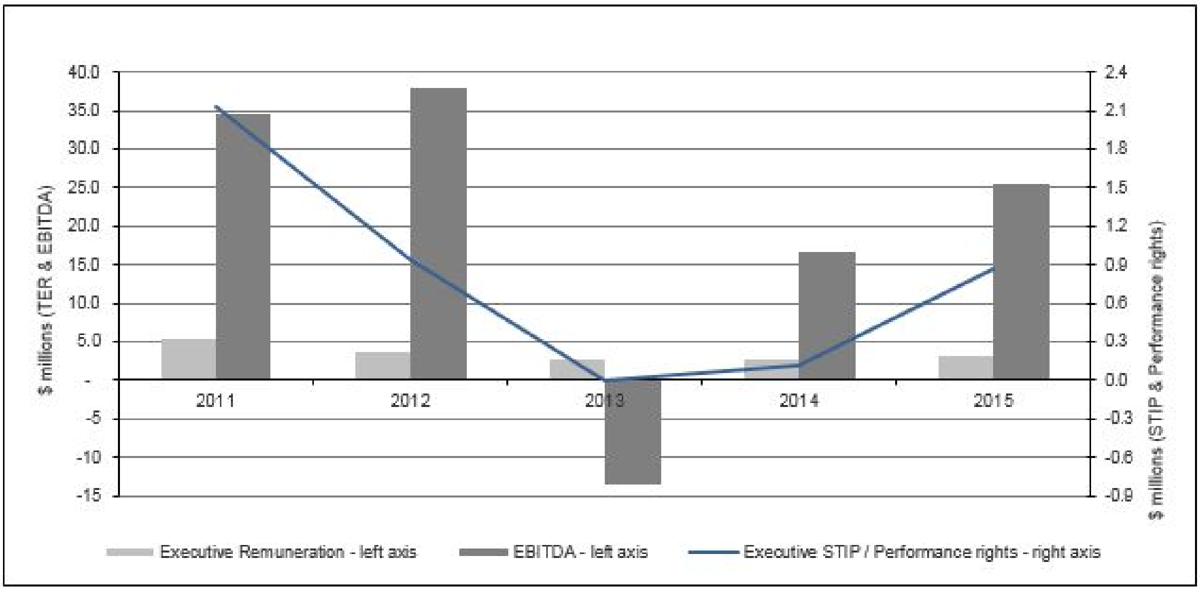
In considering the Group's performance, the Remuneration and Nomination Committee have regard to a number of measures including the following:

	Results					Change				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000	%	%	%	%	%
Total Executive Remuneration	3,270	2,585	2,662	3,719	5,274	26.5%	(2.9%)	(28.4%)	(29.5%)	41.5%
Revenue	411,270	389,574	526,593	592,216	633,290	5.6%	(26.0%)	(11.1%)	(6.5%)	21.6%
EBITDA [1]	25,389	16,560	(13,392)	38,041	34,584	53.3%	(223.7%)	(135.2%)	10.0%	440.3%
Net profit/(loss) before tax	17,116	2,598	(113,581)	26,643	22,631	558.8%	(102.3%)	(526.3%)	17.7%	(409.4%)
Net profit/(loss) after tax	11,720	2,309	(107,054)	18,716	16,452	407.5%	(102.2%)	(672.0%)	13.8%	(743.9%)
Share price at end of year	0.30	0.19	0.14	0.35	0.49	57.9%	32.1%	(60.0%)	(28.6%)	113.0%
Interim dividend [2]	0.50 cps	-	1.00 cps	1.00 cps	-	-	(100.0%)	-	n/a	-
Final dividend [2,3]	1.00 cps	-	-	1.00 cps	-		-	(100.0%)	n/a	-
Basic earnings per share	3.03 cps	0.76 cps	-37.77 cps	6.60 cps	5.80 cps	298.7%	(102.0%)	(672.3%)	13.8%	(685.9%)
Diluted earnings per share	3.02 cps	0.75 cps	-37.77 cps	6.54 cps	5.80 cps	302.7%	(102.0%)	(677.5%)	12.8%	(685.9%)

1. Earnings before interest, tax, depreciation and amortisation.

2. Franked to 100% at 30% corporate income tax rate.

3. Declared after balance date and not reflected in the financial statements of that year.



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

Non-Executive Directors are remunerated by way of fees and statutory superannuation (where applicable). During the time Mr Gallagher acted as Executive Director he was paid his pre-existing fixed Directors fee 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 Directors agreed to reduce their fees effective 1 January 2015. The Remuneration Report (at pages 12 to 20 of this annual financial report) details the remuneration of Directors.

The maximum annual aggregate Directors' fee pool limit is $500,000, and has been allocated as follows:

	Fee incl Super from 1 January 2015	Board	ARC	RNC	HSE	Fee incl Super to 31 December 2014	Board	ARC	RNC	HSE
B Gallagher [1]	$60,000	**1**	3	2	**1**	$56,011	2	3	2	**1**
P Dempsey	$47,500	2	2	**1**	3	$56,119	**1**	2	**1**	3
S Wilks	$47,500	2	2	2	2	$56,246	2	2	2	2
D Page	$50,000	2	**1**	2	3	$58,856	2	**1**	2	3
	$205,000					$227,232				

[1.] During the period where Mr Gallagher acted in an executive role, he was additionally paid a higher duties allowance of $53,381.

1: Chair
2: Member
3: Standing attendee

ARC: Audit and Risk Committee
RNC: Remuneration and Nomination Committee
HSE: Health, Safety and Environment Committee

During and in subsequent periods where Mr Gallagher has acted in an executive role, he has stood down as a member of the Audit & Risk Committee.

Remuneration of Directors and key management personnel

2015	Short-term employee benefits		Post-employment benefits	Long-term employee benefits	Share-based payment	Total
	Salary & fees	Non-monetary	Superannuation	Long Service Leave	Performance rights[4]	
	$	$	$	$	$	$
Non-Executive Directors						
B Gallagher [1]	154,795	-	14,597	-	-	169,392
P Dempsey	94,629	-	8,990	-	-	103,619
S Wilks [2]	103,746	-	-	-	-	103,746
D Page	99,412	-	9,444	-	-	108,856
Executives						
L Mackender	456,217	-	18,783	29,700	223,738	728,438
R Grant	419,901	-	28,008	9,146	221,196	678,251
M Saloyedoff	336,353	-	18,783	9,164	157,992	522,292
K Smith [5]	295,625	-	18,783	22,249	142,844	479,501
P McCann [3]	215,417	4,840	16,713	12,718	126,100	375,788

1. B Gallagher was Executive Director until February 2015, and was appointed as Chairman on 1 March 2015.
2. S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which Mr Wilks has a beneficial interest.
3. P McCann was appointed to the position of Executive General Manager - Energy & Water on 1 August 2014.
4. During the year, executives were invited to participate on the newly established ESBIP (see page 14 for details). By accepting the offer to participate in the ESBIP, executives forfeited their entitlement to participate in both the LTIP and the STIP.
5. K Smith held the position as Acting Executive General Manager from the beginning of the year until he was appointed as Executive General Manager, Fixed Communications in October 2014.

2014	Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payment	Total
	Salary & fees	Short term incentives[9]	Non-monetary	Superannuation	Long Service Leave	Performance rights[10]	
	$	$	$	$	$	$	$
Non-Executive Directors							
P Dempsey	127,500	-	-	11,794	-	-	139,294
S Wilks [1]	111,981	-	-	-	-	-	111,981
D Page	107,500	-	-	9,944	-	-	117,444
Executives							
L Mackender [3]	283,513	25,500	-	19,256	10,841	29,501	368,611
B Gallagher [2]	244,871	-	-	17,775	-	-	262,646
R Grant	420,669	-	-	26,231	9,609	91,983	548,492
M Saloyedoff [4]	198,288	-	2,745	12,429	10,595	10,580	234,637
K Smith [5]	13,754	-	-	917	898	957	16,526
D Hill [6]	83,513	-	-	5,410	-	(13,299)	75,624
T Sinclair [7]	381,219	-	-	11,638	-	-	392,857
C Orr [8]	314,965	-	-	16,898	7,247	(22,062)	317,048

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

2. B Gallagher was Managing Director to 6 November 2013, Non-Executive Director from 7 November 2013 until 25 May 2014 and Executive Director since 26 May 2014.

3. L Mackender was appointed Managing Director on 26 May 2014 and in addition performed the duties of Executive General Manager, Energy and Water for the full year.

4. M Saloyedoff was appointed to the position of Executive General Manager, Mobile Communications on 18 October 2013.

5. K Smith was appointed to the position of Acting Executive General Manager, Fixed Communications on 12 June 2014.

6. D Hill held the position of Executive General Manager, Mobile Communications until 18 October 2013.

7. T Sinclair was appointed as Managing Director on 6 November 2013 and held this position until his resignation on 26 May 2014. Under the terms agreed with Mr Sinclair, his employment terminated upon the expiry of his 6 months paid notice period on 18 November 2014. Mr Sinclair agreed not to work for a competitor of Service Stream for the duration of the notice period.

8. C Orr held the position of Executive General Manager, Fixed Communications until 12 June 2014.

9. Due to the failure of the Group to meet the required performance targets, there were no short term incentives payable for the year ended 30 June 2014. The amounts included above represent variances between the 30 June 2013 estimation as included in the remuneration report for the year ended 30 June 2013 and the amount subsequently paid.

10. The fair value of performance rights issued under the Long Term Incentive Plan, allocated on a pro-rata basis to the financial year. Where previously disclosed rights have been subsequently forfeited due to resignation the relevant remuneration disclosure are negative.

No Director or member 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 as follows:

Name	Fixed Remuneration		At risk - Short term cash incentives		At risk - Share based payments	
	2015	2014	2015	2014	2015	2014
Non-Executive Directors						
B Gallagher	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
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						
L Mackender	69.3%	64.5%	0.0%	19.4%	30.7%	16.1%
R Grant	67.4%	50.0%	0.0%	25.0%	32.6%	25.0%
M Saloyedoff	69.8%	64.5%	0.0%	19.4%	30.2%	16.1%
K Smith	70.2%	66.7%	0.0%	20.0%	29.8%	13.3%
P McCann[1]	66.4%	n/a	0.0%	n/a	33.6%	n/a

1. Paul McCann was not a member of key management personnel in 2014.

Voting and comments made at the company's 2014 Annual General Meeting

The Company received 96% of “yes” votes on its Remuneration Report for the 2014 financial year. The Company did not receive any specific feedback at the AGM on its remuneration practices.

Key terms of employment contracts

Employment contracts for key management personnel provide for the following elements:

- Fixed remuneration including base salary and superannuation.
- During the year the variable component of remuneration for key management personnel was revised such that key management personnel are now invited to participate in the ESBIP (see page 14 for details of the plan) and are no longer eligible to participate in the STIP or the LTIP.
- Mutual three month notice period for termination of service, with the exception of Mr Leigh Mackender and Mr Robert Grant where there is a mutual six month notice period for termination.

Brett Gallagher
In addition to his directors fees, Brett Gallagher has received a higher duties allowance for the period in which he held the position of Executive Director. During this period, Brett did not accrue entitlements such as annual leave, sick leave and long service leave and during planned absences the higher duties allowance did not apply. Furthermore, Brett did not participate in either the STIP or share schemes.

Share based payments granted as compensation

(a) Executive Share Based Incentive Plan ("ESBIP")

The Group operates an ESBIP whereby executives and Directors are granted performance rights subject to service and performance criteria. As at balance date, the following ESBIP arrangements were in place:

ESBIP Series	Number	Grant date	Grant date weighted average fair value	Vesting date	Performance period start date
FY15 ESBIP	4,650,000	31 Jan 2015	19.4 cps	30 June 2015	1 July 2014

Remuneration outcomes

The FY15 ESBIP tranche vested at the conclusion of the current financial year (vesting date: 30 June 2015). The table below details the vesting of the performance rights under this tranche. On vesting, each right converts to one ordinary share in Service Stream Limited.

FY15 ESBIP	EPS growth hurdle (base 0.76 cps)	
	Outcome	Vested
Performance Period - Year 1	301.26 %	Yes

(b) 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:

Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY13 LTIP	1,572,487	30 November 2012	Relative TSR hurdle - 19.0 cps	30 June 2015	1 July 2012
			EPS growth hurdle - 29.0 cps		
FY14 LTIP	3,987,543	31 July 2014	Relative TSR hurdle - 16.0 cps	30 June 2016	1 July 2013
			EPS hurdle - 20.0 cps		
FY15 LTIP	2,460,000	28 February 2015	Relative TSR hurdle - 13.8 cps	30 June 2017	1 July 2014
			EPS hurdle - 18.5 cps		

Remuneration outcomes

The FY13 Tranche LTIP vested at the conclusion of the current financial year (vesting date: 30 June 2015). The table below details the vesting of the performance rights under this tranche. On vesting, each right converts to one ordinary share in Service Stream Limited.

FY13 Tranche	EPS growth hurdle (base 6.60 cps)		Relative TSR hurdle	
	Outcome	Vested	Outcome	Vested
Year 1	n/a	No	4th Quartile	No
Year 2	n/a	No	1st Quartile	Yes
Year 3	301.26 %	Yes	TBA	TBA[1]
Three-year Period	n/a	No	TBA	TBA[1]

1. Measurement of the Relative TSR for Year 3 and the three-year period will not be completed until after the release of FY15 results.

The FY12 Tranche LTIP vested on 30 June 2014. The table below details the vesting of the performance rights under this tranche.

FY12 LTIP	EPS growth hurdle (base 5.80 cps)		Relative TSR hurdle	
	Outcome	Vested	Outcome	Vested
Year 1	13.9%	Yes	4th Quartile	No
Year 2	n/a	No	4th Quartile	No
Year 3	n/a	No	1st Quartile	Yes
Three-year Period	n/a	No	4th Quartile	No

The total number of shares that were issued to participants in relation to the FY12 LTIP was 415,869 shares.

The following table outlines:

- the performance rights issued under the ESBIP to Directors and key management personnel in the current financial year, and
- for each grant of performance rights included in the tables on pages 17- 20 the percentage of the available grant that vested, in the financial year, and the percentage that was forfeited because either the service or performance criteria was not met.

Name	Share based payments								
	Tranche	No. Granted	No. Vested [1]	No. Forfeited	Balance held	Value when granted ($)	Value when exercised ($)	Vested %	Forfeited %
L Mackender	FY12 LTIP	133,577	44,526	89,051	-	27,383	23,376	33.0%	66.7%
	FY13 LTIP[1]	164,438	-	-	164,438	39,465	-	0.0%	0.0%
	FY14 LTIP	430,556	-	-	430,556	77,500	-	0.0%	0.0%
	FY15 ESBIP	1,000,000	-	-	1,000,000	194,000	-	0.0%	0.0%
R Grant	FY12 LTIP	430,063	143,354	286,709	-	88,163	75,261	33.0%	66.7%
	FY13 LTIP[1]	522,297	-	-	522,297	125,351	-	0.0%	0.0%
	FY14 LTIP	1,241,389	-	-	1,241,389	223,450	-	0.0%	0.0%
	FY15 ESBIP	700,000	-	-	700,000	135,800	-	0.0%	0.0%
M Saloyedoff	FY12 LTIP	-	-	-	-	-	-	n/a	n/a
	FY13 LTIP[1]	102,690	-	-	102,690	24,646	-	0.0%	0.0%
	FY14 LTIP	409,722	-	-	409,722	73,750	-	0.0%	0.0%
	FY15 ESBIP	650,000	-	-	650,000	126,100	-	0.0%	0.0%
K Smith	FY12 LTIP	89,453	29,818	59,635	-	18,338	15,654	33.0%	66.7%
	FY13 LTIP[1]	104,047	-	-	104,047	24,971	-	0.0%	0.0%
	FY14 LTIP	245,720	-	-	245,720	44,230	-	0.0%	0.0%
	FY15 ESBIP	650,000	-	-	650,000	126,100	-	0.0%	0.0%
P McCann	FY12 LTIP	-	-	-	-	-	-	n/a	n/a
	FY13 LTIP[1]	-	-	-	-	-	-	n/a	n/a
	FY14 LTIP	-	-	-	-	-	-	n/a	n/a
	FY15 ESBIP	650,000	-	-	-	126,100	-	0.0%	0.0%

Vesting dates:

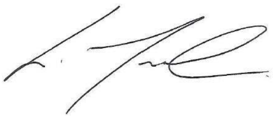
FY12 LTIP	30-Jun-14
FY13 LTIP	30-Jun-15
FY14 LTIP	30-Jun-16
FY15 ESBIP	30-Jun-15

[1] Although the vesting date of the FY13 Tranche is 30 June 2015, the number of rights that will vest cannot be determined until the release of the results, and the determination of the achievement or otherwise of the TSR hurdle.

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

Brett Gallagher
Chairman
12 August 2015



Leigh Mackender
Managing Director
12 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2015, 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
12 August 2015

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 consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 31, 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 2015 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*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 31.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 20 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
12 August 2015

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 2015 and of its performance for the 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 20 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 21.

Note 31 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.

Brett Gallagher
Chairman
12 August 2015

Leigh Mackender
Managing Director
12 August 2015

Consolidated statement of comprehensive income for the financial year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Revenue from continuing operations			
Revenue from the rendering of services	3	**410,888**	388,735
Other income	4	**382**	839
		411,270	389,574
Expenses			
Employee salaries and benefits		**(105,352)**	(123,128)
Subcontractor fees		**(163,963)**	(92,052)
Site and construction costs		**(67,616)**	(88,461)
Raw materials and consumables used		**(14,941)**	(33,936)
Consulting and temporary staff fees		**(4,682)**	(4,984)
Company administration and insurance expenses		**(4,082)**	(5,134)
Occupancy expenses		**(6,067)**	(8,241)
Technology and communication services		**(8,315)**	(7,375)
Motor vehicle expenses		**(7,014)**	(8,938)
Depreciation and amortisation	6	**(6,325)**	(8,996)
Interest expense and other finance costs	5	**(2,079)**	(5,283)
Other expenses		**(3,718)**	(448)
Profit before tax		**17,116**	2,598
Income tax expense	7	**(5,396)**	(289)
Profit for the year		**11,720**	2,309
Other comprehensive income			
Item that may be reclassified to profit or loss			
Cash flow hedges		**22**	181
Total comprehensive income for the year		**11,742**	2,490
Profit attributable to the equity holders of the parent		**11,720**	2,309
Total comprehensive income attributable to equity holders of the parent		**11,742**	2,490
Earnings per share			
Basic (cents per share)	17	**3.03**	0.76
Diluted (per share)	17	**3.02**	0.75

Notes to the financial statements are included on pages 30 to 64

Consolidated balance sheet as at 30 June 2015

	Note	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	22	**14,756**	6,590
Trade and other receivables	8	**34,084**	38,753
Inventories		**7,598**	6,891
Accrued revenue	9	**77,845**	71,606
Other	12	**3,246**	1,976
Total current assets		**137,529**	125,816
Non-current assets			
Property, plant and equipment	10	**8,089**	10,738
Intangible assets	11	**120,759**	120,637
Total non-current assets		**128,848**	131,375
Total assets		**266,377**	257,191
LIABILITIES			
Current liabilities			
Trade and other payables	13	**52,943**	43,146
Borrowings	14	**-**	16,556
Derivatives		**-**	39
Provisions	15	**9,023**	6,740
Lease incentives		**1,092**	1,024
Total current liabilities		**63,058**	67,505
Non-current liabilities			
Provisions	15	**2,858**	2,745
Deferred tax liability	7	**8,265**	3,385
Lease incentives		**2,874**	3,921
Total non-current liabilities		**13,997**	10,051
Total liabilities		**77,055**	77,556
Net assets		**189,322**	179,635
EQUITY			
Capital and reserves			
Issued Capital	16	**246,207**	247,647
Reserves		**4,221**	2,888
Retained earnings / (accumulated losses)		**(61,106)**	(70,900)
Total equity		**189,322**	179,635

Notes to the financial statements are included on pages 30 to 64

Consolidated statement of changes in equity for the financial year ended 30 June 2015

	Share capital $'000	Employee equity-settled benefits reserve $'000	Hedging reserve $'000	Retained earnings / (accumulated losses) $'000	Total $'000
Balance at 1 July 2013	228,416	2,730	(203)	(73,209)	157,734
Profit for the period	-	-	-	2,309	2,309
Other comprehensive income	-	-	181	-	181
Total comprehensive income for the year	-	-	181	2,309	2,490
Contributions of equity	19,231	-	-	-	19,231
Equity settled share based payment	-	180	-	-	180
Balance at 30 June 2014	247,647	2,910	(22)	(70,900)	179,635
Profit for the period	-	-	-	11,720	11,720
Other comprehensive income	-	-	22	-	22
Total comprehensive income for the year	-	-	22	11,720	11,742
Equity settled share based payment, inclusive of tax adjustments	-	1,411	-	-	1,411
Acquisition of treasury shares	(1,540)	-	-	-	(1,540)
Issue of treasury shares to employee	100	(100)	-	-	-
Dividends paid	-	-	-	(1,926)	(1,926)
Balance at 30 June 2015	**246,207**	**4,221**	**-**	**(61,106)**	**189,322**

Notes to the financial statements are included on pages 30 to 64

Consolidated statement of cash flows
for the financial year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**469,008**	483,892
Payments to suppliers and employees (including GST)		**(435,053)**	(453,580)
Cash generated from / (used in) operations before interest and tax		**33,955**	30,312
Interest received		**131**	317
Interest and facility costs paid		**(1,775)**	(5,775)
Net cash provided by operating activities	22	**32,311**	24,854
Cash flows from investing activities			
Payments for plant and equipment		**(1,297)**	(969)
Proceeds from sale of plant and equipment		**178**	522
Payments for intangible assets		**(2,560)**	(1,682)
Net cash used in investing activities		**(3,679)**	(2,129)
Cash flows from financing activities			
Proceeds from issues of shares		**-**	18,881
Repayment of borrowings		**(17,000)**	(43,444)
Dividends paid		**(1,926)**	-
Purchase of shares		**(1,540)**	-
Net cash (used) / provided by financing activities		**(20,466)**	(24,563)
Net increase (decrease) in cash and cash equivalents		**8,166**	(1,838)
Cash and cash equivalents at the beginning of the financial year		**6,590**	8,428
Cash and cash equivalents at end of year	22	**14,756**	6,590

Notes to the financial statements are included on pages 30 to 64

Notes to the financial statements for the financial year ended 30 June 2015

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 2.

2 Segment information

(a) 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, maintenance and customer connection services to the owners of telecommunications network infrastructure in connection with the roll-out of the National Broadband Network in Australia.
Mobile Communications	Mobile Communications provides program management and turnkey services for infrastructure projects across Australia, principally in the telecommunications sector. Service capability covers site acquisition, town planning, design, and management of construction projects requiring specialist skill sets in wireless and fixed line telecommunications, signalling and power.
Energy & Water	Energy & Water provides a range of specialist metering and environmental services to electricity, gas, and water networks across Australia; 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:

(b) Segment revenues and results

	Segment revenue		Segment EBITDA	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Fixed Communications	**180,645**	98,400	**13,309**	2,386
Mobile Communications	**154,022**	166,899	**13,323**	7,736
Energy & Water	**77,264**	124,223	**3,538**	11,192
Total of all segments	**411,931**	389,522	**30,170**	21,314
Eliminations	**(792)**	(840)	-	-
Unallocated	-	575	**(4,781)**	(4,754)
EBITDA[1]			**25,389**	16,560
Interest received/(paid)	**131**	317	**(1,948)**	(4,966)
Depreciation/Amortisation			**(6,325)**	(8,996)
Total Revenue	**411,270**	389,574		
Profit before income tax expense			**17,116**	2,598
Income tax expense			**(5,396)**	(289)
Profit/(loss) for the period			**11,720**	2,309

[1] Earnings before interest, tax, depreciation and amortisation.

2 Segment information (continued)

(c) Segment assets and liabilities

	Segment assets		Segment Liabilities	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Fixed Communications	**77,185**	69,692	**17,879**	12,051
Mobile Communications	**111,597**	111,265	**29,497**	26,523
Energy & Water	**53,209**	57,678	**10,434**	10,721
Total of all segments	**241,991**	238,635	**57,810**	49,295
Unallocated	**24,386**	18,556	**19,245**	28,261
Consolidated	**266,377**	257,191	**77,055**	77,556

(d) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Fixed Communications	**1,036**	1,253	**248**	479
Mobile Communications	**1,247**	1,607	**1,098**	95
Energy & Water	**314**	2,169	**1,314**	111
Total of all segments	**2,597**	5,029	**2,660**	685
Unallocated	**3,728**	3,967	**1,197**	1,378
Consolidated	**6,325**	8,996	**3,857**	2,063

(e) Information about major customers

In the current reporting period there were two customers (2014: two customers) which each contributed more than 10% of the Group's revenue. The relevant revenue by segment is shown below:

Largest customer	2015: Fixed and Mobile Communications $151.0 million (2014: Fixed and Mobile Communications $144.4 million).
Second largest customer	2015: Fixed Communications $136.9 million (2014: Fixed Communications $80.7 million).

No other single customer contributed 10% or more of the Group's total revenue in 2015 and 2014.

3 Revenue from the rendering of services

	2015 $'000	2014 $'000
Revenue from operations	**410,757**	388,418
Interest revenue	**131**	317
	410,888	388,735

4 Other income

	2015 $'000	2014 $'000
Gain/(loss) on disposal of plant, equipment and intangible assets	**119**	264
R&D tax incentives	**263**	575
	382	839

5 Finance costs

	2015 $'000	2014 $'000
Interest on bank overdrafts and loans	**675**	2,036
Interest on obligations under finance leases	**-**	5
Other interest expense	**675**	1,583
Total interest expense	**1,350**	3,624
Facility costs	**729**	1,659
Interest expense and other finance costs	**2,079**	5,283

6 Other expense items

	2015 $'000	2014 $'000
(a) Depreciation and amortisation expense		
Depreciation of non current assets	**3,887**	4,865
Amortisation of intangible assets	**2,438**	4,131
	6,325	8,996
(b) Operating lease rental expenses		
Minimum lease payments	**5,367**	6,447
	5,367	6,447
(c) Employee benefit expense		
Post employment benefits: Defined contribution plans	**7,655**	9,064
Equity settled share-based payments	**1,273**	180
	8,928	9,244

7 Income tax expense

(a) Income tax recognised in profit or loss

	2015 $'000	2014 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	**3,124**	(1,285)
Adjustments recognised in the current year in relation to the tax of prior years	**63**	(337)
	3,187	(1,622)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	**2,209**	1,911
	2,209	1,911
Total tax expense relating to continuing operations	**5,396**	289

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

	2015 $'000	2014 $'000
Profit from continuing activities	**17,114**	2,598
Income tax expense calculated at 30%	**5,134**	779
Effect of expenses that are not deductible in determining taxable profit:		
Share based plans	**241**	-
R&D tax incentives	**(79)**	(173)
Other	**37**	20
	5,333	626
Adjustments recognised in the current year in relation to the tax of prior years	**63**	(337)
	5,396	289

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.

(b) Deferred tax balances

	2015 $'000	2014 $'000
Deferred tax balances expected to be recovered within 12 months	**1,701**	1,946
Deferred tax balances expected to be recovered after more than 12 months	**(9,966)**	(5,331)
	(8,265)	(3,385)

7 Income tax expense (continued)

Deferred tax balances arise from the following:

2015	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Carried forward losses $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Tax Losses	12,836	-	-	(2,713)	-	10,123
Trade and other receivables	190	(159)	-	-	-	31
Accrued revenue	(20,556)	(1,967)	-	-	-	(22,523)
Trade, other payables and provisions	1,756	(86)	-	-	-	1,670
Share issue costs	389	(180)	-	-		209
Employee benefits	3,298	310	-	-	-	3,608
Property, plant and equipment	(1,454)	(160)	42	-	-	(1,572)
Other	156	33	-	-	-	189
	(3,385)	(2,209)	42	(2,713)	-	(8,265)

Deferred tax balances are presented in the statement of financial position as follows:	
Deferred tax liability	(8,265)
	(8,265)

2014	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Carried forward losses $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Tax Losses	6,318	-	5,018	1,500	-	12,836
Trade and other receivables	38	152	-	-	-	190
Accrued revenue	(23,025)	1,428	1,041	-	-	(20,556)
Trade, other payables and provisions	7,496	(335)	(5,405)	-	-	1,756
Share issue costs	324	(284)	-	-	349	389
Employee benefits	4,045	(747)	-	-	-	3,298
Property, plant and equipment	(832)	454	(1,076)	-	-	(1,454)
Other	1,459	(2,579)	1,276	-	-	156
	(4,177)	(1,911)	854	1,500	349	(3,385)

Deferred tax balances are presented in the statement of financial position as follows:	
Deferred tax liability	(3,385)
	(3,385)

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

7 Income tax expense (continued)

(c) 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 20. 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).

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 or receive a tax-equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

8 Current trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**33,702**	36,205
Allowance for doubtful debts	**(107)**	(640)
	33,595	35,565
Other	**489**	3,188
	34,084	38,753

The ageing of trade receivables as at 30 June 2015 and 30 June 2014 respectively are detailed below:

	2015		2014	
	Gross $'000	Allowance $'000	Gross $000	Allowance $000
Not past due	**30,133**	**-**	28,377	-
Past due 0-30 days	**2,884**	**-**	5,826	-
Past due 31-60 days	**458**	**-**	646	-
Past due 61-90 days	**68**	**-**	402	-
Past 90 days	**159**	**(107)**	954	(640)
	33,702	**(107)**	36,205	(640)

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

	2015 $'000	2014 $'000
Balance at the beginning of the year	**(640)**	(132)
Impairment losses recognised on receivables	**(143)**	(577)
Impairment losses reversed during the year	**150**	-
Amounts written-off during the year as uncollectible	**526**	69
Balance at the end of the year	**(107)**	(640)

All new customers are subject to credit checks using external credit reporting agency information to ascertain their risk profile against both internal and industry benchmarks and are used in determination of appropriate credit limits.

Included in the Group’s trade receivables balance was debtors with a carrying amount of $3.5 million (2014: $7.2 million) which were past due dates as at reporting date. Based on the credit history of these trade receivables, they are considered recoverable.

8 Current trade and other receivables (continued)

Approximately 85% of the Group receivables balance is held with high credit worthy listed companies, commonwealth agencies, state utilities or multinational companies. Of the trade receivables balance at reporting date: $17 million (2014: $15 million) was due from Telstra Corporation Ltd, $4 million (2014: $2 million) from Vodafone Hutchison Australia Pty Ltd, $2 million (2014: $3 million) from Origin Energy Ltd, $1 million (2014: $4 million) from nbn, and $1 million (2014: $1 million) from SA Power Networks.

9 Accrued revenue

	2015 $'000	2014 $'000
Accrued revenue	**77,845**	71,606
	77,845	71,606

The accrued revenue balance of $77.8 million (2014: $71.6 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, historically it does result in 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 31(e) revenue recognition and 31(f) construction contracts.

10 Plant and equipment

	Leasehold improvements	Plant and equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000
Year Ended 30 June 2015				
Opening net book value	5,304	4,910	524	10,738
Additions	357	518	422	1,297
Disposals [3]	-	(35)	(24)	(59)
Depreciation charge	(1,326)	(2,331)	(230)	(3,887)
Closing net book value	**4,335**	**3,062**	**692**	**8,089**
At 30 June 2015				
Cost	11,445	19,665	4,943	36,053
Accumulated depreciation	(7,110)	(16,603)	(4,251)	(27,964)
Net book value	**4,335**	**3,062**	**692**	**8,089**
Year Ended 30 June 2014				
Opening net book value	6,395	7,888	1,008	15,291
Additions	424	347	17	788
Derecognised [2,3]	(182)	(35)	-	(217)
Transfer [1,3]	-	(30)	30	-
Disposals [3]	2	(173)	(88)	(259)
Depreciation charge	(1,335)	(3,087)	(443)	(4,865)
Closing net book value	5,304	4,910	524	10,738
At 30 June 2014				
Cost	11,564	21,173	5,348	38,085
Accumulated depreciation	(6,260)	(16,263)	(4,824)	(27,347)
Net book value	5,304	4,910	524	10,738

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

2. In light of the variation executed to the Syntheo Joint Venture Agreement in July 2013, Service Stream has derecognised the cost and accumulated depreciation of Syntheo related assets effective as at the signing date of the agreement.

3. Net of accumulated depreciation.

11 Intangible Assets

	Software	Software under finance lease	Goodwill	Total
	$'000	$'000	$'000	$'000
Year Ended 30 June 2015				
Opening net book value	5,075	-	115,562	120,637
Additions	2,560	-	-	2,560
Amortisation charge	(2,438)	-	-	(2,438)
Closing net book value	**5,197**	**-**	**115,562**	**120,759**
At 30 June 2015				
Cost [4]	23,202	-	115,562	138,764
Accumulated amortisation	(18,005)	-	-	(18,005)
Net book value	**5,197**	**-**	**115,562**	**120,759**
Year Ended 30 June 2014				
Opening net book value	7,783	524	115,562	123,869
Additions	1,275	-	-	1,275
Transfer [1,3]	65	(65)	-	-
Derecognised [2,3]	(369)	(459)	-	(828)
Disposals [3]	(7)	-	-	(7)
Amortisation charge	(3,672)	-	-	(3,672)
Closing net book value	5,075	-	115,562	120,637
At 30 June 2014				
Cost [4]	20,923	-	115,562	136,485
Accumulated amortisation	(15,848)	-	-	(15,848)
Net book value	5,075	-	115,562	120,637

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

[2.] In light of the variation executed to the Syntheo Joint Venture Agreement in July 2013, Service Stream has derecognised the cost and accumulated amortisation of Syntheo related assets effective as at the signing date of the agreement.

[3.] Net of accumulated amortisation.

[4.] The cost of goodwill as at 30 June 2015 represents the net carrying value of goodwill at balance date (2014: $115,562,000).

(a) Impairment tests for goodwill

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

- Fixed Communications - provides a wide range of design, construction, maintenance and customer connection services to the owners of telecommunications network infrastructure in connection with the roll-out of the National Broadband Network in Australia - $18.0 million (2014: $18.0 million).
- Mobile Communications - provides program management and turnkey services for infrastructure projects across Australia, principally in the telecommunications sector. Service capability covers site acquisition, town planning, design, and management of construction projects requiring specialist skill sets in wireless and fixed line telecommunications, signalling and power - $55.6 million (2014 $55.6 million).
- Energy and Water - provides a range of specialist metering and environmental services to utilities and government authorities across Australia; and through the Customer Care business, provides contact centre services and end-to-end customer support for key contracts - $42.0 million (2014: $42.0 million).

11 Intangible Assets (continued)

(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 financial forecasts plans approved by the Board. These forecasts are based on a combination of historical performance combined with management's expectations of future performance based on prevailing and anticipated market factors.

Cash flows beyond the next four financial years have been extrapolated where relevant using a 0% per annum real growth rate. A pre-tax discount rate of 12.9% (FY14: 14.1%) has been applied in order to discount expected future cash flows into present-day values.

Forecast average annual revenue growth over the four-year period is 6.4% for Fixed Communications, 12.9% for Mobile Communications and 14.1% for Energy and Water.

The cash flow assumptions that are significant to the determination of the recoverable amounts for each CGU are as follows:

(i) Fixed Communications

The critical cash flow assumption in Fixed Communications is that Service Stream continues to undertake significant work with nbn on the national broadband roll-out. This assumes existing contracts are extended, new contracts are awarded and margins remain stable as the national broadband infrastructure is constructed and then maintained.

(ii) Mobile Communications

The critical cash flow assumption for Mobile Communications is that contracts and margins with Service Stream's major customers are maintained into future years, along with the major telecommunications providers continuing to develop and augment their existing infrastructure; as well as growth in adjacent roads and other infrastructure work which leverages existing competencies of the business.

(iii) Energy & Water

Over the four-year forecast period the Energy and Water cash flows comprise three material revenue streams: meter reading, meter replacement including Advanced Meter Installations (AMI) and in-home services (including solar PV and battery storage installations).

The meter reading contracts relate to existing contracts and work schedules and the cash flows are relatively predictable, subject to the company retaining these contracts, which has been assumed. Across the company's portfolio, volumes in the forecast have been assumed to be relatively consistent with current levels, with moderate operational efficiencies assumed.

AMI revenues relate to contracts with existing customers, including the recently announced contract with AGL's Active Stream. Volumes are not contracted and growth is difficult to predict, but the company is optimistic of significant growth in this area given the market projections and announcements of ongoing AMI installations across Australia. EBITDA related to meter replacements represent 32% of the forecast EBITDA for Energy and Water in FY16, 48% in FY17, 44% in FY18 and 41% in FY19.

The in-home services cash flows relate to current contracts and projected future growth in the solar PV and battery storage markets. Cashflows relate primarily to existing contracts however volumes are not contracted and can fluctuate significantly. Market forecasts for growth in solar PV installations and battery storage are expected to continue to be strong. EBITDA from in-home services represent 38% of the forecast EBITDA for Energy and Water in FY16, 40% in FY17, 47% in FY18 and 55% in FY19.

Due to limited headroom for this segment, should any of the existing material contracts not be retained, or if the projected increases in meter replacement or in-home services are delayed or do not occur, it is likely that an impairment will arise.

(c) Impact of possible changes in key assumptions

Energy and Water

The recoverable amount of the Energy and Water cash-generating-unit (CGU) is estimated to be \$46.7m (FY14: \$63.1m). This exceeds the carrying amount of the CGU by \$3.9m (FY14: \$15.4m).

The annual growth in EBITDA underlying the cash flows used in the value-in-use calculations of the Energy and Water CGU over the 4-year forecast period is:

11 Intangible Assets (continued)

(c) Impact of possible changes in key assumptions (continued)

FY16	FY17	FY18	FY19
2.6%	67.3%	7.8%	13.0%

The EBITDA growth in FY17 is driven by a combination of the full year impact of new contracts commencing in FY16, new contracts assumed to commence in FY17 and growth in the Fixed Communications segment in FY17 absorbing a higher proportion of corporate costs.

If the overall cash flows used in the value-in-use calculations had been 8.4% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of the Energy and Water CGU was 13.9% instead of 12.9%, the recoverable amount of the CGU would equal its carrying amount.

Fixed Communications

The recoverable amount of the Fixed Communications CGU is estimated to be $79.3m (FY14: $96.0m). This exceeds the carrying amount of the CGU by $22.9m (FY14: $38.1m).

If the overall cash flows used in the value-in-use calculations of the Fixed Communications CGU had been 29% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

Mobile Communications

The recoverable amount of the Mobile Communications CGU is estimated to be $114.6m (FY14: $102.6m). This exceeds the carrying amount of the CGU by $30.9m (FY14: $14.7m).

If the overall cash flows used in the value-in-use calculations of the Mobile Communications CGU had been 27% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

12 Other assets

	2015 $'000	2014 $'000
Work in progress	**197**	263
Prepayments	**2,494**	1,314
Transaction costs[1]	**243**	-
Other	**312**	399
	3,246	1,976

1. The capitalised financing facility establishment costs as at 30 June 2015 is classified as transaction costs within other current assets, whereas in the prior corresponding period is classified as net of borrowings.

13 Trade and other payables

	2015 $'000	2014 $'000
Current		
Trade creditors[1]	**17,178**	16,696
Sundry creditors and accruals	**29,560**	22,222
Goods and services tax payable	**1,844**	1,707
Income in advance	**4,361**	2,521
	52,943	43,146

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.

14 Borrowings

	2015 $'000	2014 $'000
Cash advance	-	17,000
Transaction costs [1]	-	(444)
	-	16,556

1. An amount of $243k in capitalised financing facility establishment costs as at 30 June 2015 is classified as transaction costs within other current assets, as no borrowing is held at balance date.

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.

15 Provisions

	2015 $'000	2014 $'000
Current		
Employee benefits[1]	**8,005**	6,481
Warranty provision[2]	**1,018**	259
	9,023	6,740
Non-current		
Employee benefits[1]	**2,858**	2,745
	2,858	2,745
	11,881	9,485

1. The provision for employee benefits represents annual leave, RDO and long service leave entitlements.

2. 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:

	Warranty provisions	
2015	**2015 $'000**	**2014 $'000**
Carrying amount at start of year	**259**	780
Charged / (credited) to profit or loss		
Additional provisions recognised	**759**	-
Unused amounts reversed	**-**	(521)
Carrying amount at end of year	**1,018**	259

16 Issued capital

	2015 $'000	2014 $'000
380,953,626 fully paid ordinary shares (2014: 386,389,873)	**246,207**	247,647

	Number of shares '000	Share capital $'000
(a) Fully paid ordinary shares		
(i) Share capital		
Balance at 1 July 2013	283,419	228,416
Capital raising	101,946	20,050
Less: transaction costs arising on share issue (net of tax)	-	(819)
Issue of shares under LTIP	1,025	-
Balance at 30 June 2014	386,390	247,647
(ii) Other equity securities		
Acquisition of treasury shares [1]	(5,888)	(1,540)
Employee shares scheme issue [1]	452	100
Balance at 30 June 2015	**380,954**	**246,207**

[1.] The movement in treasury shares is reflected in Note 16(c).

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Performance Rights

As at 30 June 2015, employees have 8,020,030 performance rights issued under the Long Term Incentive Plan ("LTIP") in respect of the FY13 LTIP, FY14 LTIP and the FY15 LTIP (2014: 7,630,544, in respect of FY12, FY13 and FY14 tranches) and 4,650,000 in respect of the FY15 ESBIP (2014: Nil). In accordance with the Employee Share Ownership Plan the shares relating to the FY13 LTIP and FY15 ESBIP which both vested on 30 June 2015 will be issued to participants, to the extent of that vesting criteria have been satisfied after release of the FY15 financial statements. The remaining rights are due to vest on 30 June 2016 (for the FY14 LTIP) and 30 June 2017 (for the FY15 LTIP). 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 ESBIP and LTIP are contained in notes 24 and 31.

(c) Treasury shares

Treasury shares are shares in Service Stream Limited that are held by the Service Stream Employee Share Trust for the purpose of issuing shares under Service Stream Employee Share Ownership Plan. Shares issued to employees are recognised on the first-in-first-out basis.

	Number of shares '000	Share capital $'000
Balance at 30 June 2014	-	-
Acquisition of treasury shares (average price: $0.26 per share)	(5,888)	(1,540)
Employee shares scheme issue	452	100
Balance at 30 June 2015 [1]	**(5,436)**	**(1,440)**

[1.] As at 30 June 2015, the Service Stream Employee Share Trust holds 5,436,247 shares.

17 Earnings per share

	2015 Cents per share	2014 Cents per share
Basic earnings per share:		
Total basic earnings per share	**3.03**	0.76
Diluted earnings per share:		
Total diluted earnings per share	**3.02**	0.75

Basic and diluted earnings per share

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

	2015 $'000	2014 $'000
Profit / (loss) for the year attributable to owners of the Company	**11,720**	2,309
Earnings used in the calculation of basic EPS	**11,720**	2,309

	2015 No.'000	2014 No.'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**386,390**	305,493
Shares deemed to be issued for no consideration in respect of:		
- Long Term Incentive Plan (LTIP)	**2,263**	663
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**388,653**	306,156

18 Dividends

Recognised amounts	2015 Cents per share	2014 Cents per share
Fully paid ordinary shares		
Interim dividend	**0.5**	-
	0.5	-

	2015 $'000	2014 $'000
Fully paid ordinary shares		
Interim dividend	**1,926**	-

Unrecognised amounts	2015 Cents per share	2014 Cents per share
Fully paid ordinary shares		
Final dividend	**1.0**	-
	1.0	-

	2015 $'000	2014 $'000
Fully paid ordinary shares		
Final dividend	**3,856**	-

18 Dividends (continued)

An interim dividend of 0.5 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 April 2015. In addition, on 12 August 2015, the Directors declared a fully franked final dividend of 1.0 cent per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, to be paid to shareholders on 8 October 2015. This dividend has not been included as a liability in these consolidated financial statements. The dividend will be paid to all shareholders on the Register of Members on 4 September 2015 with the exception of Treasury shares and the total dividend estimated to be paid is $3,856,000. No dividends were payable in respect of the financial year ended 30 June 2014.

	Company	
	2015 $'000	**2014 $'000**
Adjusted franking account balance as at 30 June	**1,654**	2,480

19 Operating lease arrangements

(a) Leasing arrangements

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

(b) Non-cancellable operating lease commitments

	2015 $'000	**2014 $'000**
Not longer than 1 year	**6,242**	6,213
Longer than 1 year and not longer than 5 years	**10,458**	10,932
Longer than 5 years	**-**	793
	16,700	17,938

20 Subsidiaries

Details of the Company's subsidiaries at 30 June 2015 are as follows:

Name of entity	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Parent entity			
Service Stream Limited (i)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (ii) (iv)	Australia	100	100
Service Stream Communications Pty Ltd (ii) (iii) (iv)	Australia	100	100
Total Communications Infrastructure Pty Ltd (ii) (iii) (iv)	Australia	100	100
Service Stream Solutions Pty Ltd (ii) (iii) (iv)	Australia	100	100
Radhaz Consulting Pty Ltd (ii) (iv)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (ii) (iii) (iv)	Australia	100	100
AMRS (Aust) Pty Ltd (ii) (iii) (iv)	Australia	100	100
Service Stream Nominees Pty Ltd (ii) (iii)	Australia	100	100
SEQUD Pty Ltd (ii) (iii)	Australia	100	100
Milcom Communications Pty Ltd (ii) (iii) (v)	Australia	-	100

(i) Service Stream Limited is the head entity within the tax-consolidated Group.
(ii) These companies are / were members of the tax-consolidated Group.
(iii) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
(iv) 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 and Directors' report.
(v) Milcom Communications was sold to a third party during the 2015 financial year.

21 Deed of cross guarantee

The parties to a deed of cross guarantees for the Group as listed in note 20 represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Service Stream Limited, they also represent the 'extended closed group'. A separate consolidated statement of comprehensive income and consolidated balance sheet of the parties to the deed of cross guarantees have not been disclosed separately as it is not materially different to those of the Group.

22 Notes to the statement of cash flow

(a) Reconciliation of cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank	**14,756**	6,590
Cash and cash equivalents	**14,756**	6,590

(b) Reconciliation of profit for the year to net cash flows from operating activities

Profit for the year	**11,720**	2,309
Gain on sale of non-current assets	**(119)**	(263)
R&D tax incentives	**(263)**	(576)
Depreciation and amortisation	**6,325**	8,996
Equity-settled share-based payments	**1,273**	180
Impairment loss recognised on trade receivables	**526**	577
Increase / (decrease) in deferred tax balances & other tax adjustments	**5,396**	(793)
Movement in working capital:		
Decrease in trade and other receivables	**4,143**	22,287
(Increase) / decrease in accrued income	**(6,239)**	16,732
(Increase) / decrease in other assets	**(1,026)**	3,282
(Increase) / decrease in inventories	**(707)**	10,654
Increase / (decrease) in trade and other payables	**9,865**	(34,314)
Increase / (decrease) in provisions	**2,396**	(3,729)
Decrease in lease incentives	**(979)**	(488)
Net cash inflow from operating activities	**32,311**	24,854

23 Financial instruments

The Group's principal financial instruments comprise receivables, payables, debt borrowings, financial guarantees, equity and cash. 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.

From time to time the Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The use of derivative and other financial instruments is undertaken in accordance with documented risk management policies and delegations of authorities approved by the Company's Board.

(a) Capital risk management

The Group manages its capital to ensure that it is able to continue as a going concern and to maximise returns to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. Capital is managed in order to maintain a strong financial position and ensure that the Group's funding needs can be optimised at all times in a cost-efficient means to support the goal of maximising shareholder wealth.

The Board and senior management review the capital structure of the Group at least annually considering the relative cost and risks associated with each class of capital, as well as any restrictions or limitations that may exist under current financing arrangements with regard to mix of capital.

The Group is subject to various financial debt covenants on its Syndicated Facilities Agreement in regards to minimum levels of equity, earnings, gearing, borrowing base and asset cover, all of which are regularly monitored and reported upon.

23 Financial instruments (continued)

(b) Categories of financial instruments

	2015 $'000	2014 $'000
Financial assets		
Cash and cash equivalent	**14,756**	6,590
Trade and other receivables	**34,084**	38,753
Financial liabilities		
Trade and other payables	**52,943**	43,146
Cash advances	**-**	17,000
Derivatives	**-**	39

(c) Financial risk management objectives

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

The Group operates a centralised treasury function which manages all borrowings, derivative financial instruments, provision of financial accommodation and external payments on behalf of the Group.

Compliance with financial risk management policies, financial exposures and compliance with risk management strategy are reviewed by senior management and reported to the Group's Audit & Risk Committee and Board on a regular basis.

(d) 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 market related financial risks arising from changes in interest rates (refer note 23(e)).

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

(e) Interest rate risk management

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

The Group has managed its interest rate risk during the year by accelerating the repayment of its borrowings, together with maximising interest earned on available cash balances. From time to time management of the Group's floating rate interest rate risk on borrowings is also undertaken using derivative financial instruments.

The interest rate sensitivity analyses below has 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 as applied to the Group's net cash balance at 30 June 2015, the Group's sensitivity to interest rate risk would be equivalent to a $147,562 per annum favourable impact to profit before tax (2014: $97,000 unfavourable).

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

(f) 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.

The Group's wholesale credit risk is measured 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 counterparties and where appropriate, obtaining collateral or other forms of credit support as a means of mitigating the risk of financial loss from credit defaults.

23 Financial instruments (continued)

(f) Credit risk management (continued)

Credit reporting information is supplied by independent credit rating agencies where available and the Group uses publicly available financial information and its own internal trading history to credit assess customers.

Credit exposures and credit ratings of counterparties are monitored on a regular basis.

A significant portion of the Group's revenue is derived from highly credit rated companies including Telstra Corporation Ltd, nbn, Origin Energy Ltd as well as various state utilities and Commonwealth agencies.

(g) Currency risk management

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

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

The Group has only minor exposures to foreign currency transactions primarily for small value inventory and technology related service purchases.

(h) Liquidity risk management

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

In order to maintain adequate liquidity, the Group typically maintains an at-call cash buffer as well having access to additional overdraft facilities and syndicated funding lines.

Included in note 23(h)(ii) are details of the borrowing facilities available to the Group at 30 June 2015.

(i) Liquidity and interest rate risk tables

The following tables detail the Group's maturity profile for 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	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
2015							
Financial liabilities							
Trade and other payables	-	(52,943)	(52,943)	(52,943)	-	-	-
		(52,943)	**(52,943)**	**(52,943)**	**-**	**-**	**-**
2014							
Financial liabilities							
Trade and other payables	-	(43,146)	(43,146)	(43,146)	-		-
Derivatives	3.16%	(39)	(39)	(39)			-
Cash advances - variable	6.71%	(17,000)	(17,147)	(17,147)	-	-	-
		(60,185)	(60,332)	(60,332)	-	-	-

23 Financial instruments (continued)

(h) Liquidity risk management (continued)

(ii) Financing facilities

	Bank guarantees $'000	Bank overdraft $'000	Cash advance $'000
Amount used	10,908	-	-
Amount unused	9,092	5,000	35,000
Balance at 30 June 2015	**20,000**	**5,000**	**35,000**
Amount used	11,584	-	17,000
Amount unused	13,416	5,000	15,000
Balance at 30 June 2014	25,000	5,000	32,000

Financial guarantees provided in the normal course of business are shown above. Based upon current expectations as at 30 June 2015, the Group considers that it is more likely than not that such amounts will not be payable under these arrangements. The Group's financial facilities are due to expire on 30 September 2016.

(i) Fair value of financial instruments

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.

24 Share-based payments

(a) Long Term Incentive Plan ("LTIP")

From time to time employees in senior management roles and 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, 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 2015 ("FY15"). 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 total fixed remuneration (TFR), and the volume-weighted average market price of the Company's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

Performance rights for each of the LTIP tranches are subject to service and performance criteria being:

A The participant must be an employee at the vesting date;

B 50% of the performance rights granted will each vest where:

(i) The Group's earnings per share ("EPS") achieves annual growth of 10% or more over the performance period from an agreed base EPS, as detailed below (FY13 LTIP and FY15 LTIP) or EPS achieves set targets based on 10% growth from the base (FY14 LTIP).

	FY13 LTIP	FY14[1] LTIP	FY15 LTIP
Performance Period	3 years	3 years	3 years
Vesting date	30 June 2015	30 June 2016	30 June 2017
EPS base (cents per share)	6.60	2.55	0.76

[1.] The FY14 LTIP targets are: Year 1: 2.81, Year 2: 3.09, Year 3: 3.40.

24 Share-based payments (continued)

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

Subject to the following proportional vesting:

Percentage of performance rights that vest	EPS Target
0%	Below 75%
40%	At 75%
Proportional vesting	Greater than 75% and less than 100%
100%	100% and above

(ii) 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)

Performance rights will vest to the extent that the participant remains employed by the Company on the vesting date and to the extent that the Company's performance over the relevant period satisfies the vesting conditions.

The following LTIP performance rights arrangements were in existence during the current period:

Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY13 LTIP	1,572,487	30 November 2012	Relative TSR hurdle - 19.0 cps	30 June 2015	1 July 2012
			EPS growth hurdle - 29.0 cps		
FY14 LTIP	3,987,543	31 July 2014	Relative TSR hurdle - 16.0 cps	30 June 2016	1 July 2013
			EPS hurdle - 20.0 cps		
FY15 LTIP	2,460,000	28 February 2015	Relative TSR hurdle - 13.8 cps	30 June 2017	1 July 2014
			EPS hurdle - 18.5 cps		

Fair value of performance rights

The FY15 LTIP performance rights with the relative TSR hurdle vesting condition have been valued using a Monte-Carlo simulation. The FY15 LTIP 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.

Key inputs into the model

The table below details the key inputs to the valuation models.

Tranche	Share Price at Grant Date	Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY13 LTIP	$0.340	2.8 years	50%	2.62%	5.70%	30 June 2015
FY14 LTIP	$0.200	2.2 years	55%	2.61%	0.00%	30 June 2016
FY15 LTIP	$0.205	2.6 years	60% to 70%	2.53%	4.80%	30 June 2017

24 Share-based payments (continued)

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

Movements in the LTIP performance rights during the year

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

	2015		2014	
	Number of performance rights	**Grant date weighted average fair value $**	**Number of performance rights**	**Grant date weighted average fair value $**
Balance at start of the financial year	**7,630,544**	**0.198**	5,909,474	0.292
Granted during the year	**2,635,968**	**0.162**	9,222,515	0.185
Vested during the year	**(451,869)**	**0.205**	(1,024,703)	0.607
Forfeited during the year	**(1,794,613)**	**0.196**	(6,476,742)	0.201
Balance at end of the financial year	**8,020,030**	**0.186**	7,630,544	0.198

The fair value of $0.162 for performance rights issued during the year is the result of the separate criteria as set out at this note 24(a).

Included in the balance at the end of the financial year are rights which have reached their vesting date but where the performance vesting criteria is yet to be calculated.

In accordance with the Employee Share Ownership Plan the shares relating to the FY13 Tranche will be issued to the extent that vesting criteria have been satisfied following final calculations of the Relative TSR measure after release of the FY15 financial statements.

As at 30 June 2015, 1,572,487 performance rights granted under the FY13 Tranche remain unforfeited and subject to vesting criteria.

The performance rights outstanding at the end of the year have a remaining contractual life of two years (FY15 Tranche) and one year (FY14 Tranche).

(b) Executive Share-Based Incentive Plan ("ESBIP")

The ESBIP was established during the current financial year and eligible executives and Directors were, with approval from the Board, invited to participate. By accepting the offer to participate in the ESBIP, executives forfeited their entitlement to participate in both the LTIP and the STIP. ESBIP 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.

The ESBIP invitation letter provided to participants sets out the rights and obligation of the plan, and provides details regarding the number of rights that will be offered to the participants on an annual basis (by way of an annual offer letter) over a five year period. 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 FY15 ESBIP performance rights are subject to service and performance criteria being:

A The participant must be an employee at the later of the date on which the Company releases its results for the financial year ending 30 June 2015 relating to that Tranche or otherwise determines that the vesting conditions have been satisfied; and

B(i) at least 10% growth in earnings per share (EPS) for the Performance Period is achieved; or

B(ii) an average of at least 10% compound growth in EPS per annum for the Aggregate Period is achieved.

	FY15 ESBIP
Performance Period	1 year
Vesting date	30 June 2015
Aggregate Period end date	30 June 2017
EPS base (cents per share)	0.76

24 Share-based payments (continued)

(b) Executive Share-Based Incentive Plan ("ESBIP") (continued)

Performance rights will vest to the extent that the participant remains employed by the Company on the vesting date and to the extent that the Company's performance over the relevant period satisfies the vesting conditions.

The following ESBIP performance rights arrangements were in existence during the current period.

ESBIP Series	Number	Grant date	Grant date weighted average fair value	Vesting date	Performance period start date
FY15 ESBIP	4,650,000	31 Jan 2015	19.4 cps	30 June 2015	1 July 2014

Fair value of ESBIP performance rights

The FY15 ESBIP performance rights with the EPS hurdle vesting condition have been valued using a Binomial tree methodology. This methodology is 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.

Key inputs into the ESBIP valuation model

The table below details the key inputs to the valuation models.

Tranche	Share Price at Grant Date	Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY15	$0.200	0.63 years	60% to 70%	2.45%	4.80%	30 June 2015

Movements in the ESBIP performance rights during the year

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

	2015		2014	
	Number of performance rights	Grant date weighted average fair value $	Number of performance rights	Grant date weighted average fair value $
Balance at start of the financial year	**-**	**-**	-	-
Granted during the year	**4,650,000**	**0.194**	-	-
Balance at end of the financial year	**4,650,000**	**0.194**	-	-

The fair value of $0.194 for performance rights issued during the year is the result of the separate criteria as set out at this note 24(b).

Included in the balance are rights which have reached their vesting date and both the service and performance criterias have been met (number of rights 4,650,000). The relevant number of shares will be delivered to the participants after the release of the FY15 financial statements.

25 Key management personnel disclosures

(a) Details of key management personnel

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

B Gallagher (Chairman since March 2015, Executive Director until February 2015)
L Mackender (Managing Director)
P Dempsey (Chairman until February 2015, Non-Executive Director since March 2015)
D Page AM (Non-Executive Director)
S Wilks (Non-Executive Director)
R Grant (Alternate Director until August 2014, Chief Financial Officer)

25 Key management personnel disclosures (continued)

(a) Details of key management personnel (continued)

The following other 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:

P McCann (Executive General Manager, Energy and Water - since August 2014)
M Saloyedoff (Executive General Manager, Mobile Communications)
K Smith (Executive General Manager, Fixed Communications)

(b) Key management personnel compensation

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

	2015 $	2014 $
Short-term employee benefits	**2,180,935**	2,316,018
Post-employment benefits	**134,101**	132,292
Other long-term benefits	**82,977**	39,190
Share-based payments[1]	**871,870**	97,660
	3,269,883	2,585,160

1. The fair value of performance rights issued under the ESBIP and LTIP, allocated on a pro-rata basis, to the current financial year. Where previously disclosed rights have been subsequently forfeited due to resignation 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.

26 Related party transactions

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.

(a) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in note 25 to the financial statements.

(ii) Key management personnel equity holdings

Fully paid ordinary shares of Service Stream Limited

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

26 Related party transactions (continued)

	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.
2015						
B Gallagher	10,390,679	-	-	-	-	10,390,679
P Dempsey	673,637	-	-	400,000	-	1,073,637
D Page	152,928	-	-	180,000	-	332,928
S Wilks	590,911	-	-	120,000	-	710,911
L Mackender	92,637	44,526	-	-	-	137,163
R Grant	540,855	143,354	-	-	-	684,209
K Smith	84,968	29,818	-	-	-	114,786
2014						
P Dempsey	570,000	-	-	103,637	-	673,637
D Page	129,400	-	-	23,528	-	152,928
B Gallagher	8,792,113	-	-	1,598,566	-	10,390,679
S Wilks	500,000	-	-	90,911	-	590,911
L Mackender	49,434	-	-	43,203	-	92,637
R Grant	144,166	-	-	396,689	-	540,855
C Orr [2]	1,134	-	-	-	(1,134)	-
D Hill [2]	1,134	-	-	-	(1,134)	-
K Smith [1]	-	-	84,968	-	-	84,968

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.

Performance Rights of Service Stream Limited

	Balance at 1 July No.	Granted as compen -sation No.	Vested during year[1] No.	Forfeited during the year No.	Net other change No.	Balance at 30 June No.
L Mackender	728,571	1,000,000	(44,526)	(89,051)	-	1,594,994
R Grant	2,193,748	700,000	(143,354)	(286,709)	-	2,463,686
M Saloyedoff	512,412	650,000	-	-	-	1,162,412
K Smith	439,210	650,000	(29,818)	(59,635)	-	999,757
P McCann	-	650,000	-	-	-	650,000

1. Performance rights vested and forfeited during the current financial year relate to the FY12 Tranche, with vesting date 30 June 2014.

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

26 Related party transactions (continued)

Further details of the LTIP and ESBIP and of performance rights granted contained in note 24 to the financial statements

(iii) 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 $1,400 per month) (2014: approximately $14,000 per month).

(b) Transactions between Service Stream Limited and its related parties

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

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

- Loans receivable totalling $117,581,852 are receivable from subsidiaries (2014: $109,303,846).

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

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.

27 Remuneration of auditors

	2015 $	2014 $
Audit or review of the financial report	**280,000**	270,000
Review of income tax return	**25,000**	25,000
Employee share trust advice	**14,280**	125,000
Tax advice and other services	**46,524**	76,956
	365,804	496,956

The auditor of Service Stream Limited is PricewaterhouseCoopers.

28 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.

29 Events after the reporting period

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.

30 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 31 for a summary of the significant accounting policies relating to the Group.

	2015 $'000	2014 $'000
(a) Financial position		
Current assets	**200**	83
Non-current assets	**182,350**	180,347
Total assets	**182,550**	180,430
Current liabilities	**577**	89
Non-current liabilities	**8,265**	3,385
Total liabilities	**8,842**	3,474
Net assets	**173,708**	176,956
Issued capital	**229,569**	231,010
Reserves – Equity settled employee benefits	**4,221**	2,910
Retained earnings / (accumulated losses)	**(60,082)**	(56,964)
Equity	**173,708**	176,956
(b) Financial performance		
(Loss) / profit for the year	**(1,193)**	(495)
Other comprehensive income	**-**	-
Total comprehensive loss	**(1,193)**	(495)

(c) 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 20 and 21.

31 Significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. 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.

(a) 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 12 August 2015.

Compliance with IFRS

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

New and amended standards adopted by the Group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of these standards did not have an impact on the current period or any prior period and is not likely to affect future periods.

31 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Early adoption of standards

The Group has not elected to early adopt the Standards and Interpretations issued but not yet effective. Refer to note 31(z).

Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain assets and liabilities 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.

Critical accounting estimates

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 32.

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

(b) Basis of consolidation

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

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct its activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

When the Group ceases to consolidate, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disclosed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) 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.

(d) 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 2.

31 Significant accounting policies (continued)

(e) 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:

Rendering of services

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

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 31(f).

Interest revenue

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.

(f) 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 recognised revenues exceed progress billings, the surplus is shown as accrued revenue. For contracts where progress billings exceed recognised revenues, the surplus is shown as 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.

(g) Leases

Leases in which a significant portion of risks and rewards of ownership are not transferred to the Group as lessee are classified as operating lease.

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.

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.

(h) 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.

31 Significant accounting policies (continued)

(h) Employee benefits (continued)

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. Expected future payments falling due more than 12 months after the end of the reporting period are discounted using corporate bonds market yields. Remeasurements as a result of employment status and changes in actuarial assumptions are recognised in profit or loss.

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 where applicable.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(i) Share-based payments

<u>Executive Share Based Incentive Plan</u>

Equity-settled share-based payments to executives and Directors under the Executive Share Based Incentive Plan (“ESBIP”) are measured at the fair value of the equity instrument at the grant date. The ESBIP has an earnings per share hurdle, the fair value of which is measured using a Binomial tree methodology. This methodology is underpinned by a ‘risk neutral’ probability framework with lognormal share prices. Details regarding the determination of the fair value of the ESBIP are set out in note 24.

The fair value determined at the grant date of the ESBIP is expensed on a straight-line basis over the vesting period. 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.

An expense amount of $902,100 has been recognised in profit and loss for the year ended 30 June 2015 (2014: Nil) in respect of the ESBIP.

<u>Long Term Incentive Plan</u>

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 24

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. The fair value determined for TSR at the grant date is 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 $370,533 has been recognised in profit and loss for the year ended 30 June 2015 (2014: $179,576) in respect of the LTIP.

(j) Taxation

<u>Current tax</u>

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by any changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

31 Significant accounting policies (continued)

(j) Taxation (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

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 7(c).

R&D tax incentive

R&D tax incentives are accounted for in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* whereby the additional 10% incentive from the Government to invest in specific R&D activities is classified as revenue. Where R&D relates to capital items, the incremental 10% incentive is recognised as the asset is amortised.

(k) 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.

31 Significant accounting policies (continued)

(k) Plant and equipment (continued)

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

- Leasehold improvements: 1 - 7 years
- Plant and equipment: 2 - 10 years
- Motor vehicles: 1 - 8 years

(l) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation or cost reduction are capitalised to software and systems.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

The amount initially recognised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project.

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 one and five years.

(m) 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.

(n) 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.

(o) 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).

31 Significant accounting policies (continued)

(o) Provisions (continued)

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 management's best estimate of the expenditure required to settle the Group's obligation.

(p) 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.

(i) 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.

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

<u>Loans and receivables</u>

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.

<u>Impairment of financial assets</u>

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.

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.

31 Significant accounting policies (continued)

(p) Financial instruments (continued)

(ii) 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 to the holder of the guarantee in the event that it suffers a loss due to the guarantee drawer's failure to make payment or otherwise satisfy its 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
- the amount initially recognised, less where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Financial liabilities

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

Other financial liabilities

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.

De-recognition of financial liabilities

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.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

31 Significant accounting policies (continued)

(r) Trade receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for provision for impairment. 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.

(s) Trade and other payables

Trade and other payables 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.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or other payables in the consolidated balance sheet as applicable.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(u) Cash and cash equivalents

Cash comprises cash on hand and outstanding deposits less any unpresented cheques. 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 Groups's consolidated balance sheet.

(v) 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 incentive scheme, 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.

Shares held by the Service Stream Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(w) 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.

31 Significant accounting policies (continued)

(x) Earnings per share

Basic earnings per share

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.

Diluted earnings per share

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.

(y) 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.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective from 1 January 2018).

  AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 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 de-recognition 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 15 Revenue from *Contracts with Customers* (effective 1 January 2017).

  The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contract for good and services and AASB 111 which covers construction contracts. Management is currently assessing the impact of the new rules. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make detailed assessments of the impact over the next twelve months.

32 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, which are described in note 31 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.

(a) Critical judgements in applying accounting policies

The following is the critical judgement that, apart from those involving estimations (see 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.

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

(a) Critical judgements in applying accounting policies (continued)

Revenue recognition

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. Judgements made in the application of AASB 111 include:

- determination of stage of completion;
- estimation of total contract revenue and contract costs;
- assessment of the probability of customer approval of variations and acceptance of claims; and
- estimation of project completion date.

It is reasonably possible on the basis of existing knowledge that outcomes within the next financial year are different from the estimates and assumptions listed above.

(b) 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.

Impairment of goodwill

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.

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 income 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. R&D 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.

Refer to note 7 for further details on the Group’s income tax balances.

Discount rates for employee benefit liabilities

Recent research has concluded that there is a sufficiently observable, deep and liquid market in high quality corporate bonds in Australia. As a result, it is no longer appropriate to use a government bond rate to discount employee benefit liabilities and a corporate bond rate should be used to satisfy the requirements of AASB 119 *Employee Benefits*.

As a consequence of the change of estimate, the leave obligations liabilities have been measured at the corporate bond rate as at 30 June 2015, and a gain of $259,716, was recorded in measurements of employee benefits expenses within profit or loss. The change of estimates resulted in a reduction of $12,466 in current liability, with the remaining $247,250 recorded as reduction in non-current liability.

ASX Additional Information for the financial year ended 30 June 2015

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 28 August 2015

Category (size of holding)	Holders
1-1,000	149
1,001-5,000	556
5,001-10,000	506
10,001-100,000	1,262
100,001+	303
	2,776

B. There are 2,776 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 203.

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 28 August 2015 are:

Shareholder	Ordinary	%
Thorney International Pty Ltd (1)	80,278,184	20.78
Thorney Opportunities Ltd (1)	35,439,986	9.17
Forager Funds Management Pty Ltd	28,690,912	7.43
Gandel Springwest Pty Ltd	21,356,226	5.53
Rubi Holdings Pty Ltd	19,476,234	5.04

(1) The Company treated Thorney International Pty Ltd and Thorney Opportunities Ltd as associated entities as defined in the Corporations Act

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 $0.1774 (2014: $0.1527).

G. 20 Largest Shareholders as at 28 August 2015 - 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	86,202,400	22.31
UBS NOMINEES PTY LTD	35,439,986	9.17
GANDEL SPRINGWEST PTY LTD	21,356,226	5.53
NATIONAL NOMINEES LIMITED	21,203,193	5.49
RUBI HOLDINGS PTY LTD	19,476,234	5.04
JBL-G PTY LTD	10,390,679	2.69
BOND STREET CUSTODIANS LIMITED	8,138,658	2.11
RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L	7,581,126	1.96
CITICORP NOMINEES PTY LIMITED	7,512,872	1.94
BERKELEY SERVICES PTY LTD	6,779,490	1.75
MR DARREN RONALD PATTERSON	6,000,000	1.55
SERVICE STREAM NOMINEES PTY LTD	5,436,247	1.41
HOWES CREEK PTY LTD	5,152,114	1.34
RUDIE PTY LTD	4,142,197	1.07
DR ROGER GRAHAM BROOKE + MRS SALLY ANN BROOKE	3,968,766	1.03
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,655,831	0.69
DR HEDLEY SANDLER + MRS BEVERLEY ANNE SANDLER	1,918,077	0.50
CRANLEY NOMINEES PTY LTD	1,763,636	0.46
GLOBAL PROPERTY SERVICES PTY LIMITED	1,603,206	0.41
MRS MAREE HELEN THEILER	1,551,593	0.40
	258,272,531	**66.85**

Corporate Directory

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Leigh Mackender
Peter Dempsey
Deborah Page AM
Stephe Wilks

Company Secretary

Vicki Letcher

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