

STREAM GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 57 010 597 672



Appendix 4D

**Half Year Report
31 December 2017**

Lodged with the ASX under Listing Rule 4.2.A.3

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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This report covers the consolidated entity consisting of Stream Group Limited and its controlled entities.

The financial report is presented in Australian Dollars (unless otherwise stated).

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

(Comparative figures being the half year ended 31 December 2016)

Revenue from ordinary activities (Appendix 4D item 2.1)	Down 88% to	\$ 625,236
Profit/(loss) from ordinary activities after tax attributable to members (Appendix 4D item 2.2)	Up 114% to	46,453
Net profit/(loss) for the period attributable to members (Appendix 4D item 2.3)	Up 114% to	46,453
Dividends (Appendix 4D item 2.4)	<u>Amount per security</u>	<u>Franked amount per security</u>
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the final dividend (Appendix 4D item 2.5)		
Not applicable.		
NTA backing		31-Dec-17 31-Dec-16
		\$ \$
Net tangible asset backing per ordinary share (cents)		<u>1.78 (0.66)</u>

Additional Appendix 4D disclosure requirements can be found in the notes to these financial statements and the attached directors' report.

This report is based on the consolidated financial statements for the half-year ended 31 December 2017 which have been reviewed but not audited by our auditors PKF.

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Your directors present their report together with the financial report for Stream Group Limited and its subsidiaries for the half-year ended 31 December 2017.

DIRECTORS

The following persons held office as Directors of Stream Group Limited during or since the end of the half-year:

Lawrence Case
Christian Bernecker
Daniel Barrins

Company Secretary

Brett Crowley

REVIEW OF OPERATIONS

The 6 months ended 31 December 2017 was the first reporting period for which the Group's operations consisted solely of the Qusol technology business. Qusol NZ Ltd (formerly Symetri Ltd), the subsidiary that houses the technology business, generated an EBITDA of \$204,000 for the half year, which consisted of an EBITDA from the Qusol software business of \$294,000 less legacy costs of the sold Symetri claims management business of \$34,000 and general New Zealand corporate overheads of \$56,000.

A core objective during the period has been to bed down the transfer of the Symetri claims management business to the new owners. Qusol continues to supply its BuilddAssist claims management software to Gallagher Bassett NZ ("GBNZ") on a software as a service basis so the impact of the change in ownership has had minimal effect on GBNZ's client base. We have also had to transition a number of ancillary services to GBNZ and this process is now complete. Now that the GBNZ transition has been bedded down we are looking to grow the Qusol technology business either by way of organic growth or acquisition.

As shareholders will be aware the Group is entitled to an earn-out payment based on the net profit earned by the sold Symetri business for the 12 months ending 31 December 2018. It is too early to estimate what if any payment we will receive given the extent to which our earnings historically fluctuate with occurrences of natural disasters in New Zealand.

DIVIDENDS PAID OR DECLARED

No dividends are proposed by Directors for the period ended 31 December 2017.

EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events since the end of the reporting period.

AUDITORS' INDEPENDENCE DECLARATION

The auditors' independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2017.

The directors' report is signed in accordance with a resolution of the Board of Directors.

Signed: 

Dated: 15 February 2018

Name: Lawrence Case

Stream Group Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Stream Group Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



PKF



SCOTT TOBUTT
PARTNER

15 FEBRUARY 2018
SYDNEY

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31-Dec-17	31-Dec-16
	\$	\$
Revenue from continuing operations		
Sales revenue	625,236	5,300,615
Other revenue	157,158	210,390
Total revenue from continuing operations	782,394	5,511,005
Cost of goods sold	-	-
Change in work in progress	-	(64,236)
Expenses		
Employee benefits expense	224,006	3,852,084
Depreciation and amortisation expenses	776	106,121
Finance costs	112	25,445
Impairment of Assets	-	-
Effect of Deconsolidation	(109,551)	-
Other Expenses	530,879	1,806,611
Total expenses	646,222	5,790,261
Profit before related income tax expense	136,172	(343,492)
Income tax expense/(credit)	89,719	-
Profit/(loss) for the period	46,453	(343,492)
Other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	92,591	18,650
Total other comprehensive income for the period, net of tax	92,591	18,650
Total comprehensive income for the period	139,044	(324,842)
Profit/(loss) for the period attributable to:		
Members of Stream Group Limited	46,453	(343,492)
Non-controlling interests	-	-
	46,453	(343,492)
Total comprehensive income for the period attributable to:		
Members of Stream Group Limited	139,044	(342,842)
Non-controlling interests	-	-
	139,044	(342,842)
Earnings per share (EPS)	Cents per share	Cents per share
Basic EPS	0.06	(0.16)
Diluted EPS	0.06	(0.16)
	Number	Number
Weighted average number of ordinary shares used as denominator in calculating basic earnings per share	219,329,753	210,440,873

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

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	31-Dec-17	30-Jun-17
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	3,279,459	2,803,008
Trade and other receivables	407,699	1,409,456
Inventories	-	-
Current tax assets	-	-
Other current assets	61,202	114,837
Total current assets	3,748,360	4,327,301
NON-CURRENT ASSETS		
Property, plant & equipment	2,405	-
Financial assets	-	-
Deferred tax assets	172,254	272,724
Intangible assets	4,401,021	4,592,633
Other non-current assets	107,676	-
Total non-current assets	4,683,356	4,865,357
Total assets	8,431,716	9,192,658
CURRENT LIABILITIES		
Trade and other payables	86,623	554,582
Borrowings	-	-
Current tax liabilities	-	-
Provisions	48,563	52,789
Total current liabilities	135,186	607,371
NON-CURRENT LIABILITIES		
Borrowings	-	-
Total non-current liabilities	-	-
Total liabilities	135,186	607,371
Net Assets	8,296,530	8,585,287
EQUITY		
Issued capital	18,014,483	18,014,483
Reserves	(740,209)	(312,408)
Retained earnings	(8,977,744)	(9,116,788)
Total equity	8,296,530	8,585,287

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

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$	Non- Controlling Interests \$	Total Equity \$
Balance at 1 July 2016	17,660,195	(275,287)	(12,775,131)	4,609,777	-	4,609,777
Profit/(loss) for the period	-	-	(334,492)	(334,492)	-	(334,492)
Other comprehensive income for the period	-	-	18,649	18,649	-	18,649
Total comprehensive income for the period	-	-	(324,842)	(324,842)	-	(324,842)
Transactions with owners in their capacity as owners:						
Shares issued during the period	-	-	-	-	-	-
Foreign currency translation reserve	-	(86,263)	-	(86,263)	-	(86,263)
Share based payment reserve	-	-	-	-	-	-
Dividends provided for or paid	-	-	-	-	-	-
Balance at 31 December 2016	17,660,195	(361,550)	(13,099,973)	4,198,671	-	4,198,671
Balance at 1 July 2017	18,014,483	(312,408)	(9,116,788)	8,585,287	-	8,585,287
Profit/(loss) for the period	-	-	46,453	46,453	-	46,453
Other comprehensive income for the period	-	-	92,591	92,591	-	92,591
Total comprehensive income for the period	-	-	139,044	139,044	-	139,044
Transactions with owners in their capacity as owners:						
Shares issued during the period	-	-	-	-	-	-
Foreign currency translation reserve	-	(427,801)	-	(427,801)	-	(427,801)
Share based payment reserve	-	-	-	-	-	-
Dividends provided for or paid	-	-	-	-	-	-
Balance at 31 December 2017	18,014,483	(740,209)	(8,977,744)	8,296,530	-	8,296,530

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31-Dec-17	31-Dec-16
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,769,072	5,957,659
Interest received / (Paid)	15,079	21,997
Payments to Suppliers and Employees	(1,304,519)	(6,197,337)
Income taxes paid	-	-
Net operating cash flows	479,632	(217,681)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(3,181)	(548,714)
Payments for Intangible Assets	-	-
Loans to non related parties	-	(40,000)
Loans received from related parties	-	771,150
Net investing cash flows	(3,181)	182,436
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	425,185
Repayment of borrowings	-	(45,727)
Proceeds from share issue	-	-
Net financing cash flows	-	379,458
Net increase/(decrease) in cash held		
Net increase/(decrease) in cash held	476,451	344,213
Cash at the beginning of the period	2,803,008	453,402
Cash at the end of the financial period	3,279,459	797,615

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Stream Group Limited and its controlled entities, collectively the "Group". As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

These financial statements were authorised for issue on 15 February 2018.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of other new or amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

2. CASH & CASH EQUIVALENTS

	December 2017	December 2016
Current	\$	\$
Cash at bank and on hand	1,065,431	797,615
Short-term bank deposits	2,214,028	-
	3,279,459	797,615

3. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF

No entities were acquired or disposed of during the half-year.

4. EQUITY SECURITIES ISSUED

	Number of Shares	Share Capital (\$)
Balance at 1 July 2017	219,329,753	18,014,483
Balance at 31 December 2017	219,329,753	18,014,483

5. DIVIDENDS

No dividend was proposed or paid during the half year ended 31 December 2017.

6. CONTINGENT ASSETS

On 7th April 2017 the New Zealand subsidiary, Qusol NZ Ltd (formerly Symetri Ltd) divested its claims management business and assets other than its claims management software and cash. The consideration consisted of an initial payment of \$NZ 7 million, which was paid on completion, and an earn-out payment calculated as the excess (if any) by which 10 times the net profit of the sold business for the 12 months to 31 December 2018 exceeds \$NZ 7 million. The earn-out payment is payable in the first quarter of calendar 2019 and is currently treated as a contingent asset due to the uncertainty over future profitability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

7. SEGMENT INFORMATION

During the six months ended 31 December 2017 the group operated in the following geographical segments: Australia and New Zealand

OPERATING SEGMENTS

SIX MONTHS ENDED 31 DECEMBER 2017	Australia	New Zealand	Eliminations on Consolidation	Consolidated
Operating Revenue				
Sales	44,642	580,594	-	625,236
Other Revenue	118,547	99,537	(60,927)	157,158
Total Revenue	163,189	680,131	(60,927)	782,394
Segment Result				
Operating Expenses	92,133	521,417	(60,807)	552,743
Earnings Before interest, tax, depreciation and amortisation (EBITDA)	71,056	158,715	(120)	229,651
Depreciation and amortisation	776	776	-	776
Earnings before interest and tax (EBIT)	70,280	158,715	(120)	228,875
Equity accounted share of associates net profit/(loss)	-	-	-	-
Impairment of assets/bad debts written off	-	-	-	-
Payments under employee share plan	-	-	-	-
Share based payments	-	-	-	-
Interest (expense)	-	(112)	-	(112)
Income tax benefit/(expense)	-	(89,719)	-	(89,719)
Profit/(loss)	70,280	68,883	(120)	139,044

OPERATING SEGMENTS

SIX MONTHS ENDED 31 DECEMBER 2016	Australia	New Zealand	Eliminations on Consolidation	Consolidated
Operating Revenue				
Sales	96,421	5,204,194	-	5,300,615
Other Revenue	7,050	203,340	-	210,390
Total Revenue	103,471	5,407,534	-	5,511,005
Segment Result				
Operating Expenses	545,227	5,159,054	-	5,704,281
Earnings Before interest, tax, depreciation and amortisation (EBITDA)	(441,756)	248,480	-	(193,276)
Depreciation and amortisation	39,016	67,105	-	106,121
Earnings before interest and tax (EBIT)	(480,772)	181,375	-	(299,397)
Equity accounted share of associates net profit/(loss)	-	-	-	-
Impairment of assets/bad debts written off	-	-	-	-
Payments under employee share plan	-	-	-	-
Share based payments	-	-	-	-
Interest (expense)	(320)	(25,125)	-	(25,445)
Income tax benefit/(expense)	-	-	-	-
Profit/(loss)	(481,092)	156,250	-	(324,842)

8. EVENTS AFTER THE END OF THE INTERIM PERIOD

There have been no significant events since the end of the interim period.

9. GOING CONCERN

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The directors of the Group declare that:

1. The financial statements and notes of the consolidated entity are in accordance with *Corporations Act 2001*, including;
 - (a) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
 - (b) Giving a true and fair view of the Group's financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Name: Lawrence Case
Date: 15 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF STREAM GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Stream Group Limited and its controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the consolidated entity's the financial position as at 31 December 2017, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the consolidated entity a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Stream Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



PKF



SCOTT TOBUTT
PARTNER

15 FEBRUARY 2018
SYDNEY