servicestream
ESSENTIAL NETWORK SERVICES

SERVICE STREAM LIMITED

NOTICE OF EXTRAORDINARY GENERAL MEETING

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EXTRAORDINARY
GENERAL MEETING

Notice of Extraordinary General Meeting and Explanatory Statement

Service Stream Limited
ABN 46 072 369 870

An Extraordinary General Meeting of members of Service Stream Limited (**Service Stream**) is being held on the following date and time and at the following place to consider the Resolution as set out in the attached Notice of Meeting, namely:

> That, for the purposes of the ASX Listing Rule 10.1, section 208 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the purchase of 100% of the shares of each of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd pursuant to the terms of the Share Purchase Agreements as set out in the Explanatory Statement.

Date: 26 April 2017

Time: 10:30am (AEST)

Place: Level 4, 357 Collins Street, Melbourne, 3000

For the reasons set out in section 4.11 of the attached Explanatory Statement, the Independent Service Stream Directors unanimously recommend that Shareholders vote in favour of the Resolution as set out in the Notice of Meeting. The Chairman, Mr Gallagher, does not consider himself justified in making a recommendation as to whether Shareholders vote in favour of the Resolution as he has an interest in the outcome of the Resolution. Mr Gallagher is a Related Party of Service Stream and will receive a financial benefit from Service Stream if the Proposed Transaction proceeds.

The Independent Expert, KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, AFSL 246901, has concluded that the Proposed Transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded.

This is an important document and requires your immediate attention. You should read the whole of this document before you decide whether and how to vote on the Resolution in the Notice of Meeting. If you are in doubt as to what you should do, please consult your financial or professional adviser.

Financial adviser to Service Stream

Legal adviser to Service Stream

Important Notice

IMPORTANT INFORMATION

The Notice of Meeting, Explanatory Statement, Independent Expert's Report and proxy form are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the Extraordinary General Meeting. If you are in any doubt as to what you should do, please consult your financial or other professional adviser.

PURPOSE OF THE EXPLANATORY STATEMENT

The Explanatory Statement, which forms part of the Notice of Meeting, contains an explanation of, and information about, the Resolution and Proposed Transaction to be considered at the Extraordinary General Meeting of Service Stream to be held on 26 April 2017. It is given to Shareholders to provide them with information that the Independent Service Stream Directors believe to be material to Shareholders in deciding whether and how to vote on the Resolution. The Explanatory Statement is required by the ASX Listing Rules and at the determination of the Independent Service Stream Directors, the Corporations Act, in relation to the Proposed Transaction. Shareholders should read the Explanatory Statement in full because individual sections do not give a comprehensive review of the Proposed Transaction. If you are in doubt about what to do in relation to the Proposed Transaction, you should consult your financial or other professional adviser.

The Explanatory Statement does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolution. Service Stream is not licensed to provide financial product advice in relation to Service Stream shares or any other financial products.

INVESTMENT DECISIONS AND FORWARD LOOKING STATEMENTS

The Explanatory Statement contains forward looking statements which have been based on current expectations about future events. You should be aware that such statements are only predictions and are subject to inherent risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward looking statements. Those risks and uncertainties include factors and risks specific to the industries in which Service Stream operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Those factors also include matters not yet known to Service Stream or not currently considered by Service Stream to be material.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. Neither Service Stream nor any of its directors, officers or employees or any person named in the Explanatory Statement or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Shareholders are cautioned not to place reliance on those statements.

The forward looking statements in the Explanatory Statement reflect views held only as at the date of the Explanatory Statement.

Subject to any continuing obligations under law or the ASX Listing Rules, Service Stream has no obligation to disseminate, after the date of the Explanatory Statement, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

The Explanatory Statement has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Resolution, the Extraordinary General Meeting or the Proposed Transaction which is not contained in the Explanatory Statement. Any information or representation not contained in the Explanatory Statement must not be relied on as having been authorised by Service Stream or the Service Stream Board in connection with the Proposed Transaction.

RESPONSIBILITY FOR INFORMATION

The information contained in the Explanatory Statement (except for the Independent Expert's Report) has been prepared by Service Stream and is the responsibility of Service Stream. None of TechSafe, nor any of its related entities, directors, officers, employees, contractors, advisers or agents, assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Statement.

KPMG Corporate Finance has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Statement, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Statement. KPMG Corporate Finance takes responsibility for that report but is not responsible for any other information contained in the Explanatory Statement. Neither Service Stream nor TechSafe nor any of their respective related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

DEFINITIONS

Defined terms are used in the Explanatory Statement. The defined terms are in the Glossary set out in section 8 of the Explanatory Statement.

ROUNDING

All financial measures in the Explanatory Statement are rounded to the displayed number of decimal places.

PRIVACY

Service Stream has collected your information from the share registry for the purpose of providing you with this Notice of Meeting and Explanatory Statement. The type of information Service Stream has collected about you includes your name, contact details and information about your shareholding in Service Steam. Without this information Service Stream would be hindered in its ability to issue this Notice of Meeting and Explanatory Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Your information may be disclosed on a confidential basis to Service Stream's Related Bodies Corporate and external service providers and may be required to be disclosed to regulators such as ASIC. If you would like details of the information held by Service Stream please contact the Company Secretary.

ASIC and ASX

A copy of the Explanatory Statement was lodged with ASIC on 6 March 2017 in accordance with section 218 of the Corporations Act and for the purposes of ASIC Regulatory Guide 76, and provided to ASX on the same date in accordance with Listing Rule 15.1.

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of the Explanatory Statement.

DATE

The Explanatory Statement is dated 24 March 2017.

Key Dates

6 March 2017	Share Purchase Agreements executed and Proposed Transaction announced.
24 March 2017	Notice of Meeting and Explanatory Statement dispatched to Shareholders.
24 April 2017	Deadline for receipt of proxy forms.
24 April 2017	Time and date for eligibility to vote at the Extraordinary General Meeting.
26 April 2017	Extraordinary General Meeting, at which Shareholders consider the Resolution in connection with the Proposed Transaction.
28 April 2017	Target date for completion of the Proposed Transaction following satisfaction of conditions precedent, at which time: • Service Stream Holdings acquires the shares of TechSafe; and • Service Stream Holdings pays the Initial Consideration to owners of TechSafe, failing which, completion will occur at a subsequent accounting month-end or any other date agreed by the parties to the Proposed Transaction.

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Letter from Lead Independent Non-Executive Director

Peter Dempsey

Dear Shareholder,

I am pleased to invite you to an Extraordinary General Meeting of Service Stream Limited (**Company** or **Service Stream**) and provide to you the associated Notice of Meeting and Explanatory Statement. The Extraordinary General Meeting is to be held at 10:30 am (AEST) on Wednesday, 26 April 2017.

The purpose of the Extraordinary General Meeting is to:

(a) inform the Shareholders of the Company's intention for its wholly owned subsidiary, Service Stream Holdings Pty Ltd (ACN 008 027 978) (**Service Stream Holdings**), to acquire 100% of the issued shares of each of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd (**Proposed Transaction**); and

(b) obtain Shareholder approval for the Proposed Transaction for the purposes of the ASX Listing Rules and the Corporations Act (as to which see further below under "Related Party matters").

Background

Over the last few years, the Company has returned to solid and sustainable earnings under a strong management team, led by Managing Director, Leigh Mackender. The Company has substantially improved its balance sheet on the back of strong cash flow generation, resumed the payment of dividends and completed a $19.3 million return of capital to Shareholders. At the most recent half-year balance date (31 December 2016), the Company held net cash of $44.1 million.

Whilst the Company operates in market sectors and has a pipeline of customer contracts that are anticipated to generate organic growth, Management and the Board consider the Company is now well placed to undertake an acquisition to supplement that organic growth. Management, in conjunction with its financial adviser Venture Advisory, has undertaken a thorough market scan of all industries and sectors in which Service Stream currently operates for the purpose of assessing potential acquisition opportunities. TechSafe was identified as a business that is an excellent strategic fit with Service Stream's existing operations, and whose growth can be accelerated by operating within the Service Stream group.

TechSafe is the largest independent electrical inspection company in Australia, providing inspection and auditing services nationally to government entities, industry and energy regulators, electricity network owners and electrical contractors.

Proposed Transaction

As mentioned above, the Proposed Transaction comprises the purchase of 100% of the shares of TechSafe Australia and 100% of the shares of TechSafe Management, pursuant to the terms of two separate, but inter-conditional, Share Purchase Agreements. Under the terms of those agreements, Service Stream Holdings is to pay an aggregate initial cash consideration of $19.0 million (subject to adjustments for accrued tax liabilities, cash-at-bank and movements in working capital) (**Initial Consideration**) plus an aggregate additional cash consideration of up to $1.0 million subject to the achievement of certain financial targets in respect of FY18 (**Additional Consideration**).

Details of the Proposed Transaction are set out more fully in the attached Notice of Meeting and Explanatory Statement.

Related Party matters

The Chairman of Service Stream (Mr Brett Gallagher) and his wife (Mrs Jacqueline Gallagher) have an interest in entities which hold 33.33% of the shares of each of TechSafe Australia and TechSafe Management, and Mr Gallagher is a director of both companies. In addition, Mr Gallagher's father-in-law (Mr Peter Van Hoof) and mother-in-law (Mrs Joan Van Hoof) have an interest in entities which hold a further 33.33% of the shares of each of TechSafe Australia and TechSafe Management and Mr Van Hoof is a director of both companies.

Each of these individuals and the entities which they control or hold interests in are Related Parties of the Company for the purposes of the ASX Listing Rules and the Corporations Act and will receive a financial benefit from Service Stream if the Proposed Transaction proceeds.

The Proposed Transaction must therefore be approved by Service Stream's shareholders in accordance with ASX Listing Rule 10.1 and is also being referred to Service Stream shareholders for approval in accordance with Chapter 2E of the Corporations Act. Please refer to sections 4.3 and 4.4 of the Explanatory Statement for further details.

Directors' consideration of the Proposed Transaction

The Service Stream Board established a range of governance protocols to consider the Proposed Transaction in light of the Related Party matters identified above. These protocols included the establishment of an Independent Board Committee (**IBC**) comprising all directors of Service Stream Limited excluding Mr Gallagher, and chaired by myself. In accordance with its Charter, the IBC oversaw all aspects of evaluating the Proposed Transaction.

Independent Expert

The IBC has appointed KPMG Corporate Finance for the purpose of preparing an independent expert's report in accordance with the ASX Listing Rules.

The Independent Expert, KPMG Corporate Finance, has formed the opinion that the Proposed Transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded. A copy of the Independent Expert's Report is attached to this Notice of Meeting and Explanatory Statement as Appendix A.

Independent Service Stream Directors' recommendation to vote in favour

The Independent Service Stream Directors unanimously recommend that Shareholders vote in favour of the Resolution. The reasons for this conclusion are discussed in further detail in the Explanatory Statement.

Yours sincerely,

Peter Dempsey

Peter Dempsey
Lead Independent Non-executive Director

24 March 2017

Notice of Extraordinary General Meeting

Notice is given that an Extraordinary General Meeting of members of Service Stream Limited (**Service Stream**) will be held at Service Stream's head office, being Level 4, 357 Collins St, Melbourne, 3000 at 10:30 am (AEST) on Wednesday, 26 April 2017.

At the Extraordinary General Meeting, Shareholders will be asked to consider the Resolution set out below in connection with the Proposed Transaction.

Resolution

Resolution: Approval of Proposed Transaction for the purposes of ASX Listing Rules and Chapter 2E of the Corporations Act

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

> "That, for the purposes of the ASX Listing Rule 10.1, section 208 of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the purchase of 100% of the shares of each of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd pursuant to the terms of the Share Purchase Agreements as set out in the Explanatory Statement."

Recommendation

The Independent Service Stream Directors unanimously recommend that the Shareholders vote in favour of the Resolution. The Chairman, Mr Gallagher, does not consider himself justified in making a recommendation as to whether Shareholders vote in favour of the Resolution as he has an interest in the outcome of the Resolution. Mr Gallagher is a Related Party of Service Stream and will receive a financial benefit from Service Stream if the Proposed Transaction proceeds.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of Shareholder approval required under Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Proposed Transaction the subject of the Resolution. The Independent Expert has determined that the Proposed Transaction is fair and reasonable to holders of the Company's securities whose votes are not to be disregarded.

Chairman of the Extraordinary General Meeting

The Board proposes that Lead Independent Non-Executive Director, Mr Peter Dempsey, or his appointee, act as Chairman of the Extraordinary General Meeting.

Voting Exclusion Statement

ASX voting exclusion

In accordance with ASX Listing Rule 10.1 and ASX Listing Rule 14.11, the Company will disregard any votes cast on the Resolution by:

(a) Brett Gallagher; Peter Van Hoof and Ashley Haynes;
(b) any other party to the transaction; and
(c) any associates of those persons.

However, the entity need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting prohibition statement

In accordance with section 224 of the Corporations Act, a vote on the Resolution must not be cast by, or on behalf of:

(a) Brett Gallagher, Jacqueline Gallagher, Peter Van Hoof, Joan Van Hoof, Howes Creek Pty Ltd, JBL-G Pty Ltd; Merino Valley Pty Ltd or Luxforde Pty Ltd; or
(b) any other Related Party; or
(c) any of their associates,

unless:

(a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
(b) it is not cast on any behalf of a Related Party or associate of the kind referred to in (a), (b) or (c) above.

Voting Statement

The Chairman of the Extraordinary General Meeting intends to vote undirected proxies held by him in favour of the Resolution. Please refer to the proxy form accompanying this Notice of Meeting for more information.

Voting and eligibility

Entitlement to Vote

In accordance with the *Corporations Regulations 2001*, the Independent Service Stream Directors have determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the Register of Shareholders as at **7:00pm (AEST) on Monday, 24 April 2017**.

Proxies

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.
2. Where two proxies are appointed;
   (a) the proxies may vote only if each proxy is appointed to represent a specified proportion of the member's voting rights;
   (b) neither proxy may vote on a show of hands; and
   (c) on a poll, each proxy may only exercise the voting rights for the portion of the member's voting rights that they represent.
3. A proxy may but need not be a member.
4. A proxy form accompanies this notice. To be valid, the proxy form together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, must be:

(a) received by Service Stream's share registrar, Computershare Investor Services Pty Limited by:

   (1) hand delivery to "Yarra Falls", 452 Johnston Street, Abbotsford, Victoria 3067;

   (2) post to GPO Box 242, Melbourne, Victoria, 8060; or

   (3) facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

   before 10:30am (AEST) on Monday, 24 April 2017; or

(b) received by Service Stream (addressed to the attention of Ms Nicole Goding, Company Secretary):

   (1) at its registered office at Level 4, 357 Collins Street, Melbourne, Victoria, 3000; or

   (2) by facsimile on +61 3 9677 8877;

   before 10:30am (AEST) on Monday, 24 April 2017.

5. A proxy may also be appointed electronically by:

   (a) visiting www.investorvote.com.au and following the instructions provided;

   (b) scanning the QR code on the proxy form with your mobile device; or

   (c) visiting www.intermediaryonline.com to submit your voting intentions (for Intermediary Online subscribers (custodians) only);

   before 10:30am (AEST) on Monday, 24 April 2017. A proxy cannot be appointed online if they are appointed under power of attorney or other authority.

By order of the Board:

Nicole Goding

Nicole Goding
Company Secretary

24 March 2017

Explanatory Statement

This Explanatory Statement is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the Notice of Extraordinary General Meeting of members of Service Stream Limited to be held on Wednesday, 26 April 2017.

1. Introduction

On 6 March 2017, the Company announced that its wholly-owned subsidiary, Service Stream Holdings executed two inter-conditional Share Purchase Agreements to acquire all of the issued shares of each of TechSafe Australia and TechSafe Management.

Under the terms of the Share Purchase Agreements, the aggregated consideration to be paid by Service Stream Holdings is:

- an initial cash consideration of $19.0 million (subject to adjustments for accrued tax liabilities, cash-at-bank and movements in working capital) (**Initial Consideration**); plus
- an additional cash consideration of up to $1.0 million subject to the achievement of certain financial targets in respect of FY18 (**Additional Consideration**).

The Extraordinary General Meeting is being held so Shareholders can consider the Resolution set out in the Notice of Meeting in accordance with ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act (each of which are concerned with Related Party transactions).

2. Overview of the Proposed Transaction

This section is a summary only. Shareholders should read this entire Explanatory Statement before making a decision on how to vote on the Resolution.

2.1. Overview of the Proposed Transaction

The Proposed Transaction to combine the Service Stream and TechSafe businesses has come about after an 18-month market scan of companies that would fit Service Stream's investment criteria of diversifying revenue while being close to the core of existing operations.

TechSafe provides outsourced electrical inspection and audit services throughout Australia to government entities, industry and energy regulators, electricity networks, large service providers and trades industries. The Proposed Transaction will bring these capabilities to Service Stream and is highly complementary to its Energy and Water division.

Under current management, TechSafe has demonstrated an ability to acquire new contracts in the electrical industry which underpin the quality of its revenues. Service Stream has identified a potential opportunity to accelerate the acquisition of new contracts as a combined entity.

2.2. Key advantages for Shareholders

Following the completion of the Proposed Transaction, Service Stream will gain access to:

- **Diversified revenue and an enhanced offering**
  - Enter the profitable and growing market of outsourced inspection and audit services
  - Largely contracted and stable revenues
- **Vertical integration opportunities**
  - Expand TechSafe's client base through established relationships and expertise
  - Natural synergies with Service Stream's "ticket-of-work" business model
  - Ability to consolidate fleet management and back office processes
  - Strong fit into Service Stream's Energy and Water division

- **A strong management and business platform**
    - 95 employee and sub-contractor trained and qualified inspectors
    - An experienced management team led by continuing TechSafe Executive Ashley Haynes

Further details of the benefits of the Proposed Transaction are set out in section 4.8 of the Explanatory Statement.

2.3. Potential disadvantages and risks for Shareholders

Potential disadvantages of the Proposed Transaction include:

- The aggregated consideration to be paid to acquire all of the issued shares of each of TechSafe Australia and TechSafe Management will reduce Service Stream's positive net cash position
- Upfront transaction costs and subsequent integration costs with no certainty the Proposed Transaction will result in a positive financial contribution to Service Stream
- Shareholders will be exposed to the risks relating to the Proposed Transaction described in section 6.3
- Uncertain impact of the Proposed Transaction on Service Stream's share price

Further details of the potential disadvantages and risks of the Proposed Transaction are set out in section 4.9 and 6.3 of the Explanatory Statement.

3. Key Questions Answered

3.1. Q&A specifically dealing to the Related Party matters

Question	Answer
What were the criteria that the Company used to identify potential acquisition targets?	The Company's Board and Management agreed a number of criteria for preferred acquisition targets, including: • The acquisition must be small enough to be able to be funded out of the Company's Net Cash reserves, but the target must have the potential to provide a sufficiently significant increase in earnings to justify the transaction effort. • The target must preferably have a "ticket-of-work" business model, have a degree of alignment with the Company's Energy & Water segment in terms of services or customers, and not be capital intensive.
Given it is a Related Party transaction, why was TechSafe selected as the preferred acquisition target?	The Company's corporate advisers, Venture Advisory, was appointed to compile a list of potential acquisition targets that matched the set criteria, and Venture identified TechSafe for inclusion on that list. Service Stream Management screened and assessed the potential targets, and despite it being an excellent match against the set criteria, initially excluded TechSafe due to its Related Party nature. Only after ruling out all other candidates, did Service Stream management approach TechSafe management to learn more about TechSafe's operations and prospects and to explore the possibility of a sale. The advantages of TechSafe as a compelling acquisition target was subsequently assessed by Service Stream Management (and subsequently endorsed by the IBC) as significantly outweighing the complexities arising from its Related Party nature.

Question	Answer
Given it is a Related Party transaction, how was the purchase price for the proposed acquisition of TechSafe determined?	Service Stream Management undertook a detailed due diligence review of the TechSafe business, including the terms, volume, pricing and duration of current major contracts, historical and projected levels of profitability and cash generation, the sector's competitive landscape, the business' potential for growth particularly by being leveraged through Service Stream's customer relationships in both utility and telecommunications sectors. Service Stream's Management assessed the long-term maintainable EBITDA of TechSafe as being at least $3.5 million per annum, and the purchase price of a maximum of $20.0 million was negotiated by the Managing Directors of both companies in light thereof. After taking specialist financial advice, the IBC assessed that the EBITDA multiple of approximately 5.7x implied by the maximum purchase price of $20.0 million was supported by market evidence and represented good value to Service Stream. Further, the IBC made the Proposed Transaction conditional upon an Independent Expert concluding the transaction was both fair and reasonable.
Why is no part of the purchase consideration proposed to be provided by way of Service Stream shares?	Financial evaluation of the proposed acquisition, undertaken by Service Stream Management, confirmed that the extent of EPS accretion arising from the Proposed Transaction was maximised under an "all cash" consideration. The Company's financial modelling confirmed that a purchase consideration comprising a 50%:50% mix of cash and shares (based on a share price of $1.18) reduced the extent of average EPS accretion over the first three years after completion by over 30%. The introduction of Service Stream shares as part consideration for the Proposed Transaction introduced additional complexities regarding the negotiation of an assumed share price, and financial modelling confirmed that an assumed share price lower than $1.18 reduced the extent of EPS accretion even further.

Question	Answer
	Continued … Service Stream Management assessed that the Company had sufficient cash reserves to pay "all cash" for the Proposed Transaction and to remain in a Net Cash positive position. The owners of TechSafe (including the Related Parties) were identified as already holding an aggregate of 11.8 million Service Stream shares, and the IBC assessed that they were therefore already sufficiently incentivised to ensure that the Proposed Transaction was in the best interests of Service Stream.
How was the amount of the earn-out determined, and on what basis is it considered adequate?	The amount of the earn-out was negotiated by the parties as a key element of agreeing the overall purchase price. In assessing the amount of earn-out, Service Stream Management assessed the achievability of TechSafe's financial forecast and the extent to which an "at risk" component was required. The earn-out recommended by Management to the IBC was $1.0 million or a 5.2% premium to the "base" consideration amount of $19.0 million. The IBC was not prepared to offer a higher earn-out amount. The IBC noted that the owners of TechSafe (including the Related Parties) already held an aggregate of 11.8 million Service Stream shares and assessed that they were sufficiently incentivised to ensure that TechSafe's financial forecasts were achievable. In addition, the IBC noted that owners of two-thirds of the shares of TechSafe will have continuing senior roles within Service Stream, Mr Gallagher as Chairman of the board of directors and Mr Haynes as Executive General Manager of TechSafe operations.

Question	Answer
Given it is a Related Party transaction, on what basis can Service Stream Shareholders be confident that the proposed acquisition of TechSafe is in the best interests of the Company?	The Related Party nature of TechSafe was identified by Management and relevant governance protocols were immediately put in place. An Independent Board Committee comprising all directors excluding Mr Gallagher was established to oversee all aspects of evaluating the potential acquisition of TechSafe. In assessing TechSafe, the IBC received specialist and independent advice from the Company's corporate advisors, Venture Advisory and lawyers, King Wood Mallesons. The ASX Listing Rules and Corporations Act prescribe certain obligations when considering a Related Party transaction, and these have been fully complied with by the Company. A reputable independent expert (KPMG Corporate Finance) was engaged by the IBC on behalf of the Company to assess the Proposed Transaction and to confirm that they consider the Proposed Transaction to be fair and reasonable to non-associated Shareholders. The IBC ensured the Proposed Transaction was dependent on receiving an opinion from the Independent Expert that it was fair and reasonable to non-associated Shareholders.

3.2. Q&A dealing to general matters

Question	Answer
Why have I received this Explanatory Statement?	This Explanatory Statement is being provided to Shareholders in accordance with ASX Listing Rule 10.1 and section 218 of the Corporations Act. The Explanatory Statement sets out all of the information that is known to the Company or any of its directors which is reasonably required by Shareholders to decide whether it is in the Company's interests to vote in favour of the Resolution. Shareholders are encouraged to read this Explanatory Statement in its entirety, attend the Extraordinary General Meeting and vote on the Resolution (as set out in the Notice of Meeting).
What is the Proposed Transaction?	The Proposed Transaction involves the acquisition by Service Stream Holdings of 100% of the issued shares of each of TechSafe Australia and TechSafe Management for an aggregate initial cash consideration of $19.0 million (subject to adjustments for accrued tax liabilities, cash-at-bank and movements in working capital) plus an aggregate additional cash consideration of up to $1.0 million subject to the achievement of certain financial targets in respect of FY18.
Do the directors of Service Stream recommend the Proposed Transaction?	The Independent Service Stream Directors recommend that Shareholders vote in favour of the Resolution as they consider the Proposed Transaction is in the best interests of Shareholders. In the Independent Service Stream Directors' view, the key potential benefits of the Proposed Transaction outweigh the potential disadvantages and risks of the Proposed Transaction (see sections 4.8 and 4.9 for details on the benefits and potential disadvantages and section 6.3 for details of the potential risks for Shareholders). Mr Gallagher does not consider himself justified in making a recommendation as to whether Shareholders vote in favour of the Resolution as he has an interest in the outcome of the Resolution. Mr Gallagher is a related party of Service Stream and will receive a financial benefit from Service Stream if the Proposed Transaction proceeds.

Question	Answer
What has the Independent Expert concluded?	The Independent Expert, KPMG Corporate Finance, has concluded in the Independent Expert's Report that the Proposed Transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded.
When will the Proposed Transaction be implemented?	Subject to the satisfaction of conditions precedent, the target date for implementation of the Proposed Transaction is 28 April 2017, failing which, completion will occur at a subsequent accounting month-end or any other date agreed by the parties to the Proposed Transaction.
Are there any potential disadvantages associated with the Proposed Transaction?	While the Independent Service Stream Directors unanimously recommend Shareholders vote in favour of the Resolution approving the Proposed Transaction for the reasons set out in section 4.8, Service Stream shareholders should be aware of the potential disadvantages and risks (being both general risks and specific risks associated with the acquisition of TechSafe). These are described in sections 4.9 and 6.3.
What happens if the Resolution is not approved?	If the Resolution is not approved, the Proposed Transaction will not proceed.
What if I cannot attend the Extraordinary General Meeting?	If you cannot attend the Extraordinary General Meeting and you would like to vote on the Resolution (as set out in the Notice of Meeting), please complete the proxy form (enclosed) in accordance with the instructions set out in the Notice of Meeting and the proxy form.
When will the results of the Extraordinary General Meeting be known?	The results of the Extraordinary General Meeting should be known and announced either at the conclusion of the meeting, or should a poll be required, within approximately one hour of the conclusion of the meeting.

Question	Answer
What are my options in relation to voting?	Shareholders may attend and vote on the Resolution in person at the Extraordinary General Meeting, may vote beforehand by completing and returning a proxy form, or may appoint a proxy to attend the meeting to vote on their behalf.
How do I know if I am eligible to vote on the Resolution?	Service Stream has determined that those persons who are registered as the holders of shares in Service Stream at 7:00pm (AEST) on Monday, 24 April 2017 will be taken to be the holders of shares for the purposes of determining voting entitlements at this meeting.
What should I do now?	Shareholders are encouraged to read the whole of this document before deciding whether and how to vote on the Resolution in the Notice of Meeting. If Shareholders are in doubt as to what they should do, they should consult their financial or professional adviser.

4. The Proposed Transaction

4.1. Background

In recent years, Service Stream has returned to solid and sustainable earnings under a strong management team which has strengthened the Company's balance sheet and increased its net cash position. Organic growth in earnings has been driven by significant gains in the pipeline of customer contracts. Service Stream is now able to supplement its organic growth with the strategic acquisition of TechSafe, a business that would fit well within Service Stream's existing operations while also achieving the goal of diversifying revenue.

4.2. Share Purchase Agreements

A Share Purchase Agreement in respect of each of TechSafe Australia and TechSafe Management between Service Stream Holdings and the relevant TechSafe shareholders was finalised and executed on 6 March 2017, to give effect to the Proposed Transaction, subject to a number of conditions including approval by Service Stream Shareholders.

The Proposed Transaction is Service Stream's purchase of 100% of the shares of TechSafe Australia and TechSafe Management for an aggregate initial cash consideration of $19.0 million (subject to the adjustments below) plus an aggregate additional cash consideration of up to $1.0 million, payable if certain financial targets are met in respect of FY18.

The aggregate initial cash consideration payable at completion will be reduced by an estimate of TechSafe's accrued but unpaid tax liability for FY16 and year-to-date FY17 and increased by an estimate of the amount of cash-at-bank in the TechSafe business as at the date of completion. A subsequent adjustment to the initial cash consideration will be calculated and paid by Service Stream if a positive amount or refunded by TechSafe's shareholders if a negative amount based on the difference between the actual accrued tax liability, the actual amount of cash-at-bank (if any) and the actual working capital balance of TechSafe as at the date of completion relative to those estimates.

The aggregate initial consideration will be allocated between TechSafe Australia and TechSafe Management and reflected in their respective Share Purchase Agreements. The aggregate additional cash consideration will apply to TechSafe Australia in full.

4.3. Related Party matters

4.3.1 Directors and Owners of TechSafe Australia

The Chairman of the Company (Mr Brett Gallagher) is the sole director and company secretary of JBL-G Pty Ltd which is the registered holder of 33.33% of the total issued shares of TechSafe Australia. Mrs Gallagher is the sole shareholder of JBL-G Pty Ltd.

Mr Van Hoof is the sole director of Howes Creek Pty Ltd which is the registered holder of an additional 33.33% of the total issued shares of TechSafe Australia. Mrs Van Hoof is the sole shareholder of Howes Creek Pty Ltd.

4.3.2 Directors and Owners of TechSafe Management

The Chairman is also the sole director and company secretary of Luxforde Pty Ltd which is the registered holder of 33.33% of the total issued shares of TechSafe Management. The Chairman and Mrs Gallagher hold all the issued shares in Luxforde Pty Ltd.

Mr Van Hoof is the sole director of Merino Valley Pty Ltd which is the registered holder of an additional 33.33% of the total issued shares of TechSafe Management. Mrs Van Hoof is the sole shareholder of Merino Valley Pty Ltd.

4.3.3 Related Parties

The Chairman and each of Mrs Gallagher, Mr Van Hoof, Mrs Van Hoof, JBL-G Pty Ltd, Luxforde Pty Ltd, Howes Creek Pty Ltd and Merino Valley Pty Ltd are Related Parties of the Company for the purposes of the ASX Listing Rules and the Corporations Act.

As noted above, entities which Mr and Mrs Gallagher control or hold interests in (being JBL-G Pty Ltd and Luxforde Pty Ltd) will receive a cash payment from Service Stream in consideration for their shares in TechSafe, being a sum equal to 33.33% of the Initial Consideration and 33.33% of the Additional Consideration (if any).

Entities which Mr and Mrs Van Hoof control or hold interests in (being Howes Creek Pty Ltd and Merino Valley Pty Ltd) will also receive a cash payment from Service Stream in consideration for their shares in TechSafe, being a sum equal to 33.33% of the Initial Consideration and 33.33% of Additional Consideration (if any).

In light of these Related Party relationships, and for the reasons discussed below, approval for the Proposed Transaction is being sought from the Company's Shareholders in accordance with ASX Listing Rule 10.1 and section 208 of the Corporations Act.

4.4. Requirement for Shareholder approval

4.4.1 ASX Listing Rules

Listing Rule 10.1 provides that a listed entity must ensure that neither it nor any of its subsidiaries acquires a substantial asset from a Related Party without the approval of shareholders at a general meeting.

An asset is treated as a substantial asset if its value, or the value of the consideration for it, is 5% or more of the listed company's equity interests as set out in the latest financial statements given to the ASX. A listed company's equity interests are the sum of paid-up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

The equity interests of the Company as set out in its latest financial accounts as at 31 December 2016 is $192.3 million. As noted above, consideration paid by the Company for the shares of TechSafe is up to $20.0 million.

As the consideration to be paid under the Proposed Transaction is greater than 5% of the equity interests of the Company (i.e. 5% of $192.3 million = $9.6 million), the Proposed Transaction will involve an acquisition of a substantial asset for the purposes of the ASX Listing Rules.

In light of the Related Party relationships described at paragraph 4.3, the Proposed Transaction must therefore be approved by the Company's Shareholders in accordance with ASX Listing Rule 10.1.

Listing Rule 10.10 also requires that the Shareholders be provided with a report from an independent expert, and that report contain the independent expert's opinion as to whether the transaction is fair and reasonable. A copy of the Independent Expert Report is set out in Appendix A.

4.4.2. Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to Related Parties of a public company. Section 208 of the Corporations Act prohibits a public company (or an entity it controls) from giving a financial benefit to a Related Party unless either: (i) it obtains shareholder approval and provides the benefit within 15 months of that approval; or (ii) the giving of the financial benefit falls within one of the exceptions specified in the Corporations Act.

A financial benefit is defined broadly in the Corporations Act and would include the purchase of shares of TechSafe. While the Independent Service Stream Directors are of the view that the giving of the financial benefits for the Proposed Transaction likely falls within one of the exceptions specified in the Corporations Act, namely that the parties have been dealing at arm's length, the Independent Service Stream Directors have determined that it is nevertheless appropriate to obtain shareholder approval of the Proposed Transaction for the purposes of Chapter 2E of the Corporations Act, particularly when shareholder approval is already required for the purposes of ASX Listing Rule 10.1.

4.5. Conditions of the Proposed Transaction

Each Share Purchase Agreement is a conditional agreement, and completion of the Proposed Transaction is subject to a number of conditions precedent being satisfied or (where relevant) waived, comprising:

- the approval of the Proposed Transaction by the Shareholders approving the Resolution as set out in the Notice of Meeting;
- the Independent Expert issuing a report which concludes that the Proposed Transaction is fair and reasonable;
- Ashley Haynes entering into an employment agreement with Service Stream;
- none of TechSafe's substantial customers advising TechSafe that it will cease to trade with, substantially reduce the volume of its trade with, terminate any material contract with, or renegotiate to the material detriment of TechSafe the price of any services provided by TechSafe, as a result of the Proposed Transaction;
- counterparties of certain contracts consenting to the Proposed Transaction;
- no Material Adverse Change (as that term is defined in the respective Share Purchase Agreements) having occurred; and
- the satisfaction of the conditions precedent under both Share Purchase Agreements.

4.6. Warranties

Under each Share Purchase Agreement, the relevant shareholders of TechSafe provide a number of warranties in connection with the Proposed Transaction, including in relation to:

- the financial and solvency position of TechSafe;
- the reasonableness of assumptions and forecasts, and the accuracy of factual information and disclosure material provided to Service Stream during the due diligence process;
- the assets, property and employees of TechSafe;
- contracts with third parties; and
- TechSafe's compliance with laws.

Prior to execution of each Share Purchase Agreement, Service Stream was provided with the opportunity to undertake a comprehensive legal, tax and financial due diligence investigation in relation to TechSafe's business and operations. Service Stream has carefully considered the various findings of the due diligence investigations that have been undertaken before finalising the terms of each Share Purchase Agreement.

If, prior to Completion, any warranty is found to have been incorrect or misleading when made which results in: (i) the matter giving rise to a Material Adverse Change; (ii) Service Stream Limited considering it necessary or desirable, acting reasonably, to make supplementary or amending disclosures to the Shareholders in connection with the Shareholder approval that is the subject of the Notice of Meeting; or (iii) Service Stream, acting reasonably, forming the view that the incorrect or misleading warranty has caused, or will cause, a material adverse impact on its reputation or that of a Related Body Corporate of Service Stream, then Service Stream may terminate each Share Purchase Agreement.

4.7. Termination

Each Share Purchase Agreement may be terminated in certain circumstances. Broadly, these circumstances include:

- where a condition precedent is not fulfilled (or waived) before 30 April 2017; or
- in certain circumstances where a party does not complete the Proposed Transaction in accordance with the terms of relevant Share Purchase Agreement.

If a Share Purchase Agreement is terminated, each party is released from its obligations under the agreement (except for obligations relating to confidentiality and legal costs). Each party will retain the rights it has against another party in connection with any breach or claim that has arisen before termination.

4.8. Advantages of the Proposed Transaction

As the largest independent electrical inspection company in Australia, TechSafe is complementary to Service Stream's Energy and Water division. The Proposed Transaction is expected to:

- expand the service offering and diversify the earnings of Service Stream, immediately transforming the Energy and Water division into a nationally competitive participant in inspection and auditing services;
- be EPS accretive on both a reported and adjusted basis (adjusting for the non-cash amortisation of customer contracts) from the first full year after completion of the acquisition (i.e. FY18); and
- acquire considerable human capital and management talent.

Specifically, the Proposed Transaction should result in a range of benefits for Service Stream and its Shareholders including:

- **Diversified revenue** – the Proposed Transaction will help Service Stream Management achieve its objective of diversifying the Company's income stream while remaining close to Service Stream's core capabilities;

- **Expansion into electrical inspection and audit services** – TechSafe is the leading independent electrical inspection company in Australia, a market Service Stream currently has no operations in;

- **Earnings accretive** – the Proposed Transaction is expected to be EPS accretive from the first full year after completion of the acquisition (i.e. FY18). Service Stream's ability to fund the Proposed Transaction with 100% cash also provides Shareholders the benefit of no dilution to their current Service Stream shares;

- **Enhance TechSafe's service offering** – with TechSafe brought under the Service Stream brand the Proposed Transaction presents the opportunity for an expansion of TechSafe's service offering. Expansion into additional states, into other utilities (such as gas, water and telecommunications), and into other asset classes (such as fire systems, traffic installations and government housing) could be accelerated through Service Stream's scale and market expertise;

- **Additional leadership and management talent** – under the continued leadership and direction of the TechSafe Managing Director (Mr Ashley Haynes), the IBC considers that the TechSafe business is more likely to maintain its current track record of acquiring new contracts and excellence in servicing existing clients. Ashley Haynes has contractually committed to Service Stream employment for a minimum of two years following completion of the Proposed Transaction;

- **Performance incentives** – continuing TechSafe management is further financially incentivised by way of additional consideration to be paid out for delivery of FY18 financial targets. As TechSafe's owners are material Service Stream shareholders there is a high degree to which the interests of the TechSafe owners are aligned with Service Stream;

- **Small impact on the balance sheet** – Service Stream will remain in a net cash positive position after paying the consideration under the Proposed Transaction; and

- **Operating synergy** – the TechSafe business has a synergy with Service Stream's high-volume / low-value work order (also known as "ticket-of-work") business model.

4.9. Disadvantages of the Proposed Transaction

The IBC has identified the following potential disadvantages to the Proposed Transaction:

- **Impact on net cash position** – if the Proposed Transaction proceeds, Service Stream will pay aggregated consideration to acquire all of the issued shares of TechSafe Australia and TechSafe Management that will decrease the Company's net cash position. This will create additional risk of financial stress if Service Stream's current income streams come under pressure;

- **Performance uncertainty** – although the addition of TechSafe to the Service Stream group is expected to be EPS accretive, there is no certainty that the Proposed Transaction will result in a financial contribution to Service Stream. While short-term revenue is largely contracted, there is no certainty that existing contracts will be renewed or new contracts will be acquired;

- **Service Stream will be exposed to the risks associated with the TechSafe business** – any company operating in the outsourcing of electrical inspections and auditing services, such as TechSafe, is exposed to inherent operating risks such as legal liabilities resulting from negligence and regulatory changes that may adversely affect demand for outsourced inspection and audit services;

- **Integration risks** – the Proposed Transaction involves bringing together two complementary businesses however those businesses will operate with a degree of separation to ensure the continued independence of TechSafe. Some elements of the businesses may experience cost efficiencies through consolidation of administrative and IT systems, vehicle fleet management, and in some areas, Service Stream or TechSafe personnel. There are risks associated with this proposed integration and achieving the expected operational and financial cost synergies. The integration process may take longer than anticipated or may result in lower cost savings than expected; and

- **Share price uncertainty** – the price at which Service Stream shares trade on the ASX after the Proposed Transaction is completed will be influenced by a range of factors including liquidity in Service Stream shares and the market's reaction to the Proposed Transaction. There is no guarantee that Service Stream shares will trade at or above current trading prices.

In addition to the potential disadvantages of the Proposed Transaction outlined above, Shareholders should be aware of the following risk factors in relation to the implementation of the Proposed Transaction (which are set out in greater detail in section 6.3):

- **General risks** – changes in economic conditions, general market risks and changes in the regulatory and legal environment; and
- **Specific risks associated with the TechSafe business** – demand risk, commercial and operational risks, client relationships risk, reliance on key personnel risk, industry competition risk, loss of reputation, brand risk, and integration risk.

4.10. Independent Expert's Conclusion

The Independent Service Stream Directors have appointed KPMG Corporate Finance for the purpose of preparing an independent expert's report in accordance with the ASX Listing Rules. For further details on the appointment of the Independent Expert, refer section 7.2 of this Explanatory Statement.

On the basis of the matters discussed in its report, KPMG Corporate Finance has formed the opinion that the Proposed Transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded. The Independent Expert has assessed the value of TechSafe, inclusive of a premium for control, as being between $17.4 million and $20.9 million. More information on the Independent Expert's choice of valuation methodologies is contained in section 10 of the Independent Expert's Report.

4.10.1 Fairness of the Proposed Transaction

In assessing the fairness of the Proposed Transaction, the Independent Expert considered certain key factors including:

- TechSafe's market position as a leading independent electrical inspection service provider;
- the concentration of TechSafe's earnings base to a number of individually significant customers across a relatively small customer base;
- growth prospects for TechSafe to expand into new geographies or related services;
- synergies and benefits that would be available to more than one potential purchaser of TechSafe; and
- industry outlook of the electrical services industry in Australia.

More information on the Independent Expert's key factors used to assess the fairness of the Proposed Transaction are set out in section 4 of the Independent Expert's Report.

4.10.2 Reasonableness of the Proposed Transaction

The Independent Expert has also considered a range of other factors Shareholders may also wish to take into account when assessing reasonableness, which are summarised below.

Advantages considered by the Independent Expert include:

- Shareholders will benefit from any synergies achieved that would be unique to Service Stream; and
- completion of the Proposed Transaction will increase the diversity of Service Stream's service offerings.

Disadvantages considered by the Independent Expert include:

- completion of the Proposed Transaction will reduce Service Stream's cash reserves.

Other factors considered by the Independent Expert include:

- final quantum of the contingent component of the consideration is uncertain;
- TechSafe management will be financially incentivised to achieve earnings growth over the FY18 period;
- the Proposed Transaction will not dilute Shareholders;
- one-off transaction costs;
- the Proposed Transaction is subject to the satisfaction of a number of conditions; and
- the Independent Service Stream Directors unanimously recommend that Shareholders approve the Proposed Transaction.

More information on the other factors the Independent Expert used to assess the reasonableness of the Proposed Transaction are set out in section 4 of the Independent Expert's Report.

4.10.3 Further Considerations

The Independent Expert has made a number of assumptions in its valuation of Techsafe, in particular the maintainable earnings and the selection of the earnings capitalisation multiples. More information on the Independent Expert's valuation assumptions are contained in section 10 of the Independent Expert's Report.

4.11. Independent Service Stream Directors' recommendation

The Independent Service Stream Directors have carefully considered the Proposed Transaction and the conclusions of the Independent Expert. In their opinion the key benefits that will be delivered to Shareholders by the Proposed Transaction outweigh its potential disadvantages and risk (see sections 4.8 and 4.9 for details on the benefits and potential disadvantages and section 6.3 for details of the potential risks for Shareholders).

The Independent Service Stream Directors therefore recommend Shareholders vote in favour of the Resolution as the Proposed Transaction is in the best interests of Shareholders. The Chairman, Mr Gallagher, does not consider himself justified in making a recommendation as to whether Shareholders vote in favour of the Resolution as he has an interest in the outcome of the Resolution. Mr Gallagher is a Related Party of Service Stream and will receive a financial benefit from Service Stream if the Proposed Transaction proceeds.

5. TechSafe Information

5.1. Overview of TechSafe

TechSafe is the largest independent electrical inspection company in Australia, providing inspection and auditing services nationally to government entities, industry and energy regulators, electricity network owners and electrical contractors.

TechSafe was established in 1998 after the break-up of the State Electricity Commission of Victoria. The current shareholder group acquired the business in 2011. Over the past two years, it has grown and evolved with the electrical industry, while maintaining and building on its technical capabilities. It currently engages 45 employee and 50 sub-contractor licenced, authorised or designated inspectors, completing in excess of 100,000 inspection and compliance audits each year, and continues to train and develop new inspectors into the industry to ensure knowledge is retained within the business.

TechSafe's operations were initially limited to Victoria, but recent expansion and contract wins now sees it additionally operating major contracts in both Tasmania and Western Australia, and it performs retail meter audits for the national electricity market authority in Queensland and New South Wales, as well as in Victoria and Tasmania.

On the back of an expanded three-year contract with Energy Safe Victoria and a new three-year & four-month contract with WA Housing Authority which both commenced in July 2016, TechSafe's revenues are forecasted to increase from $9.5 million in FY16 to approximately $14.0 million in the current FY17, with EBITDA growing from $1.9 million to approximately $3.0 million over the same period, with additional growth expected in FY18 assuming the continuation of other existing major contracts.

5.2. TechSafe Management

Ashely Haynes – Managing Director

Ashley has over 15 years' experience in the outsourcing and management of contracts in the Utilities sector. Prior to starting with TechSafe, Ashley was Executive General Manager at Service Stream overseeing the Energy and Water business unit. He has led tender submissions, negotiated contracts and managed numerous large scale projects in his Executive and General Management roles over the past 15 years.

6. Profile of an integrated Service Stream and TechSafe

6.1. Business structure

Following the implementation of the Proposed Transaction, TechSafe will be wholly-owned by Service Stream. TechSafe will be integrated into Service Stream's Energy and Water division for financial reporting purposes, but importantly, TechSafe's frontline operations will maintain an appropriate degree of independence from the remainder of Service Stream's operations in support of their inspection and auditing responsibilities while administrative and IT systems, vehicle fleet management, and some additional back-office areas may be consolidated.

6.2. Pro-forma financial analysis

The financial information which follows is shown for illustrative purposes only to demonstrate the potential impact of the Proposed Transaction on Service Stream. This pro-forma financial information is indicative only, and Service Stream's financial performance and position may be different to what is presented below.

6.2.1 Pro-forma historical EPS analysis for FY16

The following table is a hypothetical example of the combined entity's financial performance, using the actual reported results of both Service Stream (**SSM**) and TechSafe for the financial year ending 30 June 2016 (**FY16**) to demonstrate the potential full-year earnings profile of Service Stream after the acquisition of TechSafe. On this basis, the TechSafe acquisition would have been EPS accretive on a reported basis by 3.1% in FY16 and would have been EPS accretive on an adjusted basis (before one-time transaction costs) by 4.9% in FY16 had the Proposed Transaction taken place at the start of FY16.

$ millions	SSM FY16	TechSafe unaudited FY16	Pro-forma adjustments FY16	Combined Total FY16
Revenue	438.9	9.5		448.5
Expenses	(403.1)	(7.6)	(0.5)	(411.2)
EBITDA	35.8	1.9		37.2
Depreciation & amortisation	(7.4)	(0.1)		(7.5)
EBIT	28.4	1.8		29.7
Financing costs	0.1	(0.0)	(0.4)	(0.4)
Tax expense	(8.5)	(0.5)	0.3	(8.8)
Reported NPAT	**20.0**	**1.3**		**20.6**
Reported EPS (cents)	**5.20**			**5.36**
Reported EPS accretion				**3.1%**
Adjusted NPAT				21.0
Adjusted EPS (cents)				5.45
Adjusted EPS accretion				4.9%

Notes:

1. Assumes the acquisition had taken place at the start of FY16
2. Excludes the amortisation of customer contracts which will be valued as part of business combinations
3. Assumes no revenue or cost synergies
4. TechSafe's FY16 figures are unaudited
5. "Expenses" is the pro-forma adjustments relate to the one-time costs associated with the Proposed Transaction
6. "Financing costs" in the pro-forma adjustments relate to financing costs relevant to the first full year after acquisition
7. "Tax expense" in the pro-forma adjustments is the tax benefit (at 30%) associated with the expenses and financing costs

6.2.2 Pro-forma historical Balance Sheet as at 31 December 2016

The following table presents a hypothetical example of the combined entity's financial position as at 31 December 2016 using the balance sheets of both Service Stream (**SSM**) and TechSafe as at that date and assuming the Proposed Transaction had taken place as at that date. The combined total pro-forma historical financial position is shown for illustrative purposes to demonstrate the potential impact of the Proposed Transaction on Service Stream's financial position.

$ millions	SSM Dec-16	TechSafe unaudited Dec-16	Pro-forma adjustments Dec-16	Combined Total Dec-16
Cash & cash equivalents	44.1	0.0	(19.0) [3]	25.1
Trade & other receivables	31.9	1.7		33.6
Inventories	5.8	-		5.8
Accrued revenue	67.0	0.3		67.3
Other	4.4	0.1		4.5
Total current assets	**153.3**	**2.1**	**(19.0)**	**136.4**
Property, plant & equipment	5.8	0.5		6.3
Intangible assets	127.4	-	18.8 [4]	146.2
Total non-current assets	**133.2**	**0.5**	**18.8**	**152.5**
Total assets	**286.5**	**2.6**	**(0.2)**	**288.9**
Trade & other payables	(61.6)	(1.0)		(62.6)
Current tax liabilities	(2.4)	-		(2.4)
Provisions	(14.7)	(0.3)		(15.0)
Lease incentives	(0.9)	-		(0.9)
Total current liabilities	**(79.6)**	**(1.3)**	**0.0**	**(80.9)**
Other payables	-	-	(1.0) [5]	(1.0)
Provisions	(3.6)	(0.1)		(3.6)
Deferred tax liability	(9.7)	-		(9.7)
Lease incentives	(1.4)	-		(1.4)
Total non-current liabilities	**(14.7)**	**(0.1)**	**(1.0)**	**(15.8)**
Total liabilities	**(94.3)**	**(1.4)**	**(1.0)**	**(96.6)**
Total net assets	**192.3**	**1.2**	**(1.2)**	**192.3**

$ millions	SSM Dec-16	TechSafe unaudited Dec-16	Pro-forma adjustments Dec-16	Combined Total Dec-16
Contributed equity	233.1			233.1
Reserves	0.4			0.4
Accumulated losses	(41.3)			(41.3)
Total equity	**192.3**			**192.3**

Notes:

1. SSM balance sheet is as at 31 Dec 2016
2. TechSafe balance sheet is as at 31 Dec 2016 and is unaudited
3. Relates to payment of the initial cash consideration of $19.0 million
4. Includes goodwill, the value of capitalised customer contracts and the related deferred tax liabilities
5. Relates to the additional consideration of $1.0 million, payment of which is subject to the satisfaction of certain earn-out conditions

6.2.3 Pro-forma EPS analysis for FY17 and FY18

The proposed acquisition of TechSafe is expected to be EPS accretive to Service Stream's pre-acquisition earnings forecast on both a reported and adjusted basis (adjusting for the non-cash amortisation of customer contracts) from the first full year after completion of the acquisition.

Costs associated with the Proposed Transaction of approximately $0.5 million will be expensed in the financial year ending 30 June 2017 (**FY17**). Assuming the Proposed Transaction completes on 28 April 2017, the financial contribution of TechSafe to Service Stream's earnings for the months of May and June 2017 is expected to offset the one-time transaction costs, and after the non-cash amortisation of customer contracts, result in an immaterial net decrease to Service Stream's reported EPS for FY17.

In accordance with Australian Accounting Standard AASB 3 *Business Combinations*, Service Stream will capitalise the fair value of customer contracts from the TechSafe acquisition and amortise that value over the relevant term of each contract.

On a reported basis, Service Stream's EPS for FY18, the first full year after completion of the acquisition, is expected to be accretive (relative to its EPS had the Proposed Transaction not occurred) by approximately 2.7%.

After adjusting for the non-cash amortisation of customer contracts, Service Stream's EPS for FY18, the first full year after completion of the acquisition, is expected to be accretive (relative to its EPS had the Proposed Transaction not occurred) by approximately 7.4%.

Assumptions:

The first full year after completion of the acquisition is assumed to be the financial year ending 30 June 2018 (**FY18**) and the expected EPS accretion outcomes stated above relate to that financial year.

The key assumptions underpinning the expected EPS accretion outcomes for FY18 are:

i) Service Stream's expected EPS outcome for FY18 assuming the Proposed Transaction does not occur is based on a forecast that it prepared as part of its most recent annual budgeting and strategic planning process;

ii) FY18 incremental earnings arising from the Proposed Transaction are based on TechSafe's EBITDA forecast of approximately $3.5 million, which assumes the continuation of current customer contracts and which has been assessed as reasonable by Service Stream through its due diligence investigations;

iii) financing costs are based on a total consideration of $20.0 million at 2.0% pa (being the approximate rate of foregone interest received on Service Stream's net cash balance);

iv) amortisation of customer contracts is an estimate of the present value of TechSafe's current contracts (based on their initial term and management estimates of volume, profitability and likelihood of renewal) amortised over the terms of those contracts;

v) EPS calculations are based on Service Stream's current number of shares on issue, being 365.2 million shares; and

vi) tax expense applicable to TechSafe's earnings is assumed to be 30%.

6.3. Risk Factors

If the Proposed Transaction is completed, Service Stream shareholders will, through their interest in both Service Stream and TechSafe, be exposed to the risks associated with having an interest in the current Service Stream assets and the TechSafe assets as well as general economic, share market and industry risks. The financial performance and operations of Service Stream post the Proposed Transaction, the value of Service Stream shares and the amount and timing of any dividends that Service Stream pays will also be influence by a range of factors, many of which will be outside the control of Service Stream.

Service Stream shareholders should be aware that many of the risks described below already apply to Service Stream's existing business. Some of these risks may be mitigated by the use of safeguards and appropriate systems and controls. However, many will be outside the control of Service Steam and the Service Stream Board and cannot be mitigated. There are also general risks associated with any investment in securities.

The principal risk factors which Service Stream shareholders should consider include those described below. The risks identified in this section are not exhaustive. You should read this Explanatory Statement carefully. If you are unclear in relation to any matter, you should consult your financial or other professional adviser.

6.3.1. General Risks

Changes in economic conditions

The financial performance of Service Stream following the implementation of the Proposed Transaction could be affected by changes in economic conditions both within and outside Australia including in respect of economic growth, unemployment levels and consumer confidence, underlying cost structures for labour, technology and service charges, inflation and interest rates, and exchange rates.

General market risks

Generally, the market price of Service Stream shares will be affected by factors that impact on the market price of all ASX-listed shares (such as economic policy, international market, economic or political conditions and changes in investor sentiment relating to domestic and international stock markets). The market price of Service Stream shares may rise or fall over any given period as a result of one or a combination of these factors over which Service Stream and the Service Stream Board have no control.

Changes in the regulatory and legal environment

Service Stream and TechSafe will be subject to, and must comply with, changes in the regulatory conditions under which it operates, including the requirements of the Corporations Act, ASIC policy and the ASX Listing Rules. Changes to legislation or policy and procedures may affect Service Stream and TechSafe, their business operations and financial performance, or have other unforeseen implications.

6.3.2. Specific risks associated with the TechSafe business

Demand risk

The operations and profits of TechSafe may be affected by fluctuating level of demand for outsourced electrical inspection and audit services. Inspection and audit demand is sensitive to national growth in infrastructure and housing spend, which in turn is influenced by many variables including changes in interest rates, levels of unemployment, domestic and international economic growth rates, property price affordability, government spending rates, and a range of other economic conditions.

Commercial and operational risk

TechSafe will be subject to general commercial and operational risks, including the loss or bankruptcy of major clients or major suppliers, increased competition, and other causes of business interruption, which may have a material adverse impact on TechSafe in the future.

Client relationships

TechSafe has key commercial contracts, including with government entities. Contracts have specified service agreements under which TechSafe must satisfy specific KPIs or hold requisite licenses. If TechSafe does not satisfy its obligations under these agreements, this may lead to termination of the contract.

Significant clients may choose to terminate their agreements, fail to renew their agreements for further terms or become financially distressed or insolvent. TechSafe's financial performance would be adversely affected if key customer contracts were terminated, not renewed or these customers were unable to operate.

Reliance on key personnel

The continued success of an enlarged TechSafe will, in part, be reliant on the future performance, abilities and expertise of its senior management team. There is no guarantee that TechSafe following its acquisition by Service Stream will be able to retain the services of these employees in the future on acceptable terms. It may be difficult to replace such key personnel, and to do so in a timely manner or at comparable expense.

Industry competition

TechSafe will continue to face strong competition from new and established companies offering outsourced inspection and audit services in Australia. The extent that service contracts are discounted or other changes in strategy by existing competitors, or new entrants to the markets in which TechSafe will operate, the market share of, and the margins earned by, TechSafe (and therefore its future financial performance) may be adversely affected.

Loss of reputation, brand risk

The success of TechSafe will be affected by its reputation and branding as an inspector and auditor. Unforeseen issues or events that diminish Service Stream's and TechSafe's reputation or branding may impact on its future growth and profitability.

Litigation and legal risk

In the course of its operations, Service Stream and TechSafe may be involved in disputes, industrial action and litigation. There is a risk that any material or costly dispute or litigation or industrial action could adversely affect the value of the assets or the future financial performance of Service Stream and TechSafe as well as its reputation and branding.

Integration risk

The Proposed Transaction involves bringing together two complementary businesses but will operate with a degree of separation to ensure the continued independence of TechSafe. Some elements of the businesses may experience cost efficiencies through consolidation of administrative and IT systems, vehicle fleet management, and in some areas, Service Stream or TechSafe personnel. There are risks associated with this proposed integration and achieving the expected operational and financial cost synergies. The integration process may take longer than anticipated or may result in lower cost savings than expected. Many operational and strategic decisions with respect to TechSafe have not yet been made and may not have been fully identified. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel, and unique risks, including possible significant one-time write-offs, unanticipated costs, and the loss of key employees.

7. Additional Information

7.1. Basis of Voting Exclusions

Each of the directors of TechSafe or their associates have been long-standing Service Stream shareholders, and their shareholdings as at the date of this Explanatory Statement are shown in the below table:

TechSafe Director	Number of Service Stream shares held
Mr Brett Gallagher (through JBL-G Pty Ltd)	5.33 million
Mr Peter Van Hoof (through Howes Creek Pty Ltd and Berkeley Services Pty Ltd)	6.08 million
Mr Ashely Haynes	0.43 million

The holders of the above shares are excluded from voting in respect of the Resolution.

7.2. Independent Expert

The IBC has appointed KPMG Corporate Finance for the purpose of preparing an independent expert's report in accordance with the ASX Listing Rules.

The Independent Expert, KPMG Corporate Finance, has formed the opinion that the Proposed Transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded.

KPMG Corporate Finance has given, and not before the date of this Notice of Meeting withdrawn, its consent to the inclusion of the Independent Expert's Report in this booklet and to the references to the Independent Expert's Report in this booklet being made in the form and context in the each such reference is included.

Shareholders should read the Independent Expert's Report in full. It contains important qualifications and assumptions relevant to the opinions expressed. The Independent Expert's Report is contained in Appendix A of this Explanatory Statement.

In accordance with ASX Listing Rule 10.10A.3, a copy of the Independent Expert's Report is also available on the Company's website at and if a Shareholder so requests, the Company will send an additional hard copy of the Independent Expert's Report free of charge to that Shareholder.

8. Glossary

ASIC means Australian Investment and Securities Commission.

ASX means Australian Securities Exchange.

ASX Listing Rules means the listing rules of the ASX from time to time as modified by any express written waiver or exemption given by the ASX.

Board (or Service Stream Board) means the board of directors of Service Stream Limited, from time to time.

Company means Service Stream Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

EPS means earnings per share.

Explanatory Statement means the explanatory statement as set out in this document.

IBC (or Independent Board Committee) means the independent board committee comprising all directors of Service Stream Limited excluding Mr Gallagher which, in accordance with its Charter, oversaw all aspects of evaluating the Proposed Transaction.

Independent Expert means KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, AFSL 246901.

Independent Expert's Report means the report prepared by the Independent Expert and set out in Appendix A.

Independent Service Stream Directors means all directors of Service Stream Limited excluding Mr Gallagher.

KPMG Corporate Finance means KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, AFSL 246901.

Lead Independent Non-Executive Director means Mr Peter Dempsey.

Management means the executive management of the Service Stream group of companies.

Notice of Meeting means the notice of extraordinary general meeting as set out in this document.

Proposed Transaction means the purchase by Service Stream Holdings Pty Ltd of 100% of the shares in TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd.

Related Body Corporate has the meaning given to it in the Corporations Act.

Related Party means a related party for the purposes of ASX Listing Rule 10.1 or Section 2E of the Corporations Act.

Service Stream (or SSM) means Service Stream Limited or the Service Stream group of companies.

Share Purchase Agreement means each of the following (as applicable):

(a) the share purchase agreement in respect of the shares in TechSafe Australia between Service Stream Holdings as Buyer and Howes Creek Pty Ltd, JBL- G Pty Ltd and Amicap Pty Ltd as Sellers; or

(b) the share purchase in respect of the Shares in TechSafe Management between Service Stream Holdings as Buyer and Merino Valley Pty Ltd, Luxforde Pty Ltd and Amicap Pty Ltd as Sellers.

Shareholder means a shareholder of Service Stream Limited.

TechSafe means TechSafe Australia and/or TechSafe Management (as the case may be).

TechSafe Australia means TechSafe Australia Pty. Ltd. (ACN 097 315 341).

TechSafe Management means TechSafe Management Pty Ltd (ACN 149 740 232).

Appendix A: Independent Expert's Report

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The Independent Directors
Service Stream Limited
Level 4, 357 Collins Street
Melbourne VIC 3000

6 March 2017

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 6 March 2017, Service Stream Limited (**Service Stream**) announced that its wholly owned subsidiary, Service Stream Holdings Pty Ltd (**Service Stream Holdings**), had entered into a Share Purchase Agreement with the shareholders of each of Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd (together **Techsafe**) (**the Agreements**), to acquire all of the issued capital of Techsafe[1] in exchange for the payment of up to $20 million cash, comprising an up-front payment of $19 million and up to $1 million cash payable on a deferred basis contingent upon the achievement of certain financial targets (**the Consideration**) (**the Proposed Transaction**).

Service Stream is an Australian public company listed on the Official list of ASX Limited (**ASX**). Service Stream's principal activities comprise the provision of network services, including access, design, build, installation and maintenance. These services are provided across copper, fibre, hybrid fibre co-axial and wireless telecommunications networks as well as a range of private and public energy and water entities nationally. As at 3 March 2017, Service Stream had a market capitalisation of approximately $438 million.

[1] The acquisition of Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd are conditional upon each other, accordingly for the purpose of our report we have treated their acquisition as a single transaction

Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd are Australian private companies, whose principal activities comprise the performance of electrical inspections, consultancy services, auditing and training for government entities, regulators and electrical distributors, contractors and households.

Completion of the Proposed Transaction requires the approval of the shareholders of Service Stream not associated with Techsafe (**Non-Associated Shareholders**) and the satisfaction of various conditions precedent, including an independent expert determining that the Proposed Transaction is fair and reasonable to Non-Associated Shareholders. Further details in relation to the Proposed Transaction and the specific terms of the resolution to be approved by Non-Associated Shareholders are set out in the Notice of Meeting and Explanatory Memorandum to which this report is attached. This report should be considered in conjunction with and not independently of the information set out in the Notice of Meeting and Explanatory Memorandum in its entirety.

Service Stream is seeking approval for the Proposed Transaction at a General Meeting of eligible shareholders to be held on or about 26 April 2017.

The Directors of Service Stream not associated with Techsafe (**the Independent Directors**) have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) to prepare an independent expert's report (**IER**) in relation to the Proposed Transaction. The purpose of the IER is to set out whether or not, in our opinion, the Proposed Transaction is fair and reasonable to Non-Associated Shareholders as a whole.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of the Proposed Transaction

2.1 Background and overview

On 6 March 2017, Service Stream announced that Service Stream Holdings had entered into two separate but inter-conditional share purchase agreements with each of Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd, to acquire 100 percent of the equity in each entity. Under the terms of the Agreements, Service Stream Holdings will acquire Techsafe for total consideration of up to $20 million, comprised of $19 million in initial cash consideration and up to a further $1 million in deferred contingent cash consideration.

2.2 The Consideration

The Consideration to be paid to the shareholders of Techsafe is comprised of:

- an initial instalment at completion of $17 million in respect of Techsafe Australia Pty Ltd (adjusted for estimated amounts of cash and estimated income tax liabilities owing or accrued)
- an initial instalment at completion of $2 million in respect of Techsafe Management Pty Ltd (adjusted for estimated amounts of cash and estimated income tax liabilities owing or accrued)
- following completion, an adjustment amount for any variances between an agreed reference balance sheet (comprising agreed working capital, the estimated cash at completion, the estimated owing and

accrued tax liabilities at completion and $nil debt[2]) and the final balance sheet as at the completion date

- a second instalment to be determined on the basis of the following calculation:

  Second instalment = 2.5 x (Actual FY18 EBITDA[3] - $3,200,000), capped at $1.0 million.

2.3 Conditions precedent

Completion of the Proposed Transaction is subject to satisfaction of a number of conditions precedent, unless waived by Service Stream, including:

- entering into an employment agreement with Mr Ashley Haynes, the Managing Director of Techsafe
- none of Techsafe's substantial customers advising prior to completion of the Proposed Transaction that they will cease to trade with, materially reduce volumes of trade, terminate any material contract or renegotiate, to material detriment, the price of any services provided
- the receipt of change of control consents for each customer contract where applicable
- no material adverse change
- the approval of the Proposed Transaction by the Non-Associated Shareholders of Service Stream
- an independent expert concluding the Proposed Transaction is fair and reasonable.

3 Requirements for our report

3.1 ASX Listing Rule 10.1

Under ASX Listing Rule 10.1, where a publicly listed company acquires a "substantial asset" from "a related party", the company must obtain approval of its non-associated shareholders.

ASX Listing Rule 10.1 describes a "substantial asset" as an asset that has a value, in ASX's opinion, of 5 percent or more of the shareholders' funds in the entity as set out in the latest accounts of the company.

For the purposes of ASX Listing Rule 10.1, a related party includes where the parties to the transaction have common directors.

The Chairman of Service Stream, Mr Brett Gallagher, is also a director of each Techsafe company and the consideration to be paid under the Proposed Transaction is expected to have a value greater than 5 percent of Service Stream's shareholders' funds in its latest accounts. Accordingly, approval of the Non-Associated Shareholders is required pursuant to Listing Rule 10.1 in respect of the Proposed Transaction.

[2] Excluding approximately $0.1 million in loans relating to the purchase of new vehicles in January 2017

[3] Actual FY18 EBITDA means the combined EBITDA of Techsafe as a whole for the financial year ending 30 June 2018

Under ASX Listing Rule 10.10.2, the Notice of Meeting convening the meeting of shareholders for the purpose of approving transactions pursuant to Listing Rule 10.1 must be accompanied by a report from an independent qualified person setting out whether in that person's opinion the proposed transaction is fair and reasonable to the non-associated shareholders.

3.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties of a public company. Section 208 of the Corporation Act prohibits a public company (or an entity it controls) from giving a financial benefit to a Related Party unless either:

- it obtains shareholder approval and provides the benefit within 15 months of that approval, or
- the giving of the financial benefit falls within one of the exceptions specified in the Corporations Act.

A financial benefit is defined broadly in the Corporations Act and would include the purchase of shares in Techsafe. While the Independent Directors are of the view that the giving of the financial benefits for the Proposed Transaction likely falls within one of the exceptions specified in the Corporations Act, namely that the parties have been dealing at arm's length, they have determined that it is nevertheless appropriate to obtain shareholder approval of the Proposed Transaction for the purposes of Chapter 2E of the Corporations Act, particularly when shareholder approval is already required for the purposes of ASX Listing Rule 10.1.

3.3 Basis of assessment

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (**ASIC**) in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is "fair and reasonable" from the perspective of non-associated shareholders. RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase
- a proposed transaction is "fair" if the value of the asset being acquired is equal to or exceeds the value of the consideration being paid
- in valuing the asset being acquired and the consideration being paid, an expert should take into account all material terms of the proposed transaction
- a proposed transaction is 'reasonable' if it is 'fair'
- a transaction might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for members to vote for the proposal. In such cases, the independent expert would consider a number of qualitative factors in order to assess whether the advantages of the proposed transaction outweigh the disadvantages.

Whilst there is no strict statutory requirement to obtain an IER for the purpose of Chapter 2E of the Corporations Act, the Independent Directors have requested KPMG Corporate Finance prepare a report setting out whether the giving of the financial benefit is fair and reasonable to the Non-Associated shareholders.

RG 111 does not differentiate between ASX Listing rule 10.1 and Chapter 2E of the Corporations Act in relation to fairness and reasonableness considerations relevant for related party transactions. Accordingly, we have assessed whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders on the same basis for the purposes of both ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act.

Fairness

The principal matter considered by us in forming our opinion as to whether the Proposed Transaction is 'fair' is whether the assessed market value of the Consideration is equal to or less than the market value of the equity in Techsafe.

Reasonableness

A transaction is deemed by RG 111 to be 'reasonable' if it is 'fair'. However, a transaction can also be reasonable despite not being fair if there are sufficient reasons for security holders to approve the transaction in the absence of a superior transaction. In forming an opinion as to whether the Proposed Transaction is 'reasonable', we have considered:

- the terms and rationale of the Proposed Transaction
- implications for Service Stream's non-associated shareholders if the Proposed Transaction does not proceed
- the other advantages and disadvantages of the Proposed Transaction.

4 Summary of opinion

The Proposed Transaction is fair and reasonable

In arriving at our opinion, we have assessed whether the Proposed Transaction is:

- fair, by comparing the Consideration to our assessed value of Techsafe on a controlling interest basis. This approach is in accordance with the guidance set out in RG111
- reasonable, by assessing the implications of the Proposed Transaction for non-associated shareholders and the consequences for Non-Associated Shareholders of not approving the Proposed Transaction.

We have assessed the value of the Consideration to be in the order of $19.9 million, which compares to our range of assessed values for Techsafe, inclusive of a premium for control, of $17.4 million to $20.9 million. As the Consideration lies within our assessed value range for Techsafe, inclusive of a premium for control, we have assessed the Proposed Transaction to be fair.

As noted above, whilst not technically required to do so, we have also considered a range of other factors Non-Associated Shareholders may also wish to take into account in considering whether to approve the Proposed Transaction, including that:

- Service Stream will be exchanging certain cash amounts for an uncertain earnings stream
- whilst there are various benefits expected to be realised by completing the Proposed Transaction, including the realisation of various synergistic and cost saving opportunities, management's expectation that the Proposed Transaction will be earnings per share accretive and diversification benefits, there is a degree of integration and crystallisation risk attached to these
- in the event the Proposed Transaction is not completed Service Stream intends to recommence its acquisition scan to identified potential targets. In this regard we note that Service Stream and its advisers have considered numerous potential acquisitions and have identified Techsafe as being the most logical and compatible acquisition for Service Stream.

4.1 Assessment of fairness

In assessing the fairness of the Proposed Transaction to Non-Associated Shareholders, we have compared our assessed value of the Consideration to our assessed market value of Techsafe, inclusive of a premium for control.

Value of the Consideration

We have assessed the value of the Consideration to be in the order of $19.9 million, comprised of:

- the upfront cash payment of $19 million, plus
- an amount of $0.9 million in respect of the present value of the deferred contingent consideration

Value of Techsafe

We have assessed the value of Techsafe to be in the range of $17.4 million to $20.9 million. Our range of assessed values has been prepared on a capitalisation of earnings basis and is inclusive of a premium for control. However, it does not include any potential strategic or operational benefits unique to Service Stream associated with control of Techsafe. Our valuation is set out in section 10 of this report and is summarised below.

Table 1: Summary of assessed values

		Valuation range	
	Section reference	Low $M	High $M
Future maintainable EBITDA[1]	10.4.2	3.5	3.5
Capitalisation multiple	10.4.3	5.0x	6.0x
Enterprise value		**17.5**	**21.0**
Less: net borrowings	10.5	(0.1)	(0.1)
Net surplus assets/ liabilities	10.7	nil	nil
Equity Value		**17.4**	**20.9**

Notes:
1. *EBITDA means earnings before interest, tax, depreciation and amortisation*
2. *may not add due to rounding*

Source: KPMG Corporate Finance analysis

The key factors considered in our assessment of the value of Techsafe are set out below.

- *Market position.* Techsafe is a leading independent electrical inspection service provider to a range of industry regulators, government departments and network operators in Australia. However, Techsafe is a relatively small participant in the broader electrical services industry.
- *Earnings base.* Techsafe's service offering is focussed on electrical and related inspection services and Techsafe has a number of individually significant customers across a relatively small customer base. As such, Techsafe is exposed to the electrical services industry activity and its earnings would be significantly impacted by the loss of one or more of its key customers. In particular, we note various key contracts include termination clauses which are able to be activated on relatively short notice and on little or no cause. This is mitigated somewhat by the multi-year contracted nature of Techsafe's revenue and past success in customer retention.
- *Growth prospects.* Techsafe has recently expanded its geographical footprint into Western Australia resulting in a step up in contracted revenue. The business has contracts in place to support its forecast growth for the financial year ending 30 June 2017 (**FY17**) period and also substantial contracted revenue through calendar year 2019. Techsafe has the potential to achieve further step changes in revenue levels if it is successful in penetrating the New South Wales and Queensland markets or expanding into other inspection related services.
- *Industry outlook.* The electrical services industry in Australia is expected to achieve a stable level of growth over the next five years.
- *Synergies.* Our valuation is of 100 percent of Techsafe and therefore incorporates a premium for control. In assessing an appropriate premium for control in accordance with RG 111, we have only considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Techsafe.

4.2 Assessment of reasonableness

In accordance with RG111, as we have concluded that the Proposed Transaction is fair, it is also deemed to be reasonable. However, whilst not technically required to do so, we have also considered a range of other factors Non-Associated Shareholders may also wish to take into account in considering whether to approve the Proposed Transaction, which are summarised below.

4.2.1 Advantages

Non-Associated Shareholders will benefit from any synergies achieved unique to Service Stream

Our assessed value range for Techsafe is inclusive of a premium for control, and therefore already reflects potential synergies that would be available to a general pool of purchasers of Techsafe (including Service Stream), which are expected to include efficiencies of scale such as process and system integration. However, it does not include the benefit of any potential strategic or operational benefits unique to Service Stream associated with the control of Techsafe.

Service Stream has advised that it expects the acquisition of Techsafe to provide potential for synergies through leverage of each company's respective geographical footprints and customer relationships. In particular, Service Stream sees opportunity for it to accelerate expansion of Techsafe's service offering into other utilities (including gas, water and telecommunications) and inspection of other asset classes (such as fire systems, traffic installations and government housing) as well as potential for cost reductions through consolidation of fleet management.

Non-Associated Shareholders will benefit from any unique synergies achieved (net of costs incurred) resulting from the integration of the Service Stream and Techsafe businesses. Whilst we consider there to be potential for synergies unique to Service Stream given the complimentary business operations, the realisation of such synergies is not without risk. In particular we note there is also the potential for dissynergies where Techsafe may be conflicted from performing inspections of installations performed by Service Stream. In this regard, Service Stream management has advised that no existing conflicts have been identified and that they consider this risk can be managed going forward.

Completion of the Proposed Transaction will increase the diversity of Service Stream's service offerings

Techsafe is the leading independent electrical inspection provider in Australia, a market where Service Stream does not have currently have any operations. Completion of the Proposed Transaction will expand the service offering and earnings diversity of Service Stream in a complimentary area to Service Stream's current operations, as well as increase its penetration of state markets resulting in an immediate increased national footprint.

4.2.2 Disadvantages

Completion of the Proposed Transaction will reduce Service Stream's cash reserves

Completion of the Proposed Transaction will result in a reduction in Service Stream's cash reserves. However, the pro forma balance sheet of the enlarged Service Stream set out in Section 6.2.2 of the Explanatory Memorandum along with its pro forma current ratio, indicates that short term assets are expected to remain on hand to meet its short term obligations post transaction. We also note Service Stream currently has no debt on its balance sheet and has unutilised cash advance and overdraft debt facilities of approximately $35 million to assist with meeting short term cash flow obligations if required.

4.3 Other considerations

In forming our opinion we have also considered a number of other factors, as detailed below, which we do not consider impacts our assessment of the reasonableness of the Proposed Transaction, but we consider it necessary for Non-Associated Shareholders to be aware of.

The final quantum of the contingent component of the Consideration is uncertain

The final quantum of the contingent payment is not known at the date of this report and will only crystallise once the relevant performance period has passed and will depend on the future performance of Techsafe. Whilst we have assessed the current market value of the contingent payment in our fairness assessment, the final amount to be paid by Service Stream may differ, albeit it is capped at $1.0 million under all circumstances.

Techsafe management will be financially incentivised

Mr Ashley Haynes, the existing managing director of Techsafe, will be financially incentivised to achieve earnings growth over the FY18 period by way of the financial targets included in the mechanism to determine the contingent consideration.

The Proposed Transaction will not dilute Non-Associated Shareholders

As the consideration under the Proposed Transaction is comprised of cash, Non-Associated Shareholders' relative shareholding in Service Stream will not be diluted and Service Stream's shares on issue will not change. Non-Associated Shareholders will also acquire an identical pro-rata interest in the future business of Techsafe.

One-off transaction costs

Service Stream has estimated total one-off transaction costs in relation to the Proposed Transaction to be approximately $0.5 million, should the Proposed Transaction be successful. Management estimates that transaction costs would total approximately $0.2 million if the Proposed Transaction does not complete.

The Proposed Transaction is subject to the satisfaction of a number of conditions

The Agreements are contingent upon the satisfaction of a number of conditions precedent including conditions that are at the discretion of parties external to Techsafe and Service Stream. Service Stream is not aware of any reason to expect that the conditions precedent will not be successfully satisfied.

The Independent Directors' intentions

The Independent Directors unanimously recommend that Non-Associated Shareholders approve the Proposed Transaction.

Consequences if the Proposed Transaction is not approved

In the event that the Proposed Transaction is not approved:

- Service Stream will continue to operate in its current form and remain listed on the ASX
- Service Stream will not acquire Techsafe and will also not pay the Consideration. In these circumstances, Service Stream intends to retain the funds currently available for the payment of the Consideration within the organisation to continue to pursue transactions to drive growth for Service Stream. Service Stream and its advisors have been actively identifying and investigating the merits of potential alternative transactions for over 12 months, however the Independent Directors have confirmed that they have not identified any alternative transactions that they consider superior to the Proposed Transaction
- the expected advantages, disadvantages and other matters arising from the Proposed Transaction set out in this section will not occur
- Service Stream will have incurred costs estimated to be in the order of $0.2 million in planning and seeking to implement the Proposed Transaction without receiving any benefits from the Proposed Transaction.

4.4 Chapter 2E of the Corporations Act considerations

The Chairman of Service Stream, Mr Brett Gallagher, is also a director of each Techsafe company and holds an approximate 33.33 percent of each Techsafe company, with related parties holding a further approximate 33.33 percent of each Techsafe company. For the purposes of Chapter 2E we have been asked to consider the potential financial benefit that Mr Brett Gallagher may realise as a result of completing the Proposed Transaction. In this regard we note that, in the event the Proposed Transaction is completed, this will result in the Consideration being paid to the shareholders of Techsafe, including a payment to Mr Brett Gallagher and related parties of between approximately $12.7 million, if no contingent consideration is paid, and $13.3 million, if the full contingent consideration is paid.

RG 111 does not differentiate between ASX Listing rule 10.1 and Chapter 2E of the Corporations Act in relation to fairness and reasonableness considerations relevant for related party transactions.
In accordance with RG111, as we have concluded that the Proposed Transaction is fair and reasonable for the purposes of ASX Listing Rule 10.1, it is also deemed to be fair and reasonable for the purposes of Chapter 2E of the Corporations Act.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 to this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in section 6.1.

5 Other matters

In forming our opinion, we have considered the interests of Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Non-Associated Shareholders. It is not practical or possible to assess the implications of the Proposed Transaction on individual Non-Associated Shareholders as their financial circumstances are not known.

The decision of Non-Associated Shareholders as to whether or not to approve the Proposed Transaction is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Non-Associated Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual non-associated shareholders including residents of foreign jurisdictions seek their own independent professional advice.

This report has been prepared solely for the purpose of assisting Non-Associated Shareholders in considering the Proposed Transaction. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless stated otherwise.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and Explanatory Memorandum to be sent to Non-Associated Shareholders in relation to the Proposed Transaction, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate

Finance consents to the inclusion of this report in the form and context in which it appears in the Notice of Meeting and Explanatory Memorandum.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Jason Hughes
Authorised representative

Sean Collins
Authorised representative

Contents

6 Scope of the report

6.1 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Techsafe or Service Stream for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Service Stream's and Techsafe's management in relation to the nature of the Techsafe business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Service Stream has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided by Service Stream to KPMG Corporate Finance included forward-looking financial information in the form of the FY17 budget for Techsafe (the FY17 Budget), based on forecasts provided to Service Stream by Techsafe. KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report and Service Stream remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information or tested the mathematical integrity of the models. However, we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

KPMG Corporate Finance has undertaken various enquiries in relation to the FY17 Budget, including holding discussions with the management of each of Service Stream and Techsafe in regard to the operational and commercial assumptions and their bases. We have also reviewed the key commercial assumptions in the context of current economic, financial and other conditions (e.g. contractual). KPMG Corporate Finance is of the view that the forward-looking information has been prepared on a reasonable basis and, therefore, is suitable as a basis for our valuations. In making this assessment, we have taken into account the following:

- the FY17 Budget was prepared based on a "ground up" approach by Techsafe
- Techsafe's likely achievement of the FY17 Budget was subject to Service Stream's due diligence procedures, including having regard to actual results to date and current outlook.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results that will actually be achieved during the forecast period. Any variations in the forward-looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Independent Directors of Service Stream, together with Service Stream's management, are responsible for conducting due diligence in relation to Techsafe. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.2 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Service Stream has requested KPMG Corporate Finance limit the disclosure of commercially sensitive information relating to Techsafe. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Techsafe.

7 Industry overview

7.1 Australian electrical services industry

To provide a context for assessing the future prospects of Techsafe we have set out below a summary of the Australian electrical services industry with further analysis contained in Appendix 3 of this report.

The electrical services industry in Australia is primarily a specialist construction industry that provides services to the mining, construction, oil and gas, utilities and infrastructure sectors. The industry's activities include the installation, upgrade, repair and maintenance of electrical circuitry. The industry is comprised of a large number of small contractors and has seen subdued demand from the residential and commercial construction industry over the past five years, as weak market conditions have resulted in limited consumer spending on electrical installation work. However, a number of large contractors, servicing government infrastructure contracts and contracts to large mining companies, secured large multiple year contracts at the peak of infrastructure investment in 2013 and 2014.

Industry revenue is expected to stabilise in the medium term with a compounded annual growth rate of 3.1 percent expected over the next 5 years to 2022[4]. The recent contraction has primarily effected installation services, whilst the demand for repair, maintenance and inspection services has remained relatively inelastic due to servicing pre-existing networks and circuitry. The industry is supported in the medium term by a number of new government projects, including the rollout of the National Broadband Network, and increased demand from the recovery expected of the commercial construction industry.

8 Overview of Techsafe

8.1 Overview

Techsafe is an Australian private company which was established in 1998 after the privatisation of the State Electricity Commission of Victoria (**SECV**). The business today provides electrical inspections, consultancy services, auditing and training for government entities, regulators, electrical distributors and contractors and householders. Techsafe has 97 employees and contracted inspectors, and its operations are predominately located in Victoria, Western Australia and Tasmania, with minor operations also in New South Wales and Queensland.

Techsafe performs various electrical inspection services, including:

- prescribed inspections such as solar inspections, medical inspections, switchboard upgrades, temporary building supply inspections, new installations, high voltage and hazardous area inspections
- wiring and equipment safety inspections
- audits and electrical asset inspections
- electrical equipment and safety switch inspection and testing
- electrical design advice and consultancy services
- electrical safety training and education
- on-site project management services
- thermal imaging
- emergency electrical inspection services
- inspecting & testing the electrical safety of medical equipment.

The business completes in excess of 100,000 inspections and compliance audits per annum.

The electrical inspection services provided by Techsafe can be grouped into three principal areas:

Audit of electrical work

In 1998 Techsafe worked closely with the Victorian Energy Regulator to help establish the electrical certification system which forms the basis of the current safety certification and compliance process for

[4] Sourced from IBISWorld Industry Report – Electrical Services in Australia (November 2016)

electrical installation work in Victoria. Since the implementation of the certification system, Techsafe has performed audit and electrical inspection services on behalf of Energy Safe Victoria.

These services involve the auditing of electrical work carried out by electrical workers at a customer's premise and can include specialist auditing of specific work types such as medical, solar, high voltage and hazardous installations.

Electricity network compliance

Techsafe performs inspections and/or audits on behalf of the electricity networks testing for compliance and safety.

Electrical inspections for trade

Inspection of prescribed electrical work for compliance with regulations and endorsement of a Certificate of Electrical Safety

Techsafe's electrical inspection services represent a subset of the larger electrical services industry in Australia and are directly impacted by the market for electrical services generally.

8.2 Pro-forma financial performance

Reflecting their status as unlisted private companies, only unaudited special purpose financial reports have historically been prepared in respect of each of Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd. The management of Service Stream has compiled the pro-forma historical unaudited consolidated results for Techsafe for the financial years ended 30 June 2014 (**FY14**), 30 June 2015 (**FY15**) and 30 June 2016 (**FY16**), as summarised below, based on the unaudited financial statements of Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd. In addition, Techsafe's management has budgeted consolidated financial performance for the financial year ending 30 June 2017, which is also summarised below.

Table 2: Techsafe's pro-forma unaudited consolidated financial performance

	Unaudited FY14 $000	Unaudited FY15 $000	Unaudited FY16 $000	Budget FY17 $000
Gross revenue	**10,469**	**9,217**	**9,505**	**14,475**
Cost of sales (labour)	7,070	5,971	5,914	9,229
Gross Margin	**3,399**	**3,246**	**3,591**	**5,247**
Other income	63	67	17	0
Overheads				
Support personnel & on costs	760	798	695	880
Occupancy	180	151	146	171
Motor vehicles and travel	336	318	350	436
Other	830	429	486	617
Total overheads	2,106	1,697	1,676	2,104
EBITDA	**1,355**	**1,617**	**1,932**	**3,142**
Depreciation and amortisation expense	160	126	98	162

	Unaudited FY14 $000	Unaudited FY15 $000	Unaudited FY16 $000	Budget FY17 $000
EBIT[1]	**1,195**	**1,491**	**1,834**	**2,980**
Interest expense	145	79	28	30
Operating profit before income tax	**1,050**	**1,412**	**1,806**	**2,950**
Tax expense	344	420	548	885
Profit after Tax	**706**	**992**	**1,258**	**2,065**
EBITDA Margin	*13%*	*18%*	*20%*	*22%*
EBIT Margin	*11%*	*16%*	*19%*	*21%*

Notes:
1. EBIT is earnings before interest and tax

Source: Techsafe, Service Stream management and KPMG Corporate Finance Analysis

Techsafe is currently forecasting EBITDA of approximately $3.0 million for FY17 relative to its budget of approximately $3.1 million. This is considered by Service Stream to be largely a timing matter reflecting a slower than originally anticipated ramp up of the WA Housing Authority work levels.

In respect of the financial performance, we note:

Revenue

Revenue fell from FY14 to FY15 which was partly as a result of the completion of work on a smart metering audit program, which had a limited timeframe of operation. Revenue is expected to grow from FY16 to FY17 primarily reflecting revenue from new/expanded contracts with the WA Housing Authority and the Tasmanian Government that commenced during November 2016 and December 2016 respectively.

The majority of Techsafe's revenue is currently sourced from four major customers, with these customers forecast to contribute 87 percent of FY17 revenue. These contracts generally run between three and five years (with potential for renewal or extension), with the three of the four major contracts commencing during the 2016 calendar year.

Expenses

- Techsafe's major cost in performing contracts are the salaries and wages of employees and subcontractor costs. These costs have historically moved with revenue and are expected by management to drive maintainable gross margins consistent with recent historical performance
- overheads are forecast to increase in FY17 as Techsafe expands operations in Western Australia to service the new WA Housing Authority contract
- depreciation and amortisation are low reflecting the low capital intensity nature of the business
- interest expense has consistently decreased over the period FY14 to FY16, in line with the repayment of debt over that period.

8.3 Historical financial position

Techsafe's historical unaudited consolidated financial position as at 30 June 2014, 2015 and 2016 and 31 December 2016 is summarised below.

Table 3: Techsafe's historical consolidated financial position

	Unaudited 30-Jun-14 $000	Unaudited 30-Jun-15 $000	Unaudited 30-Jun-16 $000	Unaudited 31-Dec-16 $000
Assets				
Cash	43	35	42	285
Trade and Other Debtors	1,149	867	1,320	1,741
Accrued Revenue	15	-	-	333
Leasehold Improvements	25	24	24	24
Software	3	2	1	1
Plant and Equipment	433	330	249	476
Goodwill	2,860	2,857	2,849	2,867
Total Assets	4,528	4,115	4,485	5,727
Liabilities				
Trade and Other Payables	(625)	(563)	(592)	(1,029)
Provisions	(350)	(345)	(364)	(362)
Current Tax Liability	(327)	(409)	(548)	(861)
Borrowings	(2,438)	(1,632)	(678)	(582)
Total Liabilities	(3,740)	(2,949)	(2,183)	(2,835)
Net Assets	**788**	**1,166**	**2,302**	**2,892**
Gearing - %[1]	*309%*	*140%*	*29%*	*18%*
Current ratio - times[2]	*0.9x*	*0.7x*	*0.9x*	*0.9x*

Notes:
1. Gearing represents total loans and borrowings divided by net assets
2. Current ratio represents current assets divided by current liabilities
3. Amounts may not add exactly due to rounding.

Source: Techsafe pro-forma consolidation, Service Stream Management and KPMG Corporate Finance Analysis

In relation to Techsafe's historical financial position, we note:

- the increase in net working capital position as at 31 December 2016 is driven by new contracts commencing in November 2016 and December 2016. Based on monthly balance analysis over the past year, these levels appear normal for the business
- trade and other debtors at 31 December 2016 include an amount of $0.1 million in respect of a loan to a related party on commercial terms. Service Stream management have confirmed that this loan has since been settled

- intangibles is comprised of goodwill from past acquisitions by Techsafe
- the majority of plant and equipment comprises light vehicles. The increase in plant and equipment from 30 June 2016 to 31 December 2016 reflects the acquisition of a number of light vehicles in Western Australia to service the Western Australian Government Housing Authority contract
- provisions are primarily employee benefits provision, with the majority of the provision represented by annual leave provision
- as at 30 June 2016, Techsafe had a current tax liability of $0.5 million (which is yet to be paid at 31 December 2016) plus an accrual of $0.3 million in respect of tax payable on FY17 year-to-date earnings
- borrowings at 31 December 2016 were $0.6 million, comprising $0.3 million in loans from shareholders, $0.2 million in vehicle finance and minor a bank loan. See Section 10.5 for more information on borrowings.

8.4 Taxation

As at 30 June 2016, Techsafe had no carried forward revenue tax losses but had $0.4 million of carried forward capital tax losses available to offset against future capital gains.

9 Profile of Service Stream post-transaction

9.1 Operations

Service Stream's current operations include design, construction, maintenance and connection services to the telecommunication industry, site acquisition, planning, design and construction management services to the mobile communication industry and specialist metering, in-home and new energy services to electricity, gas and water networks.

Completion of the Proposed Transaction will result in Techsafe becoming a wholly-own subsidiary of Service Stream. Management has indicated that administrative and back-office operations will be merged, albeit maintaining separate operations at the service level.

9.2 Board of Directors

The successful completion of the Proposed Transaction is not expected to change the composition of the Board of Service Stream.

9.3 Shareholding

The Proposed Transaction will not impact Service Stream's shares on issue.

9.4 Pro forma financial performance

Section 6.2.1 of the Explanatory Memorandum sets out the pro forma financial performance of Service Stream for FY16 assuming the Proposed Transaction had been successfully implemented at the start of FY16 which is summarised below.

Table 4: Service Stream pro forma merged financial performance for FY16

	Service Stream FY16 $M	Techsafe FY16 $M	Adjustments $M	Pro forma FY16 $M
Revenue	438.9	9.5	-	448.5
Total expenses	(403.1)	(7.6)	(0.5)	(411.2)
EBITDA	**35.8**	**1.9**	**(0.5)**	**37.2**
Depreciation and amortisation	(7.4)	(0.1)		(7.5)
EBIT	**28.4**	**1.8**	**(0.5)**	**29.7**
Interest	0.1	(0.0)	(0.4)	(0.4)
Tax	(8.5)	(0.5)	0.3	(8.8)
Reported NPAT	**20.0**	**1.3**	**(0.7)**	**20.6**
Reported EPS - cents	5.20			5.36
Reported EPS accretion/(dilution)				3.1%
Adjusted NPAT				21.0
Adjusted EPS				5.45
Adjusted EPS accretion/(dilution)				4.9%

Notes:
1. *Assuming no revenue or cost synergies.*
2. *Assuming constant debt as at first financial year after the transaction.*
3. *Excluding the amortisation of customer contracts which will be valued as part of the business combination.*
4. *Amounts may not add exactly due to rounding.*

Source:Explanatory Memorandum, KPMG Corporate Finance Analysis

We note the Proposed Transaction would have been earnings accretive had it been performed at the beginning of FY16, excluding the earnings impact of amortisation of any intangible assets recognised following completion of the Proposed Transaction.

9.5 Pro forma financial position

Section 6.2.2 of the Explanatory Memorandum sets out the pro forma financial position of Service Stream as at 31 December 2016 assuming the Proposed Transaction is successfully implemented, which is summarised below.

Table 5: Service Stream pro forma merged financial position as at 31 December 2016

	Service Stream 31-Dec-16 $M	Techsafe 31-Dec-16 $M	Adjustments $M	Pro forma 31-Dec-16 $M
Cash and cash equivalent	44.1	0.0	(19.0)	25.1
Trade and other receivables	31.9	1.7		33.6
Inventories	5.8	-		5.9
Accrued revenue	67.0	0.3		67.3
Other	4.4	0.1		4.5
Total current assets	**153.3**	**2.1**	**(19.0)**	**136.4**
Property, plant and equipment	5.8	0.5		6.3
Intangible assets	127.4	-	18.8	146.2
Total non-current assets	**133.2**	**0.5**	**18.8**	**152.5**
Total assets	**286.5**	**2.6**	**(0.2)**	**288.9**
Trade and other payables	61.6	1.0		62.6
Current tax liabilities	2.4	-		2.4
Provisions	14.7	0.3		15.0
Lease incentives	0.9	-		0.9
Total current liabilities	**79.6**	**1.3**		**80.9**
Other payables	-	-	1.0	1.0
Provisions	3.6	0.1		3.7
Deferred tax liability	9.7	-		9.7
Lease incentives	1.4	-		1.4
Non-current liabilities	**14.7**	**0.1**	**1.0**	**15.8**
Total Liabilities	**94.3**	**1.4**	**1.0**	**96.6**
Net assets	**192.3**	**1.2**	**(1.2)**	**192.3**
Shares on issue - 000s	365,189			365,189
Net asset backing per share - cents	52.66			52.66
Net tangible asset backing per share - cents	17.77			12.62
Gearing - %	0%			0%
Current ratio - times	1.93x			1.69x

Notes:

1. *Gearing represents total loans and borrowings divided by net assets.*
2. *Current ratio represents current assets divided by current liabilities.*
3. *Amounts may not add exactly due to rounding.*

Source: Explanatory Memorandum, KPMG Corporate Finance Analysis

We make the following observations in relation to Service Stream's pro forma financial position:

- the pro forma financial position of Service Stream has been prepared on the basis of the unaudited consolidated financial positions of Techsafe and Service Stream as 31 December 2016
- the financial position of Techsafe has been adjusted to exclude cash, debt and current tax liabilities in order to reflect the terms of the Proposed Transaction under the Agreements
- the cash balance of the merged entity is significantly reduced, as management intends to fund the Proposed Transaction through the use of existing cash reserves
- the net asset backing of Service Stream does not change, however its net tangible asset backing per share falls from $0.178 to $0.126, reflecting that a significant portion of the purchase consideration is being paid in respect of goodwill and other intangibles
- management has included a pro forma adjustment to the balance sheet of $18.8 million to reflect goodwill and intangible assets generated from the Proposed Transaction
- whilst Service Stream's pro forma current ratio falls from 1.9 times to 1.7 times, this implies Service Stream still has adequate short term assets to meet its short term obligations.

9.6 Transaction costs

As set out in the Notice of Meeting and Explanatory Memorandum, total transaction and implementation costs that have or are to be incurred by Service Stream in relation to the Proposed Transaction are estimated to be approximately $0.5 million.

Transaction and implementation costs associated with the Proposed Transaction incurred by Techsafe and Service Stream primarily relate to financial advisory, legal, accounting, independent expert, tax and administrative fees, Scheme Booklet design and printing, share registry and other expenses. These costs have not been including in Service Stream's post transaction pro forma balance sheet, however, we note that inclusion would not have a material impact on its net asset position or other financial metrics set out in table 5.

9.7 Potential cost savings and synergies

We have discussed potential cost savings and synergies with the management of Service Stream and note that it believes, and we concur, that cost savings are potentially available to a pool of purchasers (including Service Stream) of merging back office functions and economies of scale. These have not been quantified by Service Stream. We have taken the prospect of the future realisation of cost savings into account through the inclusion of a control premium in our assessment of the capitalisation multiple appropriate for Techsafe for the purpose of the valuation.

9.8 Synergies unique to Service Stream

Having regard to the existing operational profile and location of Service Stream's asset base and business operations it is not expected that Service Stream will realise any significant overhead cost savings or synergies that a general pool of purchasers may not otherwise be able to achieve.

However, given the complementary nature of Techsafe's operation to that of Service Stream, Techsafe is considered by Service Stream to have strategic value through the potential to cross market service offerings to its customers that are not currently offered by Service Stream and vice versa. We understand Service Stream's intention is to leverage the respective geographical footprints and customer relationships to grow revenues and reduce fleet costs for both the existing Service Stream business and the Techsafe business. As Techsafe and Service Stream provide different, yet complementary services, it is not expected that there will be any significant cannibalisation of revenue.

10 Valuation of Techsafe

10.1 Summary

We have assessed the value of the equity of Techsafe, under the terms of the Agreements, to be in the range of $17.4 million to $20.9 million. Our range of assessed fair values represents the value of a 100 percent interest in Techsafe and includes a premium for control.

We have assessed the value of Techsafe by aggregating the estimated market value of Techsafe's business operations, deducting external borrowings and non-trading liabilities and adding assets considered to be surplus to the business operations of Techsafe.

Set out below is a summary of the range of fair values at which Techsafe has been assessed:

Table 6: Summary of assessed range of fair value

		Valuation range	
	Section reference	Low $M	High $M
Future maintainable EBITDA	10.4.2	3.5	3.5
Capitalisation multiple	10.4.3	5.0x	6.0x
Enterprise value		**17.5**	**21.0**
Less: net borrowings	10.5	(0.1)	(0.1)
Net surplus assets/ liabilities	10.7	nil	nil
Equity Value		**17.4**	**20.9**

Source: KPMG Corporate Finance analysis

10.2 Selection of valuation methodology

The value of Techsafe's business operations has been assessed on the basis of market value, that is, the value that should be negotiated between a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious seller, acting in an arm's length transaction.

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to a pool of purchasers, both financial and trade. It does not include any other strategic or operational synergies that may be unique to Service Stream. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

In the absence of any market distortion, the most reliable evidence as to the value of a business is the price at which the business or comparable business has been bought and sold in an arm's length transaction. Whilst we have identified various transactions that have assisted in providing a benchmark for an appropriate capitalisation multiple, we note that these are limited in number and are not directly comparable to the operations carried on by Techsafe. Where direct market evidence is unavailable or of limited direct relevance, estimates of value are made using methodologies that infer value from other available evidence. Commonly used valuation methodologies for estimating the value of a business include:

- the capitalisation of maintainable earnings (**Capitalised Earnings**)
- discounted cash flows (**DCF**)
- estimated net proceeds from an orderly realisation of assets (**Net Assets**)

These methodologies are discussed in further detail in Appendix 5.

Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any.

Given Techsafe has an established track-record of profitable earnings and the earnings are sufficiently stable to be indicative of ongoing earnings potential, we have adopted Capitalised Earnings as a primary reference point. The DCF approach is also widely used in the valuation of an established business. However, we have not been provided with a forecast for the business beyond FY17 and do not have data sufficient for a DCF analysis. The Net Assets approach is not considered appropriate as a primary valuation methodology as this would not fully capture the earnings growth potential and goodwill associated with Techsafe.

Application of the Capitalised Earnings approach involves the capitalisation of the earnings or cash flows of a business at a multiple that reflects the risks of the business and the future growth prospects of the income it generates. Application of this methodology requires professional judgement as to:

- a level of average real earnings or cash flows expected to be maintainable indefinitely that takes into account historical and forecast operating results, adjusted for non-recurring items and other known factors likely to impact on future operating performance
- an appropriate capitalisation multiple that is supported by market evidence derived from comparable transactions and share market prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

A Capitalised Earnings approach can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result.

We have selected EBITDA as the appropriate metric for Techsafe based on the nature of the business. Whilst the key driver is that it is a low capital intensity business, adopting EBITDA also assists to eliminate the impact of differences in capital structures and depreciation and amortisation accounting.

10.3 Control premium

Multiples applied in a Capitalised Earnings approach are typically based on data from listed companies and recent transactions in a comparable sector, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived from listed comparable companies are based on share prices generally reflective of the trades of small parcels of shares. As such, they reflect prices at which portfolio interests change hands. That is, there is no premium for control incorporated within such pricing. They may also be impacted by the level of liquidity in trading of the particular stock. Accordingly, when valuing a business as a whole i.e. 100 percent, it is appropriate to include a premium for control.

Consistent with the requirements of RG 111, in valuing Techsafe we have assumed 100 percent ownership, and therefore included a premium for control when assessing the multiples implied by the share prices for listed comparable companies.

Observations from transaction evidence indicate that takeover premiums concentrate around a range between 20 percent and 35 percent for completed takeovers depending on the individual circumstances. In transactions where it was estimated that the combined entity would be able to achieve significant synergies, the takeover premium is frequently observed to be in excess of this range. Conversely, in instances where synergies available to a purchaser are not expected to be material, it is reasonable to expect that an appropriate control premium would be at or below the bottom end of this range. Takeover premiums can vary significantly between individual transactions as the final price paid will reflect to varying degrees:

- pure control premium in respect of the acquirer's ability to utilise full control over the strategy and cash flows of the target entity
- the level of synergies available to all acquirers, such as the removal of costs associated with the target being a listed entity and/or costs related to duplicated head office functions
- the expected costs to integrate and the uncertainties associated with timing of realising the targeted synergies
- synergistic or special value that may be unique to a specific acquirer
- the nature of the bidder, i.e. financial investor versus trade participant
- the stake acquired in the transaction and the bidder's pre-existing shareholding in the target
- the stage of the market cycle and the prevailing conditions of the economy and capital markets at the time of the transaction
- desire (or anxiety) for the acquirer to complete the transaction
- whether the acquisition is competitive
- the extent the target company's share price already reflects a degree of takeover speculation.

10.4 Value of Techsafe's business operations

10.4.1 Summary

We have assessed the aggregate enterprise value of Techsafe's business operations inclusive of a premium for control, to be in the range of $17.5 million to $21.0 million as summarised in the table below.

Table 7: Valuation of the business operations

	Valuation range	
	Low $M	**High $M**
Maintainable earnings	3.5	3.5
Capitalisation multiple	5.0x	6.0x
Total enterprise value	**17.5**	**21.0**

Source: KPMG Corporate Finance Analysis

The calculation of Techsafe's business operations was determined using a Capitalised Earnings approach, based on maintainable EBITDA of $3.5 million and a capitalisation multiple of 5.0 to 6.0 times. The basis for each of these assumption is discussed below.

The selected EBITDA multiple range factors in a control premium, and hence the enterprise value of Techsafe's business operations has been determined on a controlling basis.

10.4.2 Maintainable earnings

Maintainable earnings represents the earnings that the business can sustainably generate in the future. In assessing the appropriate level of future maintainable EBITDA in respect of Techsafe, we have considered the outlook for the industries in which Techsafe operates more generally and also specific factors that have and/or are likely to impact upon the future trading results of Techsafe. We have considered:

- the historical EBITDA performance of Techsafe for FY14, FY15 and FY16 of approximately $1.4 million, $1.6 million and $1.9 million respectively, although we note that these results do not reflect the benefit of Techsafe's significant new contract with the WA Housing Authority which commenced during FY17
- the FY17 forecast EBITDA of approximately $3.0 million reflecting performance year-to-date and expected performance for the remainder of FY17
- a notional "next twelve months" EBITDA of approximately $3.5 million adjusting the FY17 budget EBITDA pro-rata for the partial year impact of:
  - the new WA Housing Authority contract in respect of which work materially commenced in November 2016
  - the expanded Tasmanian Government contract which commenced in December 2016

- the outcome of discussions with Techsafe and Service Stream management in relation to the performance year-to-date and the short to medium term strategy for the future operation of Techsafe in the absence of the Proposed Transaction.

Having regard to the above, and in particular to Techsafe's earnings outlook, we consider that an appropriate level of future maintainable EBITDA in the order of $3.5 million is not unreasonable.

We have also taken into account:

- no one-off significant items impacting historical EBITDA were identified through discussion with Services Stream or Techsafe
- potential upside and downside risks to future profitability have been separately captured in our selection of an appropriate multiple range
- we have not adjusted maintainable earnings for the cost savings available to any acquirer of 100 percent of a company as these types of general synergies are commonly subsumed within a premium for control that is reflected in our selection of an appropriate multiple range.

10.4.3 Capitalisation multiples

The multiple applied in a capitalised earnings methodology should reflect the return expected by an investor in the businesses. Returns are dependent on various factors including a business's operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from recent transactions involving comparable businesses/assets and listed comparable companies, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

Multiples implied by recent transactions

The table below sets out the historical and forecast EBITDA multiples implied by recent transactions involving support services, electrical engineering and consulting industries in Australia for which sufficient financial data is available.

Table 8: Transaction multiples

Date	Target	Acquirer	Percentage acquired	Enterprise Value ($M)	EBITDA Multiple LTM
Jun-16	Datatel Communications	Southern Cross Electrical Engineering	100	17.2	5.6x
Oct-15	UXC Limited	CSC Computer Sciences Australia	100	403.9	10.9x
Jun-15	SKILLED Group Limited	Programmed Maintenance Services	100	568.3	6.4x
Mean					**7.6x**
Median					**6.4x**

Notes:

1. Enterprise value is based on the transaction amount and the latest published net debt position as at the transaction date

Date	Target	Acquirer	Percentage acquired	Enterprise Value ($M)	EBITDA Multiple LTM
2.	*LTM multiples are based on EBITDA for the 12 month period prior to the most recent reporting date occurring before the transaction date*				

Source: Capital IQ and KPMG analysis

In relation to the above transactions we note:

- Datatel offers commercial electrical installations and telecommunications contracting services. Southern Cross Electrical Engineering (**SCEE**) acquired the company through a mix of cash, equity and deferred consideration. An FY16 EBITDA multiple was announced of 3.3 times reflecting the upfront and deferred consideration only but this increases to 5.6 times once the fair value of the contingent consideration (approximately $8.6 million as assessed in SCEE's 2016 Annual Report) is included. The contingent consideration component is subject to earnings growth targets over the following three financial years. SCEE's announcement of the transaction stated that the acquisition of Datatel was a significant and immediate market entry into the telecommunications sector and provided SCEE with a credible platform which could be leveraged to enter other geographic markets
- UXC Limited (**UXC**), an IT services company, provides business services and solutions in the areas of information communication, and technology in Australia, North America, and internationally. At announcement, the acquisition of UXC was expected by CSC Computer Sciences Australia to rebalance the service offering and strengthen its global presence.
- Skilled Group Limited (**Skilled**) provides staffing and related solutions to the mining, manufacturing, maritime, industrial and energy sectors in Australia, New Zealand, the United Kingdom, Singapore, Malta and the United Arab Emirates. At announcement, the merged Programmed Maintenance Services Limited was expect to benefit from substantial synergies and increased scale, albeit Skilled's financial performance was expected to be impacted by the downturn in the oil and gas sector.

In analysing the observed transaction multiples we note that none of the acquired companies are directly comparable to Techsafe's operations in terms of target market, product sector, market focus, competitive environment, strategy and stage of development, and that both UXC and Skilled are significantly larger than Techsafe.

Share market evidence

The electrical services industry in Australia is highly fragmented, comprising a large number of small, privately held business, making a direct trading multiple comparison difficult. In particularly, we note that there was no listed company identified that we would consider exactly comparable to Techsafe. However, in order to provide guidance for the assessment of an appropriate capitalisation multiple, we have considered a selection of Australian listed companies providing:

- ***diversified support services*** - companies providing skilled labour to various Australian industries. These companies are generally tangible asset light, with revenue driven by specialised labour services. The demand for services is largely driven by demand from the construction, mining and telecommunication industries with revenue predominately on a contract basis.

- ***electrical engineering services*** - companies providing primarily electrical engineering consultancy. These companies are generally tangible asset light, with revenue driven by specialised labour services. The demand for services is largely driven by demand from the mining and resources, utilities and transport, public sector and construction
- ***testing and survey services*** - companies providing a range of specialist audit, diagnostic testing and assessment services for health and safety, regulation and feasibility purposes. These companies are generally tangible asset light, with revenue driven by specialised labour services.

The table below sets out the historical and forecast EBITDA multiples implied by the current share prices of companies selected for comparison.

Table 9: Historical and forecast trading multiples

Company name	Market Cap ² AUDm	Enterprise Value AUDm	EBITDA margin LTM	EBITDA margin NTM	20% Control Premium EBITDA multiple LTM	20% Control Premium EBITDA multiple NTM	35% Control Premium EBITDA multiple LTM	35% Control Premium EBITDA multiple NTM
Programmed Maintenance Services Limited	461	701	2.0%	3.6%	13.9	8.0	15.1	8.6
Service Stream Limited	438	394	8.7%	8.7%	12.0	11.2	13.6	12.7
BSA Limited	154	136	3.6%	3.5%	9.0	8.5	10.3	9.6
Southern Cross Electrical Engineering Limited	91	49	6.0%	n/a	5.4	n/a	6.5	n/a
Arowana International Limited	96	79	-338.1%	n/a	nmf	n/a	nmf	n/a
Veris Limited	68	67	13.4%	12.5%	5.0	6.2	5.6	7.0
HRL Holdings Limited	17	19	5.5%	n/a	42.2	n/a	47.1	n/a
Mean			**-42.7%**	**7.1%**	**14.6**	**8.5**	**16.4**	**9.5**
Median			**5.5%**	**6.2%**	**10.5**	**8.3**	**12.0**	**9.1**

Notes:

1. *nmf represents a negative multiple and n/a is the absence of any broker forecast earnings*
2. *Market Capitalisation is as at 22 February 2017*
3. *LTM multiples are based on EBITDA for the 12 month period prior to the most recent reporting date as at 22 February 2017*
4. *NTM multiples are based on the mean forecast EBITDA for the financial year after 22 February 2017 as published by Capital IQ*

Source: Capital IQ and KPMG analysis

Profiles of the abovementioned companies are set in out in Appendix 4 to this report. General observations in relation to the abovementioned analysis set out below:

- the abovementioned multiples have been derived from share market prices which comprise trading in smaller, portfolio shareholdings and therefore may not include any premium for control. Accordingly, we have calculated the multiples above after application of a control premium range of 20 percent and 35 percent

- none of the companies are directly comparable to Techsafe's operations in terms of target market, product sector, market focus, competitive environment, strategy and stage of development. In particular several of the companies considered are significantly larger than Techsafe in terms of scale of operations, geographical footprint, etc.
- HRL Holdings Limited appears to be an outlier and may be affected by the announcement of significant merger and acquisition activity in FY16 not fully reflected in its FY16 results
- as we have adopted a future rather than historical maintainable earnings, to ensure consistency it is necessary to apply a forecast rather than historical capitalisation multiple. We note that, in general, the forecast multiples set out in the table above are usually at a discount to historical multiples reflecting their forward-looking nature and usually expectations of profit growth but also increased risk of achievement. In this regard we note the outlook for Veris Limited for FY17 earnings lies below FY16 earnings, impacted by a reduction in the work volumes in its infrastructure division.

Selected multiple range

In determining an appropriate range of forecast capitalisation multiples for Techsafe we have:

- considered the level of earnings being capitalised in the context of recent historical and short-term prospective earnings
- had greater regard to recent historical and forecast EBITDA trading multiples for a selection of comparable ASX listed companies given the limited recent transaction evidence
- considered that some of the comparable companies are considerably larger than Techsafe. In general, larger companies often have higher earnings multiples than smaller companies, reflecting that smaller companies face a number of increased risk factors, including:
  - greater dependence on key management personnel
  - reduced access to capital
  - reduced ability to offset external risk factors (such as economic conditions)
  - less product diversification
  - lower capital barriers to entry
  - greater dependence on individual contracts
- reflected that the FY17 budget and future period earnings is underpinned by a limited number of individually significant contracts with key customers. The loss of one or more of these customers would have a significant impact on Techsafe's earnings. Whilst the current contract terms for the various contracts extend over the next three years, we understand there are termination clauses which allow for early termination with relatively short notice periods, which represents an inherent risk to Techsafe's future revenue stream.

- considered Techsafe's market leading position as an independent electrical inspection service provider and the prospects for continued future growth in earnings.

The forecast EBITDA capitalisation multiples we have used in determining the value of Techsafe's operating business, inclusive of a premium for control, are summarised below.

Table 10: Capitalisation multiples selected

	Range of forecast EBITDA multiples	
	Low	**High**
Techsafe NTM EBITDA Multiple	5.0x	6.0x

Source: KPMG Corporate Finance Analysis

10.4.4 Sensitivity analysis

Notwithstanding that we have already captured various company specific issues related to Techsafe in the selection of our capitalisation of earnings multiple; in order to provide non-associated shareholders with an indication of the impact on value of a variance in Techsafe's future earnings, we have set out below a sensitivity analysis based on +/-10% to our assessed maintainable earnings of $3.5 million.

Table 11: Sensitivities

	Maintainable Earnings		
$ million	**3.15 [1]**	**3.5**	**3.85**
5.0 EBITDA multiple	15.8	**17.5**	19.3
5.5 EBITDA multiple	17.3	19.3	21.2
6.0 EBITDA multiple	18.9	**21.0**	23.1

Notes:

1. *We note that the deferred consideration of $1.0 million would not be payable at this level of earnings*
2. *The shaded values reflect our assessed valuation range*

Source: KPMG Corporate Finance Analysis

10.5 Borrowings

As at 31 December 2016, Techsafe was in a net debt position of approximately $0.3 million, comprising:

- related party loans of $0.3 million; *plus*
- vehicle finance and bank loans of $0.3 million; *less*
- cash and cash equivalents of $0.3 million.

In calculating a value of equity, using a capitalisation of earnings methodology with an EBITDA multiple, an adjustment would be made to the enterprise value for the market value of net debt to reflect the individual capital structure of the entity and provide a value of equity alone.

The Agreements specifically exclude the transfer of debt and cash under the Proposed Transaction, other than approximately $0.1 million of vehicle financing that was entered into in January 2017. Accordingly we have adopted a net borrowings in the order of $0.1 million for the purposes of our assessment.

10.6 Surplus assets and liabilities

Surplus assets and liabilities represent those assets and non-trading liabilities that are not required in order for Techsafe to continue to realise its principal source of earnings. In this regard we note that as at 31 December 2016 Techsafe had:

- a receivable of approximately $0.1 million from a related party which has since been settled
- a liability for corporate tax payable of $0.5 million relating to prior period profits and $0.3 million relating to the half year period to 31 December 2016 profits.

No other potential surplus assets or liabilities were identified.

The Agreements specifically includes an adjustment mechanism for the transfer of outstanding tax liabilities for any variations from an agreed 'normal' net working capital level (which will adjust the final consideration paid). Service Stream management has advised that it undertook extensive analysis to assess the level of working capital required to maintain the forecast performance of the business. Accordingly, we do not consider Techsafe to have any surplus assets or liabilities for the purposes of assessment of the Proposed Transaction.

For the purpose of our assessment we have compared the value of Techsafe and the value of the Consideration assuming no payments are made under the adjustment mechanisms. To the extent the Techsafe balance sheet at completion differs to the agreed net working capital under the Agreements, the resultant impact on the Consideration would also flow through to our assessed values for Techsafe in the form of a net working capital surplus or shortfall at that date. As such, the Consideration and the value of Techsafe at completion would be expected to move in concert (all else being equal), with no impact on our fairness comparison in relative terms.

10.7 Implied goodwill / intangible asset values

Whilst we do not consider the net assets approach to be an appropriate primary valuation methodology for Techsafe, we note that our assessed value range for Techsafe's equity of $17.4 million to $20.9 million compares to a pro-forma net tangible asset position of approximately $1.2 million, implying significant intangible asset and goodwill value. We consider this outcome is consistent with the nature of Techsafe's business model of low tangible asset intensity with the principal assets of the business comprising its specialised workforce services and long term customer contracts.

11 Valuation of the Consideration

11.1 Summary

Upon completion of the Proposed Transaction, the owners of Techsafe, in aggregate, will receive:

- an initial instalment at completion of $17 million in respect of Techsafe Australia Pty Ltd (adjusted for estimated amounts of cash and estimated income tax liabilities owing or accrued)
- an initial instalment of $2 million in respect of Techsafe Management Pty Ltd (adjusted for estimated amounts of cash and estimated income tax liabilities owing or accrued)

- following completion, an adjustment amount for any variances between an agreed reference balance sheet (comprising agreed working capital, the estimated cash at completion, the estimated owing and accrued tax liabilities at completion and $nil debt[5]) and the final balance sheet as at the completion date
- a second instalment to be determined on the basis of the following calculation:

  Second instalment = 2.5 x (Actual FY18 EBITDA[6] - $3,200,000), capped at $1.0 million.

We have considered the impact of the adjustment mechanisms for cash, debt, tax liabilities and other movements in assets and liabilities to the completion date in our assessment of the value of Techsafe set out in Section 10.

In relation to the contingent deferred cash instalment, having regard to our adopted maintainable earnings for Techsafe of $3.5 million we consider it reasonable to assume the full $1.0 million will be paid for the purpose of our assessment. We have adjusted this amount for time value, given the contingent consideration will likely not be paid for approximately 18 months after completion of the Proposed Transaction, to arrive at a present value of approximately $0.9 million.

Accordingly, we have adopted a value for the Consideration in total in the order of $19.9 million for the purpose of our assessment consistent with our basis of valuing Techsafe.

[5] Excluding approximately $0.1 million in loans relating to the purchase of new vehicles

[6] Actual FY18 EBITDA means the combined EBITDA of Techsafe as a whole for the financial year ending 30 June 2018

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Jason Hughes, Sean Collins and Ben Della-Bosca. Each has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Jason Hughes is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Jason is a Fellow of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Services Institute of Australasia, a member of the Australasian Institute of Company Directors and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Sean Collins is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute for Securities and Investments, UK and holds a Bachelor of Commerce. Sean has extensive experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Ben Della-Bosca is an Authorised Representative of KPMG Corporate Finance. Ben is an Associate of Chartered Accountants Australia and New Zealand, a Fellow of the Financial Services Institute of Australasia and holds a Masters of Applied Finance, a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Ben has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholders. KPMG Corporate Finance expressly disclaims any liability to any Service Stream shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Notice of Meeting and Explanatory Memorandum or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Notice of Meeting and Explanatory Memorandum as a whole or other documents prepared in respect of the Proposed Transaction.

We note that the forward-looking financial information prepared by Service Stream and Techsafe does not include estimates as to the potential impact of any future changes in taxation legislation in Australia. Future taxation changes are unable to be reliably determined at this time.

Our report makes reference to "KPMG Corporate Finance analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Service Stream for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Notice of Meeting and Explanatory Memorandum to be issued to the shareholders of Service Stream. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd
- financial information from Bloomberg, S&P Capital IQ and Connect 4
- various company websites
- Service Stream Annual Reports 2014, 2015 and 2016

Non-public information:

- the Techsafe FY17 Budget
- the historical financial statements for Techsafe for the year ended 30 June 2015 and 2016
- the historical profit and loss and balance sheet of Techsafe by month for period ended 31 December 2016
- historical financial analysis of Techsafe's performance
- details of various contracts of Techsafe with their customers
- the information memorandum provided by Techsafe
- the Techsafe structure diagram
- the minutes of meetings held by Techsafe made available to Service Stream
- the Charter of Service Stream's Independent Board Committee
- Minutes of meetings held by Service Stream's Independent Board Committee
- Energia's Presentation on "Field services for Distributed Energy Resources – Emerging Opportunities"
- Service Stream's Due Diligence & Integration Planning presentation
- Services Stream's Due Diligence report
- the Agreements

In addition, we have had discussions with:

- Peter Dempsey (Service Stream – Non-executive Director)
- Leigh Mackender (Service Stream – Managing Director)
- Robert Grant (Service Stream – Chief Financial Officer)
- Nicole Goding (Service Stream – Company Secretary)
- Ashley Haynes (Techsafe – Managing Director)

Appendix 3 – Industry overview

Electrical services industry

The electrical services industry is a specialist construction industry predominately providing installation, upgrade, repair and maintenance services for circuitry in machinery and buildings.

Key drivers

The industry is driven by demand from its major markets in residential and commercial construction and heavy industrial, and by investment in machinery.

Residential construction

Investment in residential construction drives demand for light electrical installation works such as the installation of lighting and appliances. Demand is expected to be significantly lower from residential construction in 2016-2017, following a wave of completed apartment buildings.

Commercial construction

The industry provides similar services to the commercial construction industry as it does to residential construction industry, however additional services include monitoring and repair services and increased wiring services. Demand from the commercial construction industry is expected to increase marginally in 2016-2017.

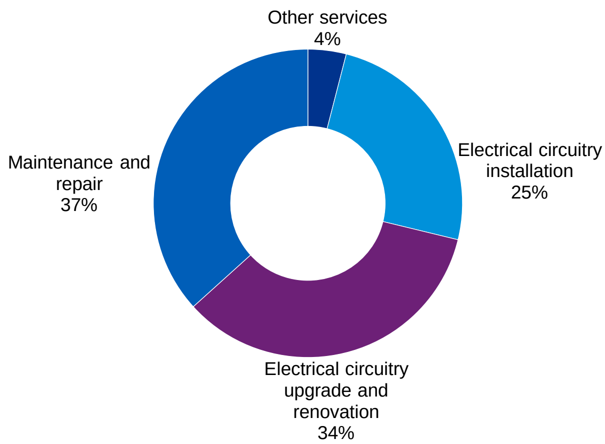
Heavy industrial

This predominately encompasses major works performed for major infrastructure projects. Investment in mineral and energy resources, electricity generation and telecommunication networks has resulted in an increase of work coming from this market, peaking in 2013-2014. Subsequently, as investment in mineral and energy resources fell with commodity prices, this market has seen significant contraction and is expected to continue to see contraction as construction of major LNG projects wind up in northern Australia.

Products and services

As identified earlier, the industry predominately provides installation, upgrade and repair and maintenance services for circuitry in machinery and buildings. Products and services segmentation is expected to be broken down as illustrated below for 2016-2017.

Figure 2: Product segmentation

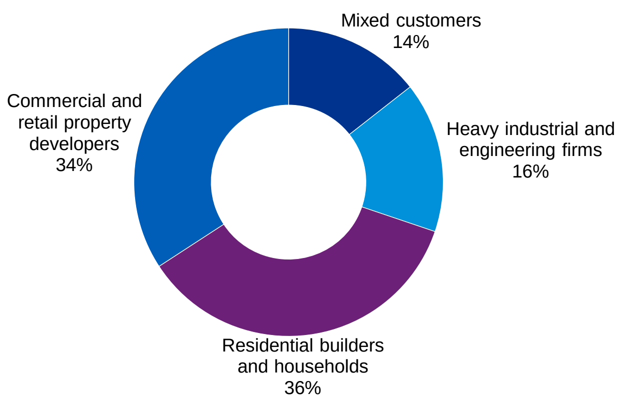


Source: IBISWorld Industry Report – Electrical Services in Australia (November 2016)

Markets

The key markets of electrical services contracts are identified as residential construction, commercial construction and heavy industrial. As a portion of industry revenue each market is expected to contribute the portion illustrated below for 2016-2017.

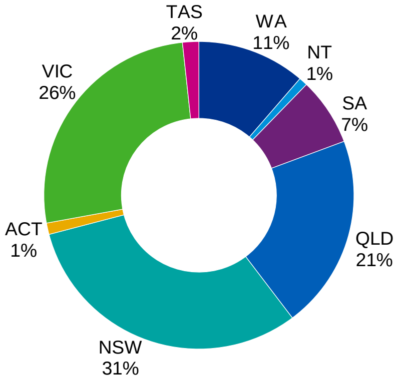
Figure 3: Market segmentation by industry



Source: IBISWorld Industry Report – Electrical Services in Australia (November 2016)

Furthermore, we note that the industry is geographically segmented, with correlation between the geographical distribution of the population and the geographical distribution of enterprises in the electrical services industry in Australia.

Figure 4: Market segmentation by geography



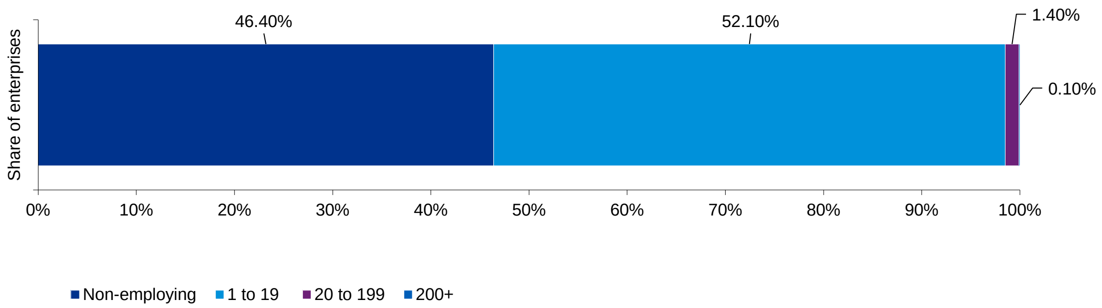
Source: IBISWorld Industry Report – Electrical Services in Australia (November 2016)

Victoria and New South Wales represent the two largest markets, comprising more that 50 percent of the industry in Australia.

Competitive landscape

The electrical services industry in Australia is highly competitive and fragmented. The industry is made up of a large number of individuals and small companies with 0.1 percent of enterprises in the industry estimated as having greater than 200 employees.

Figure 5: Portion of enterprises by employee numbers



Source: IBISWorld Industry Report – Electrical Services in Australia (November 2016)

The majority of localised competition is centred on reputation and price, with price elasticity observed in periods of weak demand. There is also a number of electrical services companies that have standing arrangements with local builders and property managers. Barriers to entry are relatively low once appropriate qualifications and certification have been achieved, with minimal capital expenditure required.

Outlook

In 2016-2017, the industry is expected to generate $18.7 billion in revenue and is expected to achieve growth between 2017 and 2022 of 3.1 percent per annum to reach approximately $21.8 billion by 2022[7].

According to IBISWorld this growth is expected to be supported by a recovery in demand from residential building and infrastructure for 2018-2019 onwards, driving increased revenue and profitability.

[7] Sourced from IBISWorld Industry Report – Electrical Services in Australia (November 2016)

Appendix 4 – Selected listed companies

Programmed Maintenance Services Limited

Programmed Maintenance Services Limited provides staffing, maintenance, and facility management services primarily in Australia and New Zealand to a range of industries including the mining, energy, construction, manufacturing, industrial, infrastructure, utilities, agriculture, communications, transport and logistics, government, health, aged care, and education industries. Programmed Maintenance Services Limited was founded in 1951 and is based in Burswood, Australia.

Service Stream Limited

Service Stream Limited engages in accessing, designing, building, installing, and maintaining networks in Australia. The company provides services to telecommunication, energy and water industries. Service Stream Limited is headquartered in Melbourne, Australia.

BSA Limited

BSA Limited operates as a technical services contracting company in Australia, offering services to the telecommunications, subscription television and communication industries. BSA Limited also provides design and installation services to commercial and industrial buildings. Its Build segment offers design and installation services, such as mechanical, air conditioning, heating and ventilation, refrigeration, and fire services for commercial and industrial buildings. The company's Maintain segment offers maintenance services for commercial and industrial buildings comprising mechanical, air conditioning, heating and ventilation, refrigeration, and fire services. BSA Limited is based in Sydney, Australia.

Southern Cross Electrical Engineering Limited

Southern Cross Electrical Engineering Limited provides specialized electrical, control, and instrumentation installation and testing services for the resources, infrastructure, and heavy industrial sectors in Australia, South America, and the Caribbean. Southern Cross Electrical Engineering Limited was founded in 1978 and is based in Naval Base, Australia.

Arowana International Limited

Arowana International Limited, an investment holding company, primarily provides diagnostic testing services in Australia. It offers thermal imaging and condition monitoring services for use in mechanical and electrical engineering, materials processing, and minerals testing industries. The company also builds, transfers, and operates solar power projects, manages data driven energy services for commercial, industrial, and government customers and provides power support services. The company is headquartered in North Sydney, Australia.

Veris Limited

Veris Limited operates as a diversified infrastructure and survey solutions company in Australia and internationally. It offers survey, planning, and design solutions, including cadastral surveys, subdivision, town planning, urban design, aerial surveying, feature surveys, engineering surveying, hydrographic survey, laser scanning, machine optimization, monitoring and deformation, and computer aided design and tender support services. The company also provides infrastructure services, such as design and construction, water hydraulics and plumbing, power generation and electrical, operation and maintenance, communications, and horizontal directional drilling, as well as asset management, testing, and verification services. The company was formerly known as OTOC Limited and changed its name to Veris Limited in November 2016. Veris Limited is based in Osborne Park, Australia.

HRL Holdings Limited

HRL Holdings Limited engages in the property contamination testing, environmental consulting, and hazardous materials analytical laboratory businesses in Australia and New Zealand. The company offers environmental services including environmental studies, management of safe containment or removal of hazardous contaminates, sampling water and soils for toxic materials, environmental compliance monitoring, contaminated land assessment, ecological assessment, environmental auditing, and project management services. It also engages in the exploration and development of geothermal projects in Victoria. The company is headquartered in Brisbane, Australia.

Appendix 5 – Valuation methodology

Capitalisation of maintainable earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100 percent) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used where the entity subject to valuation operates a mature business in a mature industry, or where sufficiently reliable forecast information to undertake a DCF is not available.

Discounted cash flows

Value is future orientated and accordingly the most theoretically correct manner to assess value is to consider the future earnings stream. Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. In order for a DCF to produce a sensible valuation result, the quality of the underlying cash flow forecasts is fundamental. For assets that have indefinite life, terminal value at the end of the explicit forecast period is determined and that value is discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

Discount rate

The rate at which the future cash flows are discounted should reflect not only the time value of money, but also the risk associated with the business' future operations.

The discount rate typically employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business.

In order to calculate an Equity Value it is necessary to deduct any non-operating debt that may exist in the entity and to add/subtract any other non-operational surplus assets and liabilities.

Net assets approach

Under a net assets approach, total value is based on the sum of net asset values plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to book value multiple, which can then be compared to that of similar transactions or quoted companies.

A net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess relative riskiness of businesses (e.g. relative levels of tangible assets).

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Part Two – Financial Services Guide

Dated 6 March 2017

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Mr Jason Hughes as an authorised representative of KPMG Corporate Finance, authorised representative number 404183 and Mr Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 **(Authorised Representatives)**.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.
This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.
The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Service Stream Limited (**Service Stream**) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and Explanatory Memorandum prepared by Service Stream in relation to the acquisition of Techsafe Australia Pty Ltd and Techsafe Management Pty Ltd (collectively **Techsafe**) (**the Proposed Transaction**).
You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.
KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.
You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.
You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $45,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and

associates will not receive any other fee or benefit in connection with the provision of the Report.
KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership).
KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.
Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.
From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.
Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 367 287
Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:
KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Jason Hughes
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

servicestream
ESSENTIAL NETWORK SERVICES

CORPORATE DIRECTORY

DIRECTORS

Brett Gallagher
Leigh Mackender
Peter Dempsey
Greg Adcock
Raelene Murphy
Deborah Page AM

COMPANY SECRETARIES

Vicki Letcher
Nicole Goding

REGISTERED OFFICE

Level 4
357 Collins Street
Melbourne Victoria 3000

Tel: +61 3 9677 8888
Fax: +61 3 9677 8877
www.servicestream.com.au

BANKERS

Australia & New Zealand Banking Group
HSBC Bank Australia Limited

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067

Tel: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)
Fax: +61 3 9473 2500

AUDITORS

PricewaterhouseCoopers

servicestream
ESSENTIAL NETWORK SERVICES
ABN 46 072 369 870

SSM

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX

Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:30am (AEST) on Monday, 24 April 2017

How to Vote on the Item of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Service Stream Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Service Stream Limited to be held at Service Stream's head office, being Level 4, 357 Collins Street, Melbourne 3000, Victoria on Wednesday, 26 April 2017 at 10:30am (AEST) and at any adjournment or postponement of that meeting.

STEP 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of Proposed Transaction for the purposes of ASX Listing Rules and Chapter 2E of the Corporations Act	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the above item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________ Contact Daytime Telephone ____________ Date ___ / ___ / ___

SSM 224083A Computershare