servicestream
ESSENTIAL NETWORK SERVICES

2017 Annual Report

Annual General Meeting

The Annual General Meeting of
Service Stream Limited will be held at
the RACV City Club
Level 2, 501 Bourke Street, Melbourne
18 October 2017, 10.00am

Service Stream Limited

ABN 46 072 369 870

Annual financial report for the financial year ended
30 June 2017

Service Stream Limited ABN 46 072 369 870

Consolidated financial statements
for the year ended 30 June 2017

Contents

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

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

Level 4, 357 Collins Street Melbourne VIC 3000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and financial performance on pages 4 to 12, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 16 August 2017. The Directors have the power to amend and reissue the financial statements.

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

Directors' report

Your Directors present their report on the consolidated entity (the Group) consisting of Service Stream Limited and entities it controlled at the end of, or during, the year ended 30 June 2017, and in order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors

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

Brett Gallagher

Chairman

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

Qualification: FAICD.

Brett Gallagher was appointed as Non-Executive Director of Service Stream Limited in April 2010 and was appointed Chairman on 1 March 2015. Brett has over 20 years' experience across the utility and facilities management industries, and was Managing Director and a shareholder of AMRS (now Energy & Water) from 2003 until 2008 when that Group was acquired by Service Stream.

Brett is a member of the Sustainability, Safety, Health & Environment Committee and holds directorships and interests in a number of private businesses that operate predominately in the utilities sector.

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

Leigh Mackender

Managing Director

Term of Office: Managing Director since May 2014.

Qualification: MBA.

Leigh Mackender joined Service Stream Limited when it acquired AMRS (now Energy & Water) in February 2008, prior to which he held various management roles with the AMRS business since joining in 2005.

Prior to being appointed Managing Director, Leigh was responsible for overseeing the Energy & Water business' national operations which includes metering, asset inspection and in-home services divisions operating across the electricity, gas and water markets.

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

Leigh is a member of the Sustainability, Safety, Health & Environment Committee.

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

Peter Dempsey

Non-Executive Director

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

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

Peter Dempsey was appointed as Non-Executive Director of Service Stream Limited on 1 November 2010 and held the role of Chairman until February 2015. Peter has extensive construction and development experience and has been involved in these industries for the last 40 years. In 2003, he retired from A W Baulderstone Pty Ltd after a 30 year career, the last five years as Managing Director. Baulderstone undertook some of Australia's largest building and civil infrastructure projects with annual revenues up to $1.5 billion during his tenure. The company was also involved in projects for the resources sector, with operations in all Australian mainland states, Papua New Guinea, Indonesia and Vietnam.

Peter is Chairman of the Remuneration and Nomination Committee, a member of the Audit and Risk Committee and the Sustainability, Safety, Health & Environment Committee and is the lead Independent Director. As lead Independent Director, Peter assumed the role of Chairman of the Independent Board Committee established to oversee all aspects of evaluating the Techsafe acquisition, which received shareholder approval at the Company's Extraordinary Meeting held on 26 April 2017.

Peter is currently a Non-Executive Director of Monadelphous Limited, as well as holding other Board roles with private construction and charitable organisations.

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

Greg Adcock

Non-Executive Director

Term of Office: Non-Executive Director since June 2016.

Qualifications: MAICD, MAIPM.

Greg Adcock was appointed as Non-Executive Director of Service Stream Limited on 1 June 2016. Greg brings commercial and operational expertise developed from senior executive roles at Telstra Corporation where his career spanned more than 20 years, and more recently at nbn co where he was the Chief Operating Officer responsible for the key operational and commercial elements of Australia's largest infrastructure project.

Greg's roles at Telstra included overseeing business and capital planning, contract establishment, operational process optimisation, regulatory compliance, strategic projects and the group's productivity initiative program. His experience includes developing and implementing construction contracting strategies as well as having been the Superintendent on major construction contracts.

Greg has worked in and around major projects for over 25 years and began his career outside of Telstra in IT services with various roles at Lindemans Wines, GE, and Aristocrat including the computerisation of manufacturing and accounting systems.

Greg brings to Service Stream a broad telecommunications and operational management background with a strong focus on commercial and project discipline.

Greg is Chair of the Sustainability, Safety, Health & Environment Committee and is a member of the Remuneration and Nomination Committee.

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

Raelene Murphy

Non-Executive Director

Term of Office: Non-Executive Director since November 2015.

Qualifications: BBus, CA, GAICD.

Raelene Murphy has a proven track record in financial and operational performance improvement both as an advisor and in CFO and CEO roles across a number of industry sectors in the private and public arena.

Raelene's industry experience includes as CEO of the Delta Group, a leading diversified recycling and construction industry service provider employing over 1,000 people Australia-wide and senior roles locally and internationally with Mars Inc., one of the largest food manufacturers globally (turnover in excess of $30 billion), in planning, finance and supply chain management. Raelene's advisory career has been as Managing Director of KordaMentha, where she was a lead partner on the Federal Government's strategic review of the nbn and as a partner in a national accounting firm where she led financial and operational improvement advisory.

Raelene is a member of the Audit and Risk Committee and Remuneration and Nomination Committee.

Raelene is a Non-Executive Director of Tassal Group Limited, Bega Cheese Limited, Altium Limited, Stillwell Motor Group and Deputy Chairman of the DOXA Youth Foundation.

During the last three years, Raelene held a listed company directorship with EVZ Limited (resigned March 2016).

Deborah Page AM

Non-Executive Director

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

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

Deborah Page, a Chartered Accountant, has held senior executive positions with the Commonwealth Bank, Allen, Allen & Hemsley, IBM and the Lend Lease Group and is a former KPMG partner. She brings expertise developed from finance and operational executive roles and from her professional background in external audit and corporate advisory. Since 2001 she has worked exclusively as a Non-Executive Director across a range of industries, including energy, insurance, financial services and property.

Deborah is Chairman of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee. Deborah is currently a Non-Executive Director of Brickworks Limited, BT Investment Management Limited and GBST Holdings Limited.

During the last three years, Deborah held listed company directorship with Australian Renewable Fuels Limited (retired October 2015) and Investa Listed Fund Management Limited, responsible entity of Investa Office Fund (resigned April 2016).

Directors' shareholdings

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

	Service Stream Limited	
Directors	Fully paid ordinary shares Number	Performance rights Number
B Gallagher	5,376,126	-
P Dempsey	1,441,775	-
G Adcock	50,000	-
R Murphy	-	-
D Page	409,268	-
L Mackender	1,749,499	1,000,000

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' report, on pages 15 to 21. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

Performance rights granted to Directors and senior management

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

	Service Stream Limited	
Director and senior executives	Number of rights granted	Number of ordinary shares under rights
L Mackender	1,000,000	1,000,000
R Grant	700,000	700,000
P McCann	650,000	650,000
M Saloyedoff	650,000	650,000
K Smith	650,000	650,000
	3,650,000	**3,650,000**

Company secretaries

Vicki Letcher

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

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

Vicki commenced maternity leave with effect 8 December 2016.

Nicole Goding

Nicole Goding joined Service Stream in May 2010 and most recently held the role of Group GM Finance and Treasury before being appointed Company Secretary in December 2016. Nicole holds a Bachelor of Economics and is also a member of the Institute of Chartered Accountants.

Nicole is responsible for the corporate administration, governance and risk management of the Group, along with having responsibility for Group Internal Audit. Prior to joining Service Stream, Nicole worked across a number of industries, including toll road networks, digital advertising and professional services.

Principal activities

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

Review of operations and financial performance

Financial overview

Service Stream has delivered another year of growth with significant improvements recorded for the financial year ended 30 June 2017 (FY17) across all key profitability measures. In addition, the Company further improved its Net Cash position during the year notwithstanding an increase in dividends and the acquisition of the TechSafe business during the year.

Key financial measures

$ million	FY17	FY16	Change		
Profitability:					
Revenue	501.8	438.9	62.9	14%	▲
EBITDA	48.4	35.8	12.5	35%	▲
EBITDA %	9.6%	8.2%	1.5%		▲
EBITA	45.3	32.0	13.3	42%	▲
EBIT	40.9	28.4	12.5	44%	▲
Net profit after tax	28.4	20.0	8.4	42%	▲
Cashflow & Capital Management:					
Operating cashflow	50.7	62.3	(11.6)	(19%)	▼
Net cash	49.9	41.1	8.8	21%	▲
Earnings per share (cents)	7.78	5.20	2.58	50%	▲
Dividends declared per share (cents)	4.50	2.50	2.00	80%	▲
Adjusted Profitability:					
Adjusted[1]EBIT	41.8	28.4	13.4	47%	▲
Adjusted[1]NPAT	29.1	20.0	9.1	45%	▲
Adjusted[1]EPS (cents)	7.97	5.20	2.77	53%	▲

[1] *Adjusted for TechSafe acquisition costs and amortisation of customer contracts*

All financial measures and period-on-period changes thereto, are rounded to the displayed number of decimal places

Revised operating segments

As a consequence of an organisational restructure undertaken during the year, the Company has revised its operating segments to be Fixed Communications, Network Construction and Energy & Water. The FY17 results have been presented on the new segment basis, with comparative results for FY16 restated accordingly.

A description of each of the Company's new operating segments can be found in the business activities and outlook section on page 9 of this report.

TechSafe acquisition

Following approval by Service Stream shareholders at an Extraordinary General Meeting held on 26 April 2017, the Company completed the acquisition of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd (TechSafe) on 28 April 2017.

TechSafe is based in Melbourne and provides inspection, auditing and compliance services nationally to electricity network owners, electricity industry regulators, government entities and electrical contractors.

Details of the business combination arising from the TechSafe acquisition can be found in note 19 to the financial statements.

The TechSafe business is part of the Energy & Water segment, and has provided two month's contribution to the financial performance of that segment for FY17.

Group results

Group revenue improved to $501.8 million from $438.9 million with the 14% year-on-year increase attributable to growth in each of the three reporting segments of Fixed Communications (+18%), Network Construction (+11%) and Energy & Water (+15%).

Group earnings before interest, tax, depreciation and amortisation (EBITDA) improved to $48.4 million from $35.8 million with the 35% year-on-year increase following growth in the same metric in FY16 and FY15 of 41% and 53% respectively. As with revenue, EBITDA growth was achieved by each of Fixed Communications (+48%), Network Construction (+11%) and Energy & Water (+51%).

Group earnings before interest and tax (EBIT) improved to $40.9 million from $28.4 million with the 44% year-on-year increase attributable to the increase in EBITDA with total depreciation and amortisation charges remaining largely in line with the prior period.

Group net profit after tax (NPAT) improved to $28.4 million from $20.0 million with the 42% increase attributable to the aforementioned improvement in EBIT.

Basic earnings per share (EPS) improved to 7.78 cents from 5.20 cents with the increase attributable to the significant increase in NPAT.

Group operating cashflow before interest and tax (OCFBIT) of $56.9 million, whilst being 11% lower than the $63.7 million recorded in the previous year, was once again greater than EBITDA for the period due to the impact of non-cash items in the P&L and further reductions in net working capital.

Operating cashflow of $50.7 million was similarly strong after factoring in tax payments of $6.1 million.

A final dividend of 3.0 cents (fully-franked) has been declared in respect of FY17, taking total dividends in respect of the year to 4.5 cents (fully-franked) compared to 2.5 cents (fully-franked) in respect of FY16.

Other cash outflows for the year included $17.1 million as initial consideration for the TechSafe acquisition, $8.7 million associated with capital expenditure net of proceeds from the sale of assets, and $3.9 million associated with the purchase of shares to satisfy share-based incentive scheme obligations.

The Group concluded the year with Net Cash of $49.9 million. This is an increase of $8.8 million over the previous year-end Net Cash of $41.1 million notwithstanding distributions paid to shareholders during the year in the form of dividends totaling $11.0 million and outflows associated with the TechSafe acquisition.

Adjusted Group results

As a consequences of the Company's acquisition of TechSafe during the year, $0.5 million of transaction costs were incurred and a $0.5 million charge for the amortisation of acquired customer contracts has been recorded. After adjusting for the tax-effected impact of these items, Adjusted EBIT for the year is $41.8 million, Adjusted NPAT is $29.1 million and Adjusted EPS is 7.97 cents.

Segment results

$ million	FY17		FY16		Change	
Fixed Communications	215.6		182.0		33.6	
Network Construction	196.8		177.8		19.0	
Energy & Water	94.6		82.0		12.7	
Eliminations & interest received	(5.2)		(2.8)		(2.4)	
Total Revenue	501.8		438.9		62.9	
Fixed Communications	25.8	11.9%	17.4	9.5%	8.4	2.4%
Network Construction	20.9	10.6%	18.9	10.6%	2.0	(0.0%)
Energy & Water	7.6	8.0%	5.0	6.1%	2.6	1.9%
Unallocated corporate costs	(5.9)	(1.2%)	(5.4)	(1.2%)	(0.5)	0.1%
Total EBITDA	48.4	9.6%	35.8	8.2%	12.5	1.5%
Depreciation	(3.0)		(3.8)		0.8	
EBITA	45.3	9.0%	32.0	7.3%	13.3	1.7%
Amortisation	(4.0)		(3.6)		(0.4)	
Amortisation of customer contracts	(0.5)		0.0		(0.5)	
EBIT	40.9	8.1%	28.4	6.5%	12.5	1.7%
Net financing costs	(0.2)		0.1		(0.2)	
Income tax expense	(12.3)		(8.5)		(3.8)	
Net profit after tax	28.4	5.7%	20.0	4.6%	8.4	1.1%

All financial measures and period-on-period changes thereto, are rounded to the displayed number of decimal places.

Revenue

Revenue increased by $62.9 million compared to the prior corresponding period driven primarily by:

- Fixed Communications revenue was up (+$33.6 million) with a breakdown of revenue from the key business activities detailed in the table below. The increase in revenue was primarily due to a significantly higher number of customer connections and related services being performed for nbn under the Field Service Delivery (FSD) and Operations and Maintenance Master Agreement (OMMA) ticket-of-work contracts. Other customers includes Telstra and PIPE Networks (part of the TPG group).

$ million	FY17	FY16	Change
nbn Activations & Assurance	146.3	119.4	26.9
nbn Minor Projects	13.3	12.7	0.6
Other customers	55.9	49.8	6.1
Total Revenue: Fixed Communications	215.6	182.0	33.6

- Network Construction revenue was up (+$19.0 million) with a breakdown of revenue from the key business activities detailed in the table below. The increase in revenue was primarily due to a significant increase in predominantly fibre-to-the-node (FTTN) construction activity for nbn under the Multi-technology Integrated Master Agreement (MIMA). Elsewhere, works undertaken for wireless carriers remained in line with the previous year, whilst nbn New Developments saw a decline in revenue as activities wound-down following expiry of that contract during the year, and there was a reduced contribution from other following closure of certain underperforming activities during the previous year.

$ million	FY17	FY16	Change
nbn MIMA & DCMA	41.1	8.9	32.2
nbn New Developments	34.1	43.8	(9.7)
Wireless	120.5	120.2	0.4
Other & Eliminations	1.1	4.9	(3.8)
Total Revenue: Network Construction	196.8	177.8	19.0

- Energy and Water revenue was up (+$12.7 million) with a breakdown of revenue from the key business activities detailed in the table below. The increase in revenue was primarily due to a significant increase in metering services activity that included an increase in the number of smart meter installations undertaken for AGL Active Stream and commencement of a number of new contracts during the year. In addition, the TechSafe business contributed $2.8m of revenue following its acquisition on 28 April 2017. This was offset by a decline in revenue from new energy activities due to fewer residential solar PV installations.

$ million	FY17	FY16	Change
Metering services	72.5	56.7	15.9
New energy	9.9	16.1	(6.2)
TechSafe	2.8	0.0	2.8
Other & Eliminations	9.4	9.2	0.2
Total Revenue: Energy & Water	94.6	82.0	12.7

Earnings before interest, tax, depreciation and amortisation

The Group's EBITDA of $48.4 million for the year was an increase over the prior year by $12.5 million.

- Fixed Communications achieved an EBITDA of $25.8 million for FY17 which represents an improvement of $8.4 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 2.4 percentage point increase in margin on the back of scale efficiencies, improved productivity, a larger concentration of revenue from contracts with client-provided-materials and benefits arising from the successful close-out of the nbn FSD contract which has, for all intents and purposes, now been rolled into the nbn OMMA contract.
- Network Construction recorded EBITDA of $20.9 million for FY17. This represents an improvement of $2.0 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above whilst margin remained in line with the previous year.
- Energy & Water reported an EBITDA of $7.6 million for FY17, an increase of $2.6 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.9 percentage point increase in margin on the back of scale efficiencies and improved productivity in metering services and a more favourable mix of work arising from the inclusion of higher margin revenue from TechSafe.

Depreciation and amortisation

- A depreciation charge of $3.0 million was recorded for the period in relation to the Group's plant and equipment. This was $0.8 million lower than the charge in the prior year.
- An amortisation charge of $4.0 million was recorded for the period in relation to the Group's software. This was $0.4 million higher than the charge in the prior year.
- A charge of $0.5 million was recorded for the period in relation to the amortisation of customer contracts acquired as part of the TechSafe acquisition. Since TechSafe was only acquired in April 2017, there was no corresponding charge in the prior year.

Net financing costs

- The Group earned interest income of $0.7 million for the year, which was offset by line fees and establishment costs associated with a refinancing of the Group's banking facilities during the year of $0.8 million for a net financing cost of $0.2 million. This compared to a $0.1 million net financing benefit in the previous year.

Tax

- An income tax expense of $12.3 million was recorded for the period. Whilst income tax expense was $3.8 million higher than the prior period, the increase was in line with higher profit before tax and the effective tax rate for the year of 30.3% was in line with expectations.

Cashflow

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

- Net cashflow from operations was $50.7 million compared to $62.3 million in the prior period. The $11.6 million reduction can be attributed to:
    - Service Stream operations generated $56.9 million in operating cashflow before interest and tax (OCFBIT) for the year compared to $63.7 million in the prior period. Both periods produced greater OCFBIT than EBITDA due to the favourable impact of non-cash items in the P&L and year-on-year reductions in net working capital;
    - Cash flows associated with financing for the year netted to nil compared to the previous year which saw a net cash inflow of $0.3 million; and
    - Tax payments totalling $6.1 million were made during the year, compared to only $1.7 million in the prior year which saw the resumption of tax payments after the utilisation of accumulated tax losses.
- Net investing cash outflows for the year increased to $25.9 million compared to $8.3 million in the previous year and comprised:
    - $17.1 million associated with the initial consideration for the TechSafe acquisition;
    - $8.8 million of capital expenditure investment in technology and plant & equipment compared to $9.5 million in the previous year; net of
    - $0.1 million of proceeds from the sale of assets compared to $1.2 million in the previous year.
- Net financing outflows for the year included:
    - $11.0 million paid in dividends, an increase of $3.2 million over the previous year; and
    - $3.9 million expended to acquire shares in Service Stream Limited and used to satisfy the Group's obligation under certain share-based incentive arrangements.

Financial position

The financial position of the Group improved during the year with Net Assets increasing by $21.0 million to $206.3 million. At 30 June 2017 Current Assets exceeded Current Liabilities by $68.1 million (30 June 2016: $67.0 million).

Net cash and financing facilities

- The Group ended the year with Net Cash of $49.9 million, an increase of $8.8 million over the $41.1 million balance at the prior period end. Net Cash at 30 June 2017 comprised cash of $50.9 million less the outstanding balance under the IT Infrastructure finance lease of $1.0 million.
- During the year, the Group finalised an extension of its banking facilities for a term of three years to 30 September 2019.
- Also during the year, the Group entered into an agreement for a refresh of IT infrastructure that, due to its nature, qualified for classification as a finance lease.
- Bank guarantee utilisation at year-end of $25.0 million was significantly higher than the prior year-end's $13.6 million due primarily to additional bank guarantee requirements under new and expanded contracts with nbn co.
- The Group's finance facilities at 30 June 2017 comprised cash advance lines totaling $25.0 million (drawn: Nil), bank guarantee facilities totaling $30.0 million (drawn: $25.0 million) and overdraft facilities totaling $5.0 million (drawn: Nil).
- The Group was in compliance with, and had substantial headroom on each of the financial covenants that applied during the year under the Syndicated Facilities Agreement with its bankers Australia & New Zealand Banking Group and HSBC Bank Australia Limited.

Other Balance Sheet items / movements

Other key balance sheet movements during the year included:

- Working capital (comprising the net of trade & other receivables, inventories, accrued revenue, trade & other payables, income in advance, provisions and lease incentives) at 30 June 2017 was a net asset position of $21.7 million inclusive of a liability of $1.7 million in respect of TechSafe acquisition consideration payable and reflected a $5.8 million decrease from the prior year's closing balance of $27.5 million.
- Plant and equipment at 30 June 2017 was $5.9 million compared to $6.2 million at 30 June 2016 and reflects the annual depreciation charge (-$3.0 million) exceeding additions for the year (+$2.7 million) including assets acquired as part of the TechSafe acquisition (+$0.5 million).
- Intangibles of $148.7 million increased by $24.4 million over the prior period-end with software additions (+$7.8 million) and goodwill (+$14.1 million) and customer contracts (+$6.9 million) arising from the TechSafe acquisition exceeding the aggregate amortisation charge for the year (-$4.5 million).

Business activities and outlook

Fixed Communications

Fixed Communications provides a wide range of operations and maintenance and minor works services to the owners of fixed-line telecommunications networks in Australia. Service capability includes customer connections and service assurance as well as minor projects for asset remediation, augmentation and relocation. Principal customers include nbn co and Telstra.

- Fixed Communications' financial performance in FY17 improved over the prior year, delivering an EBITDA of $25.8 million and revenue of $215.6 million (11.9% margin), compared with EBITDA of $17.4 million and revenue of $182.0 million (9.5% margin) in the prior year.
- During the year, Fixed Communications continued to deliver services to nbn under the FSD, OMMA and Network Maintenance Restoration Activities (NMRA) contracts, to Telstra under the Asset Relocation & Commercial Works (ARCW) contract, and to Telstra and PIPE Networks (part of the TPG Group) under various minor works contracts.
- Operation of the FSD contract with nbn has now ceased, with any fibre-to-the-premise (FTTP) activations going forward to be performed under the technology-agnostic OMMA contract.

Network Construction

Network Construction provides turnkey services associated with the engineering, design and construction of infrastructure projects across Australia, principally in the telecommunications sector. Service capability includes program management, site acquisition, town planning, design, engineering and construction management for projects in wireless and fixed-line telecommunications, signaling and power. Principal customers include nbn co and wireless carriers.

- Network Construction's financial performance in FY17 also saw improvement with EBITDA of $20.9 million and revenue of $196.8 million (10.6% margin) compared with EBITDA of $18.9 million and revenue of $177.8 million (10.6% margin) in the prior year.
- During the year, Network Construction expanded its delivery of predominantly fibre-to-the-node (FTTN) construction activity to nbn under the MIMA contract, and continued its delivery of site acquisition, engineering, design and construction services to wireless customers including Telstra, Vodafone Hutchison Australia (VHA), Nokia Solutions and Networks Australia Pty Ltd on the Optus wireless network, NSW Telco Authority and Axicom (previously known as Crown Castle Australia).
- The nbn New Developments contract ceased during the year, however Network Construction was awarded a new two-year nbn Design & Construction Master Agreement (DCMA) for the design and construction of fibre-to-the-curb (FTTC) works in Victoria.

Energy & Water

Energy & Water provides a range of specialist metering, in-home and new energy services to electricity, gas, and water networks across Australia; through the TechSafe business, provides inspection, auditing and compliance services to electricity network owners and regulators, government entities and electrical contractors nationally; and through the Customer Care business, provides contact centre services and workforce management support for key contracts.

- Energy & Water's financial performance in FY17 also saw improvement with EBITDA of $7.6 million and revenue of $94.6 million (8.0% margin) compared with EBITDA of $5.0 million and revenue of $82.0 million (6.1% margin) in the prior year.
- The acquisition of TechSafe was completed on 28 April 2017, resulting in two months revenue ($2.8 million) being reflected in Energy & Water's financial performance for FY17 in line with Management's expectation.

- During the year, Energy and Water completed the installation of 106,000 new electricity smart meters for AGL retail customers under its contract with Active Stream (a wholly-owned subsidiary of AGL Energy Limited) compared to 41,000 in the previous year.
- During the year Energy & Water completed 896 (FY16: 2,354) residential solar PV installations at an average size of 4.0kw (FY16: 4.1kw) representing total installed capacity of 3.6 megawatts (FY16: 9.7 megawatts) as well as 222 (FY16: 91) commercial solar PV installations with an average size of 27.3kw (FY16: 17.6kw) representing total installed capacity of 6.1 megawatts (FY16: 1.6 megawatts).

Overall Group strategy, prospects and risks

The financial performance of the Group further improved during the year, and the Group delivered on its strategic plan in line with the Board's expectation, including an organisational restructure to better align skills and competencies within the business with service delivery to the Group's major customers in the telecommunications sector.

The Board is particularly pleased with the consistency of service delivery under Fixed Communications' and Network Construction's various contracts with nbn co, the successful integration and future prospects of the TechSafe acquisition, and improvements that the Group continues to make in working capital management and cash generation.

The Board believes that the Group remains well placed to continue to take advantage of organic growth opportunities as they present, and that demand for essential network services is expected to remain strong in the medium term.

- The Australian government's investment in the National Broadband Network will continue to provide growth opportunities for Fixed Communications.
- Increasing demand for mobile data and advances in technology, including the potential roll-out of 5G technology, will continue to drive investment in the development and augmentation of wireless infrastructure and provide growth opportunities to Network Construction.
- Energy network owners, retailers and governments will continue to pursue better demand-side management, use of consumption data and distributed generation presenting significant opportunities in smart metering, in-home services such as solar PV and battery storage, and asset maintenance for Energy & Water.

Given the Group's strong financial position and in particular its Net Cash balance of $49.9 million as at 30 June 2017, the Board continues to review the Group's capital management strategy to ensure it remains effective at maximising shareholder value. In this context, the Board:

- has declared an increased final dividend of 3.0 cents per share (fully-franked) taking total dividends in respect of FY17 to 4.5 cents per share (fully-franked) in line with the Group's progressive dividend policy approach; and
- has authorised management to continue to work through a disciplined process of identifying and evaluating further business expansion opportunities including potential acquisitions.

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

Customer concentration	Management and the Board are conscious of the Group's exposure to a small number of key customers and infrastructure programs across the telecommunications and utility sectors as a source of revenue and profitability, but accepts that concentration to customers such as nbn co, Telstra and VHA is a natural consequence of operating across these markets in Australia. In that context, Management and the Board remain alert to factors that could disrupt or delay the flow of work from its major customers, and implement strategies to actively pursue the diversification of income streams both within and separate to those customers by developing and offering a broad range of services and geographic coverage. In FY17, the Group acquired TechSafe, the market leading independent electrical inspection and auditing business in Australia. Whilst relatively modest in size, the acquisition does support Management's objective of diversifying the Group's revenue stream. The Energy & Water segment continues to win new (albeit relatively small) contracts in the "disruptive energy" sector, related to the installation of commercial solar, battery storage technology and electrical vehicle charging infrastructure.
Customer demand	Many of the Group's customer contracts do not contain volume commitments and are therefore dependent on the customer's demand requirements which can change at any time. Whilst Management and the Board take a balanced view on the level of customer demand that is expected to arise under each of these contracts when forecasting financial performance, there is a risk that the level of customer demand may change over time.

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

Contract management

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

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

Management and the Board therefore remain focused on ensuring that appropriate contract management disciplines are effectively embedded in the organisation to manage contract risks and to maximise contract entitlements.

In that context, a now well-established Group Commercial function is in place, reporting directly to the Managing Director. A revised New Business / Bid Management Framework has already been developed and implemented, and contract management disciplines are progressively being enhanced across the Group.

Renewal of customer contracts

Whilst the Group has been successful in renewing and extending the majority of all customer contracts that have recently expired, the renewal of contracts remains a risk that Management and the Board continues to actively monitor and manage.

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

During FY17, the Group was successful in securing a further two-year term on its Wireless Design and Construction Agreement with Vodafone Hutchison Australia and also secured a new Design and Construction Master Agreement (DCMA) with nbn co for a two-year term.

Retention of key personnel and sourcing of subcontractors

The talents of a growing, yet relatively small number of key personnel contribute significantly to the Group's operational effectiveness. Management and the Board have implemented strategies to retain those personnel, including participation in appropriate incentive arrangements and participation in the Group's employee development, talent identification and succession programs.

Access to an appropriately skilled and resourced pool of subcontractors across Australia is also critical to Service Stream's ability to successfully secure and complete field-based work for its customers. Throughout FY17, Management continued to focus on mobilising large numbers of subcontractors to undertake an increased volume of work for clients such as nbn co. The business continues to make appropriate capital investments in IT-related platforms which assist with the engagement, deployment and daily management of the business' growing subcontractor base.

Working with potential safety hazards

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

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

During FY17, the Group's safety performance across all major performance metrics, including those related to Total Reportable Incidents, Lost Time Injuries, Medical Treated Injuries and High Potential Incidents improved further following significant improvements achieved in the prior year.

Digital disruption

As technology continues to change and evolve at a rapid pace, it is possible that such advances may cause disruptions to certain elements of the markets in which Service Stream operates, or to services that Service Steam provides.

Management and the Board spend time each year during a planning cycle to update the Group Strategic Plan which extends across a four-year horizon. This planning process includes a detailed assessment of relevant external factors, including digital disruption or technological changes, which may have a bearing on the Group's current markets and service offerings.

Management and the Board aim, wherever possible, to anticipate likely future changes, ensuring the Group remains well positioned to adapt and take advantage of changing landscapes. In this context, the Company successfully trialled the use of drone technology for wireless tower asset inspection during the year, and was selected by AGL as its contractor to deploy a virtual power plant comprising solar PV and battery storage infrastructure for up to 1,000 homes and small businesses in metropolitan Adelaide.

Information technology systems

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

Management and the Board remain alert to ensuring that sufficient funds are made available to maintain fit-for-purpose system applications and infrastructure, and that IT investments are appropriately prioritised as part of the Group's annual strategic planning process and are undertaken effectively.

In FY17, several enhancements and system changes were implemented and two of three planned phases of a major project to upgrade the Group's enterprise-wide project management, financial and supply chain systems were successfully completed.

Finally, a Group-wide assessment of IT infrastructure, including the business' core systems and applications, was completed during the year. The business is subsequently undertaking a program to consolidate its infrastructure and service providers, aimed at strengthening infrastructure reliability and improving business continuity recovery times, which is forecast for completion in late 2017.

Dividends

Dividends paid or declared by the Company during and since the end of the year are set out in note 17 to the financial statements and further set out below:

	Final 2017	Interim 2017	Final 2016
Per share (cents)	3.00	1.50	1.50
Total amount ($'000)	10,956	5,478	5,394
Franked	100%	100%	100%
Payment date	28 September 2017	13 April 2017	29 September 2016

Significant changes in the state of affairs

Except for as stated in the review of operations and financial performance, there was no significant change in the state of affairs of the Group during the financial year.

Matters subsequent to the end of financial year

Other than elsewhere disclosed in the financial statements, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental regulation

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

Shares under performance rights

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

Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
FY15 LTIP Tranche	Ordinary	$0.00	September 2017	1,930,951
FY16 LTIP Tranche	Ordinary	$0.00	September 2018	1,651,356
FY17 LTIP Tranche	Ordinary	$0.00	September 2019	980,219
FY17 ESBIP Tranche	Ordinary	$0.00	16 August 2017	5,150,000
				9,712,526

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

In accordance with the Employee Share Ownership Plan the shares relating to the Long Term Incentive Plan (LTIP) and Executive Share-based Incentive Plan (ESBIP) tranches will be issued to participants after release of the financial statements in the relevant financial year, to the extent that the vesting criteria has been satisfied.

Directors' meetings

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

		Meetings of Committees				
	Board meetings	Audit and Risk	Remuneration and Nomination	Sustainability, Safety, Health & Environment	Independent Board Committee (IBC)^	Term of Directorship
NO OF MEETINGS HELD	14	4	4	5	15	
No of meetings attended by						
B Gallagher	13***	4*	4*	5	0^^	7 years
P Dempsey	14	4	4	5	15	7 years
G Adcock	14	4*	4	4	13	1 year
R Murphy	13	4	4	4*	15	2 years
D Page	13	4	3	4*	15	7 years
L Mackender	14	4*	4**	5	15	3 years

* Attended as Standing invitee.

** Attended as a guest for relevant agenda items.

*** Mr Gallagher was excluded from a Board meeting held to consider the TechSafe acquisition.

^ The IBC was established to provide Board governance over the purchase of TechSafe. Refer to note 19 for details of the acquisition.

^^ Due to Mr Gallagher's interest in the Techsafe entities, Mr Gallagher was not a member of the IBC.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretaries, and all officers of the Group and any related body corporate against a liability necessarily incurred as such a Director, Secretary or officer to the extent permitted under the *Corporations Act 2001*.

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

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

Proceedings on behalf of the company

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

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

Non-audit services

Details of any amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 30 to the financial statements.

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

The Directors are of the opinion that the services disclosed in note 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

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

Auditor's independence declaration

The auditor's independence declaration is included on page 23 of the annual financial report.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the rounding-off of amounts in the Directors' report and the financial report. Amounts in the Directors' report and the financial report have been rounded-off to the nearest thousand dollars, in accordance with that Instrument.

Corporate governance statement

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

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at http://www.servicestream.com.au/investors/corporate-governance. The corporate governance statement is accurate and up to date as at 16 August 2017 and has been approved by the Board.

Remuneration report

1 Introduction and scope

The Service Stream Limited remuneration report sets out information about the remuneration of Service Stream Limited's key management personnel (KMP) for the year ended 30 June 2017 (FY17). The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

The following table depicts the Directors and Senior Executives of the Group who were classified as KMP for the entire financial year unless otherwise indicated.

Non-Executive Directors	
Brett Gallagher	Chairman
Peter Dempsey	Non-Executive Director
Greg Adcock	Non-Executive Director
Raelene Murphy	Non-Executive Director
Deborah Page	Non-Executive Director
Executive Director	
Leigh Mackender	Managing Director
Senior Executives	
Robert Grant	Chief Financial Officer
Paul McCann	Executive General Manager, Energy and Water
Max Saloyedoff [1]	Executive General Manager, Mobile Communications
Kevin Smith	Executive General Manager, Fixed Communications

[1] Due to the change in the reportable segments during the year (refer to note 2), John Ash was appointed as Executive General Manager, Network Construction with effect from 1 July 2017. At this date, Max Saloyedoff stepped down from his role.

2 Role of the Remuneration and Nomination Committee

The Board's Remuneration and Nomination Committee (RNC) is responsible for reviewing and making recommendations to the Board on the remuneration arrangements for the Non-Executive Directors, the Managing Director and the executive management team including the Senior Executives. Information on the RNC's role and responsibilities is contained in its charter, which is available on the Group's website at www.servicestream.com.au.

Whilst the RNC periodically seeks independent advice from external consultants on various remuneration-related matters, no external consultants were engaged by the Group during the financial year.

3 Executive remuneration policy and framework

Remuneration policy and principles

The Board, through the RNC, reviews the remuneration packages of all KMP on an annual basis. Remuneration packages are set and reviewed with due regard to current market rates and are benchmarked, where relevant, against comparable industry salaries.

The objectives of the Group's remuneration policy are to ensure that the Group:

- Attracts, retains and motivates talented employees;
- Aligns employee activities to the achievement of business objectives;
- Creates a high performance culture that delivers shareholder value;
- Maintains fair, equitable and affordable rates of pay for all employees, based on their performance and the markets in which the Group operates;
- Encourages, recognises and rewards individual, team and group performance on the basis of ability-to-pay and alignment with shareholder returns; and
- Operates a remuneration system that is transparent, accountable, scalable, flexible and consistent, enabling comparison with the external market.

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

Overview of remuneration components

The table below depicts the components of the executive remuneration framework that apply to the Managing Director and Senior Executives. Further details on each of the components are set out in section 5 of this remuneration report.

Fixed remuneration	Incentive remuneration
FY17: Average 41% of total remuneration	FY17: Average 59% of total remuneration [1]
> Fixed salary set by reference to appropriate benchmark information and individual performance	> Fixed number of performance rights issued under an Executive Share-based Incentive Plan (ESBIP)
> Includes superannuation and salary-sacrificed non-monetary benefits	> Performance hurdle linked to annual EPS growth
	> No cash bonuses

[1] The percentage allocation of remuneration between Fixed and Incentive is based on a fair value for each performance right issued under the FY17 ESBIP of 82.5 cents.

4 Linking performance to executive remuneration

Both of the above elements of the executive remuneration framework are linked to the Group's financial performance. Changes to fixed remuneration are determined by an individual's performance and by the Group's capacity to fund any changes. Vesting of performance rights issued under the ESBIP for incentive remuneration is directly linked to the satisfaction of relevant Group financial measures.

The RNC reviews the remuneration packages of all Directors and Senior Executives on an annual basis and makes recommendations to the Board in respect to any changes thereto. Remuneration packages are reviewed with due regard to performance, the relativity of remuneration to comparable companies and the level of remuneration required to attract and compensate Directors and Senior Executives, given the nature of their work and responsibilities.

In considering the Group's financial performance, the RNC has regard to a number of measures including the following:

Key Indicators	2013	2014	2015	2016	2017
Revenue ($'000)	526,593	389,574	411,270	438,940	501,810
EBITDA[1] ($'000)	(13,392)	16,560	25,389	35,818	48,352
Net profit/(loss) after tax ($'000)	(107,054)	2,309	11,720	19,983	28,370
Earnings per share (cents)	(37.77)	0.76	3.03	5.20	7.78
Dividends per share[2] (cents)	1.00	n/a	1.50	2.50	4.50
Share price 30 June (cents)	13.5	18.6	29.7	78.5	132.0

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

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

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

5 Managing Director and Senior Executive remuneration

Fixed remuneration

Fixed remuneration consists of base compensation and statutory superannuation contributions. Executives may also elect to have other benefits provided out of their fixed remuneration, including additional superannuation and the provision of a motor vehicle.

Incentive remuneration

Incentive remuneration consists of participation in the Group’s Executive Share-Based Incentive Plan (ESBIP).

What is the ESBIP and who participates?

The ESBIP is a share-based incentive plan that was established by the Board in 2014 to operate for a five-year period from FY15 to FY19 and offered to the Managing Director and to a small number of other key executives of the time. In establishing the ESBIP, the Board’s aims were to recognise the efforts and loyalty of those individuals during the immediately preceding period of operating challenges and financial instability, provide a retention incentive for those executives identified as being key to leading the Group's return to sustainable profitability, and link their reward with the creation of shareholder value. Participation in ESBIP was conditional on each invited executive agreeing to forego participation in any short-term cash bonus arrangement and the Long Term Incentive Plan (LTIP) applicable to that five-year period.

The Managing Director and each of the Senior Executives listed in section 1 of this remuneration report are participants in the ESBIP. The Board does not propose to offer ESBIP participation to any additional employees, including those Senior Executives appointed on or after FY15.

How does the ESBIP operate?

The ESBIP operates via the allocation of performance rights that are subject to satisfaction of EPS performance conditions. Upon admission to the ESBIP, each participating executive is provided with an ESBIP invitation that sets out the rules and mechanics of the plan, and provides details regarding the number of rights that will be offered to that executive on an annual basis (by way of an annual offer letter) over the plan’s term. Each performance right converts into one ordinary share of Service Stream Limited upon vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights.

The number of performance rights offered to the Managing Director and Senior Executives under the ESBIP have been endorsed by the RNC and approved by the Board and by shareholders in the case of the Managing Director.

What is the performance period?

ESBIP performance rights are issued in respect of a particular financial year and are subject to the satisfaction of performance hurdles over an initial one-year performance period. Any performance rights which do not vest at the end of the initial performance period will be tested again at the end of year two, and if necessary the end of year three (Aggregate Period). Any rights which have not vested at the end of the Aggregate Period will lapse.

What are the performance hurdles?

The performance hurdles for each ESBIP grant are based on the following:

- The participant must be an employee at the latter of the date on which the Company releases its results for the financial year to which the ESBIP grant applies or otherwise determines that the vesting conditions have been satisfied during the Aggregate Period; and
- at least 10% growth in earnings per share (EPS) for the initial performance period is achieved; or
- an average of at least 10% compound growth in EPS per annum for the Aggregate Period is achieved.

Why was this performance condition chosen?

The Board considers the EPS hurdle to be an appropriate measure on the basis that it is a relevant measure of increase in shareholder value, it is a financial outcome that is highly correlated with the effectiveness of ESBIP participants, and it is a financial metric the calculation of which is independently verified by virtue of the audit of the financial statements.

Summary of grants under ESBIP and LTIP

	Balance as at 1 July 2016	Granted as compensation	Vested	Forfeited	Balance as at 30 June 2017	Fair value when granted [2]	Value of shares at vesting
	Number	Number	Number	Number	Number	$	$
L Mackender							
FY14 LTIP	430,556	-	(413,278)	(17,278)	-	77,500	431,421
FY16 ESBIP	1,000,000	-	(1,000,000)	-	-	284,000	909,200
FY17 ESBIP[1]	-	1,000,000	-	-	1,000,000	824,600	n/a
Total	**1,430,556**	**1,000,000**	**(1,413,278)**	**(17,278)**	**1,000,000**		
R Grant							
FY14 LTIP	1,241,389	-	(1,191,573)	(49,816)	-	223,450	1,243,883
FY16 ESBIP	700,000	-	(700,000)	-	-	198,800	636,440
FY17 ESBIP[1]	-	700,000	-	-	700,000	577,220	n/a
Total	**1,941,389**	**700,000**	**(1,891,573)**	**(49,816)**	**700,000**		
P McCann							
FY16 ESBIP	650,000	-	(650,000)	-	-	184,600	590,980
FY17 ESBIP[1]	-	650,000	-	-	650,000	535,990	n/a
Total	**650,000**	**650,000**	**(650,000)**	**-**	**650,000**		
M Saloyedoff							
FY14 LTIP	409,722	-	(393,280)	(16,442)	-	73,750	410,545
FY16 ESBIP	650,000	-	(650,000)	-	-	184,600	590,980
FY17 ESBIP[1]	-	650,000	-	-	650,000	535,990	n/a
Total	**1,059,722**	**650,000**	**(1,043,280)**	**(16,442)**	**650,000**		
K Smith							
FY14 LTIP	245,720	-	(235,859)	(9,861)	-	44,230	246,213
FY16 ESBIP	650,000	-	(650,000)	-	-	184,600	590,980
FY17 ESBIP[1]	-	650,000	-	-	650,000	535,990	n/a
Total	**895,720**	**650,000**	**(885,859)**	**(9,861)**	**650,000**		

Plan	Grant dates	Vesting dates
FY14 LTIP	31 July 2014	6 September 2016
FY16 ESBIP	11 September 2015	17 August 2016
FY17 ESBIP	17 August 2016	16 August 2017

[1] The number of shares relating to the FY17 ESBIP tranche will be issued to the participants after the release of these FY17 financial statements, to the extent that the vesting criteria has been satisfied.

[2] The grant date fair value of all rights on issue to KMP has been expensed as at 30 June 2017 in line with each of the tranche's performance periods.

Performance outcomes

The table below sets out the details of the percentage performance achieved against the applicable share plans, where the rights under the plan either vested or the assessment of the achievement of the relevant performance hurdles were assessed in the current financial year.

Plan	Grant date	Vesting date	Fair value of each performance right at grant date	% of performance hurdles achieved	% of rights vested
FY14 LTIP [1]	31 July 2014	6 September 2016	24.0 cents	96%	96%
FY16 ESBIP [1]	31 August 2015	17 August 2016	28.4 cents	100%	100%
FY17 ESBIP [2]	17 August 2016	16 August 2017	82.5 cents	100%	100%

[1] Rights have vested and shares have been delivered to plan participants.

[2] Both the service and performance criteria have been assessed as met. The relevant number of shares will be delivered to the participants after the release of the FY17 results.

Service agreements

The table below sets out the main terms and conditions of the employment contracts of the Managing Director and Senior Executives.

Title	Notice periods and termination payments
Managing Director and Chief Financial Officer	> 6 months either party (or payment in lieu) > Immediate for serious misconduct or breach of contract > Statutory requirements only for termination with cause
Other Senior Executives	> 3 months either party (or payment in lieu) > Immediate for serious misconduct or breach of contract > Statutory requirements only for termination with cause

Executive remuneration table

		Short-term employee benefits		Post-employment benefits	Long-term employee benefits	Share- based payments			
	Year	Salary and fees	Non-monetary	Super	LSL	Performance rights	Total	Fixed	At Risk
L Mackender	2017	500,000	-	19,616	14,160	824,600	1,358,376	39%	61%
	2016	465,193	-	19,308	14,082	320,393	818,976	61%	39%
R Grant	2017	446,389	-	19,616	7,009	577,220	1,050,234	45%	55%
	2016	437,559	-	19,308	18,649	303,729	779,245	61%	39%
P McCann	2017	270,306	27,864	19,616	8,610	535,990	862,386	38%	62%
	2016	239,551	27,864	19,308	7,385	184,600	478,708	61%	39%
M Saloyedoff	2017	345,604	-	19,616	7,129	535,990	908,339	41%	59%
	2016	328,521	-	19,308	9,828	219,232	576,889	62%	38%
K Smith	2017	340,547	-	19,616	13,282	535,990	909,435	41%	59%
	2016	317,293	-	19,308	13,890	205,370	555,861	63%	37%
Total	**2017**	**1,902,846**	**27,864**	**98,080**	**50,190**	**3,009,790**	**5,088,770**	**41%**	**59%**
	2016	1,788,117	27,864	96,540	63,834	1,233,324	3,209,679	62%	38%

6 Non-Executive remuneration

Overview

Aggregate fees approved by shareholders

The current maximum aggregate fee pool for the Non-Executive Directors is $750,000 as approved by shareholders. Board and committee fees (inclusive of superannuation where applicable) are included in the aggregate pool.

Promote independence and objectivity

Non-Executive Directors are remunerated only by way of fixed fees (inclusive of superannuation where applicable). To preserve independence and impartiality, Non-Executive Directors do not receive any performance related compensation.

Regular reviews of remuneration

Fees are reviewed annually taking into account comparable roles and market data provided by the Board’s independent remuneration advisor.

Non-Executive Directors' remuneration

	Year	Board and Committee fees	Super	Total
B Gallagher	2017	123,288	11,712	135,000
	2016	113,014	10,736	123,750
P Dempsey	2017	95,890	9,110	105,000
	2016	89,041	8,459	97,500
G Adcock[1]	2017	95,890	9,110	105,000
	2016	17,500	-	17,500
R Murphy [2]	2017	105,000	-	105,000
	2016	65,830	-	65,830
D Page	2017	100,457	9,543	110,000
	2016	93,607	8,893	102,500
S Wilks [3]	2016	47,500	-	47,500
Total	**2017**	**520,525**	**39,475**	**560,000**
	2016	426,492	28,088	454,580

[1] G Adcock was appointed to the position of Non-Executive Director on 1 June 2016.

[2] R Murphy was appointed to the position as Non-Executive Director on 18 November 2015 and her remuneration is paid to Wealth For Toil Pty Ltd, a company in which Mrs Murphy has a beneficial interest.

[3] S Wilks held the position of Non-Executive Director until 31 December 2015. Up until this date his remuneration was paid to High Expectations Pty Ltd, a company in which Mr Wilks has a beneficial interest.

7 Shareholdings of key management personnel

	Balance as at 1 July	Received on vesting of performance rights	(Disposed)/ acquired during the year	Balance as at date of appointment	Balance as at date of resignation	Impact of share consolidation	Balance as at 30 June
	No.	No.	No.	No.	No.	No.	No.
2017							
Non-Executives							
B Gallagher[1]	9,682,035	-	(4,305,909)	-	-	-	5,376,126
P Dempsey	1,186,775	-	255,000	-	-	-	1,441,775
G Adcock	-	-	50,000	-	-	-	50,000
R Murphy	-	-	-	-	-	-	-
D Page	364,268	-	45,000	-	-	-	409,268
Executives							
L Mackender	1,136,221	1,413,278	(800,000)	-	-	-	1,749,499
R Grant	1,533,146	1,891,573	(1,300,000)	-	-	-	2,124,719
P McCann	608,522	650,000	(420,000)	-	-	-	838,522
M Saloyedoff	5,913	1,043,280	(1,045,349)	-	-	-	3,844
K Smith	763,957	885,859	(149,064)	-	-	-	1,500,752
2016							
Non-Executives							
B Gallagher	10,390,679	-	-	-	-	(708,644)	9,682,035
P Dempsey	1,073,637	-	200,000	-	-	(86,862)	1,186,775
G Adcock	-	-	-	-	-	-	-
R Murphy	-	-	-	-	-	-	-
D Page	332,928	-	58,000	-	-	(26,660)	364,268
S Wilks[2]	710,911	-	-	-	(710,911)	-	-
Executives							
L Mackender	137,163	1,082,219	-	-	-	(83,161)	1,136,221
R Grant	684,209	961,149	-	-	-	(112,212)	1,533,146
P McCann	-	650,000	3,060	-	-	(44,538)	608,522
M Saloyedoff	-	701,345	(695,000)	-	-	(432)	5,913
K Smith	114,786	702,024	3,060	-	-	(55,913)	763,957

[1] Sale of 5,200,000 shares in August 2016 to support a separate business matter net of purchases in November 2016 and April 2017 totalling 894,091 shares.

[2] S Wilks resigned from his position of Non-Executive Director in December 2015.

8 Voting and comments made at the Company's 2016 Annual General Meeting

The Company received 89% of “yes” votes on its Remuneration Report for the 2016 financial year.

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

On behalf of the Directors

Brett Gallagher
Chairman
16 August 2017

Leigh Mackender
Managing Director
16 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
16 August 2017

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

Consolidated statement of profit or loss and other comprehensive income
for the financial year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations			
Revenue from the rendering of services	3	**501,543**	437,872
Other income	4	**267**	1,068
		501,810	438,940
Expenses			
Employee salaries and benefits		**(132,493)**	(115,836)
Subcontractor fees		**(265,260)**	(234,485)
Raw materials and consumables used		**(16,488)**	(16,562)
Consulting and temporary staff fees		**(6,259)**	(4,061)
Company administration and insurance expenses		**(3,612)**	(3,540)
Occupancy expenses		**(6,884)**	(7,168)
Technology and communication services		**(9,582)**	(9,415)
Motor vehicle expenses		**(8,344)**	(7,648)
Depreciation and amortisation	6	**(7,479)**	(7,410)
Interest expense and other finance costs	5	**(838)**	(639)
Other expenses		**(3,869)**	(3,703)
Profit before tax		**40,702**	28,473
Income tax expense	7	**(12,332)**	(8,490)
Profit for the year		**28,370**	19,983
Total comprehensive income for the year		**28,370**	19,983
Profit attributable to the equity holders of the parent		**28,370**	19,983
Total comprehensive income attributable to equity holders of the parent		**28,370**	19,983
Earnings per share			
Basic (cents per share)	8	**7.78**	5.20
Diluted (per share)	8	**7.62**	5.07

Notes to the financial statements are included on pages 28 to 61

Consolidated balance sheet
as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	20	**50,897**	41,086
Trade and other receivables	9	**48,921**	39,337
Inventories		**3,566**	5,858
Accrued revenue	10	**70,845**	59,022
Other	13	**3,004**	2,427
Total current assets		**177,233**	147,730
Non-current assets			
Plant and equipment	11	**5,857**	6,244
Intangible assets	12	**148,683**	124,318
Total non-current assets		**154,540**	130,562
Total assets		**331,773**	278,292
LIABILITIES			
Current liabilities			
Trade and other payables	14	**83,416**	60,718
Current tax liabilities		**10,211**	6,792
Finance lease		**353**	-
Provisions	15	**14,401**	12,174
Lease incentives		**781**	1,023
Total current liabilities		**109,162**	80,707
Non-current liabilities			
Provisions	15	**4,927**	3,444
Deferred tax liability (net)	7	**9,605**	6,994
Lease incentives		**1,102**	1,796
Finance lease		**657**	-
Total non-current liabilities		**16,291**	12,234
Total liabilities		**125,453**	92,941
Net assets		**206,320**	185,351
EQUITY			
Capital and reserves			
Contributed equity	16	**233,151**	228,001
Reserves		**4,590**	6,191
Accumulated losses		**(31,421)**	(48,841)
Total equity		**206,320**	185,351

Notes to the financial statements are included on pages 28 to 61

Consolidated statement of changes in equity
for the financial year ended 30 June 2017

	Contributed equity	Employee equity-settled benefits reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2015	246,207	4,221	(61,106)	189,322
Profit for the period	-	-	19,983	19,983
Total comprehensive income for the year	-	-	19,983	19,983
Equity-settled share-based payments, inclusive of tax adjustments	-	3,693	-	3,693
Issue of treasury shares to employees	1,723	(1,723)	-	
Acquisition of treasury shares	(540)	-	-	(540)
Return of capital	(19,389)	-	-	(19,389)
Dividends paid	-	-	(7,718)	(7,718)
Balance at 30 June 2016	228,001	6,191	(48,841)	185,351
Profit for the period	-	-	28,370	28,370
Total comprehensive income for the year	-	-	28,370	28,370
Equity-settled share-based payments, inclusive of tax adjustments	-	7,485	-	7,485
Issue of treasury shares to employees	9,086	(9,086)	-	-
Issue of shares (net of transaction costs)	4,892	-	-	4,892
Acquisition of treasury shares	(8,828)	-	-	(8,828)
Dividends paid	-	-	(10,950)	(10,950)
Balance at 30 June 2017	**233,151**	**4,590**	**(31,421)**	**206,320**

Notes to the financial statements are included on pages 28 to 61

Consolidated statement of cash flows
for the financial year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**548,583**	518,764
Payments to suppliers and employees (including GST)		**(491,720)**	(455,091)
Cash generated from operations before interest and tax		**56,863**	63,673
Interest received		**702**	668
Interest and facility costs paid		**(724)**	(355)
Income taxes paid		**(6,096)**	(1,656)
Net cash provided by operating activities	20	**50,745**	62,330
Cash flows from investing activities			
Payments for plant and equipment		**(1,431)**	(2,373)
Proceeds from sale of plant and equipment		**113**	508
Payments for intangible assets		**(7,412)**	(7,173)
Proceeds from sale of intangible assets		**-**	725
Payments for businesses (net of cash acquired)	19	**(17,141)**	-
Net cash used in investing activities		**(25,871)**	(8,313)
Cash flows from financing activities			
Dividends paid		**(10,950)**	(7,718)
Return of capital		**-**	(19,429)
Repayment of finance lease		**(175)**	-
Purchase of shares (net of transaction costs)		**(3,938)**	(540)
Net cash used by financing activities		**(15,063)**	(27,687)
Net increase in cash and cash equivalents		**9,811**	26,330
Cash and cash equivalents at the beginning of the financial year		**41,086**	14,756
Cash and cash equivalents at end of the financial year	20	**50,897**	41,086

Notes to the financial statements are included on pages 28 to 61

Service Stream Limited

Notes to the consolidated financial statements
for the year ended 30 June 2017

Notes to the consolidated financial statements

Notes to the financial statements
for the financial year ended 30 June 2017

1 General information

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

Service Stream Limited's registered office and its principal place of business is Level 4, 357 Collins Street, Melbourne, Victoria 3000.

The principal activities of the Company and its subsidiaries (the Group) are described in note 2.

2 Segment information

(a) Products and services from which reportable segments derive their revenues

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer who provides the strategic direction and management oversight of the company in terms of monitoring results and approving strategic planning for the business.

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

During the year, Service Stream undertook a review of the organisation structure applicable to its telecommunication activities to deliver better alignment of functional competencies with services delivered under key customer contracts, to support future growth and to reduce operational complexity. The review established three separate service groups, with an Executive General Manager for each group reporting directly to the Managing Director.

Segment reporting is based on this revised segment structure for the first time in this 30 June 2017 financial report. To enable comparisons with prior period performance, historical segment information for the year ended 30 June 2016 has been restated. The revised segment changes only affects the composition of the segment information and has no impact on the Group's earnings and balance sheet.

The principal services of the new reporting segments are as follows:

Fixed Communications	Fixed Communications provides a wide range of operations, maintenance and minor works services to the owners of fixed-line telecommunication networks in Australia. Service capability includes customer connections, service assurance as well as minor projects for asset remediation, augmentation and relocation. Principal customers include nbn co and Telstra.
Network Construction	Network Construction provides turnkey services associated with the engineering, design and construction of infrastructure projects across Australia, principally in the telecommunications sector. Service capability includes program management, site acquisition, town planning, engineering, design and construction management for projects in wireless and fixed-line telecommunications, signalling and power. Principal customers include nbn co and wireless carriers.
Energy & Water	Energy & Water provides a range of specialist metering, in-home and new energy services to electricity, gas and water network owners across Australia; through the TechSafe business, provides inspection, auditing and compliance services to electricity network owners and regulators, government entities and electrical contractors nationally; and through the Customer Care business, provides contact centre services and workforce management support for key contracts.

Information regarding these segments is presented below:

2 Segment information (continued)

(b) Segment revenues and results

	Segment revenue		Segment EBITDA	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fixed Communications	**215,591**	181,986	**25,762**	17,364
Network Construction [1]	**196,822**	177,796	**20,877**	18,870
Energy & Water	**94,621**	81,956	**7,609**	5,030
Total of all segments	**507,034**	441,738	**54,248**	41,264
Eliminations	**(5,891)**	(3,501)		
Unallocated			**(5,896)**	(5,446)
EBITDA [2]			**48,352**	35,818
Depreciation			**(3,026)**	(3,805)
Amortisation			**(3,998)**	(3,605)
Amortisation of customer contracts			**(455)**	-
EBIT [3]			**40,873**	28,408
Interest revenue	**667**	703		
Net financing costs			**(171)**	65
Total revenue	**501,810**	438,940		
Profit before tax			**40,702**	28,473
Income tax expense			**(12,332)**	(8,490)
Profit for the year			**28,370**	19,983

[1] Previously Mobile Communications.
[2] Earnings before interest, tax, depreciation and amortisation.
[3] Earnings before interest and tax.

(c) Segment assets and liabilities

	Segment assets		Segment liabilities	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fixed Communications	**62,868**	59,568	**33,189**	33,307
Network Construction	**122,170**	105,938	**43,924**	34,015
Energy & Water	**80,300**	59,573	**16,055**	9,302
Total of all segments	**265,338**	225,079	**93,168**	76,624
Unallocated	**66,435**	53,213	**32,285**	16,317
Consolidated	**331,773**	278,292	**125,453**	92,941

2 Segment information (continued)

(d) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fixed Communications	**892**	1,030	**827**	1,536
Network Construction	**664**	1,168	**681**	518
Energy & Water	**1,337**	1,577	**245**	846
Total of all segments	**2,893**	3,775	**1,753**	2,900
Unallocated	**4,586**	3,635	**8,189**	6,646
Consolidated	**7,479**	7,410	**9,942**	9,546

(e) Information about major customers

In the current reporting period there were two customers (2016: two customers) which each contributed more than 10% of the Group's revenue. The relevant revenue by segment is shown below:

Largest customer	2017: Fixed Communications and Network Construction $234.8 million (2016: Fixed Communications and Network Construction $186.5 million).
Second largest customer	2017: Fixed Communications and Network Construction $122.7 million (2016: Fixed Communications and Network Construction $133.6 million).

No other single customer contributed 10% or more of the Group's total revenue in 2017 and 2016.

3 Revenue from the rendering of services

	2017 $'000	2016 $'000
Revenue from operations	**500,876**	437,169
Interest revenue	**667**	703
	501,543	437,872

4 Other income

	2017 $'000	2016 $'000
Gain on disposal of plant, equipment and intangible assets	**98**	811
R&D tax incentives	**169**	257
	267	1,068

5 Finance costs

	2017 $'000	2016 $'000
Interest expense: bank overdraft and loans	-	14
Interest expense: finance lease	8	-
Other interest expense	22	10
Facility fees: bank overdraft and loans	255	261
Facility fees: bank guarantees	169	130
Total interest expense and facility fees	**454**	**415**
Facility establishment costs	384	224
Interest expenses and other finance costs	**838**	**639**

6 Other expense items

(a) Depreciation and amortisation expense

	Notes	2017 $'000	2016 $'000
Depreciation of plant and equipment	11	**3,026**	3,805
Amortisation of intangible assets	12	**4,453**	3,605
		7,479	7,410

(b) Operating lease rental expenses

	2017 $'000	2016 $'000
Minimum lease payments	**8,109**	6,645
	8,109	6,645

(c) Employee benefit expense

	2017 $'000	2016 $'000
Post-employment benefits plans	**9,611**	8,431
Equity-settled share-based payments	**4,977**	2,385
	14,588	10,816

7 Income tax expense

(a) Income tax recognised in profit or loss

	2017 $'000	2016 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	**9,020**	18,330
Deferred tax	**3,312**	(9,840)
Income tax expense	**12,332**	8,490

(b) Reconciliation of income tax expense to tax payable

	2017 $'000	2016 $'000
Profit from continuing operations	**40,702**	28,473
Tax at the Australian tax rate of 30%	**12,211**	8,542
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
R&D tax incentives	**(51)**	(77)
Other	**172**	25
Income tax expense as per statement of comprehensive income	**12,332**	8,490
Movement through deferred tax (note: 7c)	**(3,312)**	9,840
Adjustment for current tax of prior period	**508**	-
Tax payable prior to the utilisation of losses and offsets	**9,528**	18,330
Prior period R&D offsets	**-**	(1,903)
Prior period tax losses	**-**	(7,980)
Tax losses and offsets utilised	**-**	(9,883)
Net income tax payable	**9,528**	8,447
Effective tax rate	***30.30%***	*29.82%*

7 Income tax expense (continued)

(b) Reconciliation of income tax expense to tax payable

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

(c) Deferred tax balances

Deferred tax balances arise from the following:

2017	Opening balance $'000	Charged to income $'000	DTL (net) acquired through business combination $'000	Timing difference related to prior periods $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Trade and other receivables	95	24	-	-	-	**119**
Accrued revenue	(16,554)	(3,659)	-	-	-	**(20,213)**
Trade, other payables and provisions	3,341	677	83	-	-	**4,101**
Share issue costs	151	(56)	-	-	-	**95**
Employee benefits	5,977	(510)	181	-	2,507	**8,155**
Property, plant and equipment	(538)	(57)	-	-	-	**(595)**
Customer contracts	-	137	(2,070)	-	-	**(1,933)**
Other	534	132	-	-	-	**666**
	(6,994)	**(3,312)**	**(1,806)**	**-**	**2,507**	**(9,605)**

2016	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Carried forward losses $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Tax losses	10,123	-	(240)	(9,883)	-	-
Trade and other receivables	31	64	-	-	-	95
Accrued revenue	(22,523)	5,969	-	-	-	(16,554)
Trade, other payables and provisions	1,670	1,671	-	-	-	3,341
Share issue costs	209	(98)	-	-	40	151
Employee benefits	3,608	1,060	-	-	1,309	5,977
Property, plant and equipment	(1,572)	829	205	-	-	(538)
Other	189	345	-	-	-	534
	(8,265)	9,840	(35)	(9,883)	1,349	(6,994)

Deferred tax assets and liabilities have been set-off by the Company and are presented in the statement of financial position as a deferred tax liability.

7 Income tax expense (continued)

(d) Tax consolidation

Relevance of tax consolidation to the Group

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Service Stream Limited is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 24. A tax funding arrangement and a tax sharing agreement have been entered into between the entities. As such a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right has been performed (except for unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group which are treated as having no tax consequences). Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Service Stream Limited and each of the other entities in the tax-consolidated group have agreed to pay or receive a tax-equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

(e) Significant estimates

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

8 Earnings per share

	2017 Cents per share	2016 Cents per share
Basic earnings per share:		
Total basic earnings per share	**7.78**	5.20
Diluted earnings per share:		
Total diluted earnings per share	**7.62**	5.07

Basic and diluted earnings per share

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

	2017 $'000	2016 $'000
Profit for the year attributable to owners of the Company	**28,370**	19,983
Earnings used in the calculation of basic EPS	**28,370**	19,983

	2017 No.'000	2016 No.'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**364,512**	384,590
Shares deemed to be issued for no consideration in respect of employee share schemes	**7,748**	9,721
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**372,260**	394,311

9 Trade and other receivables

	Trade receivables	Allowance for doubtful debt	Total	Trade receivables	Allowance for doubtful debt	Total
	2017 $'000	2017 $'000	2017 $'000	2016 $'000	2016 $'000	2016 $'000
Current	45,850	(50)	**45,800**	38,177	(137)	38,040
1 month	1,959	(24)	**1,935**	1,284	(86)	1,198
2 months	703	-	**703**	22	(22)	-
3 months	169	(71)	**98**	23	(23)	-
Over 3 months	564	(254)	**310**	52	(52)	-
	49,245	(399)	**48,846**	39,558	(320)	39,238
Other receivables			**75**			99
			48,921			39,337

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

10 Accrued revenue

	2017 $'000	2016 $'000
Accrued revenue	**70,845**	59,022
	70,845	59,022

The accrued revenue balance represents revenue which has yet to be invoiced to customers at year-end, due to either the invoicing process not being finalised or work not yet reaching a stage where it can be invoiced. Many of the Group's customers require payment claims to be submitted and approved prior to invoices being issued. Although this extends the time revenue is held as an accrual, historically it does result in a high level of recoverability of amounts invoiced. Where work has not yet reached a stage where it can be invoiced, revenue is accrued in line with the Group's accounting policies as outlined at notes 31(e) revenue recognition and 31(f) construction contracts.

11 Plant and equipment

	Leasehold improvements	Plant and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000
Year Ended 30 June 2017				
Opening net book value	3,928	1,788	528	6,244
Acquisition through business combination	31	38	425	494
Reclassification	23	(23)	-	-
Additions	-	2,063	96	2,159
Disposals [1]	-	(14)	-	(14)
Depreciation charge	(1,394)	(1,528)	(104)	(3,026)
Closing net book value	**2,588**	**2,324**	**945**	**5,857**
At 30 June 2017				
Cost	10,097	17,751	2,971	30,819
Accumulated depreciation	(7,509)	(15,427)	(2,026)	(24,962)
Net book value	**2,588**	**2,324**	**945**	**5,857**
Year Ended 30 June 2016				
Opening net book value	4,335	3,062	692	8,089
Additions	902	1,337	134	2,373
Disposals [1]	(9)	(259)	(145)	(413)
Depreciation charge	(1,300)	(2,352)	(153)	(3,805)
Closing net book value	3,928	1,788	528	6,244
At 30 June 2016				
Cost	11,825	16,162	2,700	30,687
Accumulated depreciation	(7,897)	(14,374)	(2,172)	(24,443)
Net book value	3,928	1,788	528	6,244

[1] Disposals are net of accumulated depreciation.

12 Intangible assets

	Software	Customer Contracts	Goodwill	Total
	$'000	$'000	$'000	$'000
Year Ended 30 June 2017				
Opening net book value	8,756	-	115,562	124,318
Acquisition through business combination	-	6,899	14,136	21,035
Additions	7,783	-	-	7,783
Amortisation charge	(3,998)	(455)	-	(4,453)
Closing net book value	**12,541**	**6,444**	**129,698**	**148,683**
At 30 June 2017				
Cost [2]	30,533	6,899	129,698	167,130
Accumulated amortisation	(17,992)	(455)	-	(18,447)
Net book value	**12,541**	**6,444**	**129,698**	**148,683**
Year Ended 30 June 2016				
Opening net book value	5,197	-	115,562	120,759
Additions	7,173	-	-	7,173
Disposals [1]	(9)	-	-	(9)
Amortisation charge	(3,605)	-	-	(3,605)
Closing net book value	**8,756**	**-**	**115,562**	**124,318**
At 30 June 2016				
Cost [2]	25,021	-	115,562	140,583
Accumulated amortisation	(16,265)	-	-	(16,265)
Net book value	**8,756**	**-**	**115,562**	**124,318**

[1] Disposals are net of accumulated amortisation.

[2] The cost of goodwill represents the net carrying value at balance date.

(a) Impairment tests for goodwill

Goodwill is monitored by management at an operating segment level. A segment level summary of goodwill allocation is presented below.

	2017 $'000	2016 $'000
Fixed Communications[1]	**27,691**	17,987
Network Construction[1,2]	**45,825**	55,529
Energy & Water	**56,182**	42,046
	129,698	115,562

[1] As a consequence of a revision to the Company's operating segments undertaken during the year, a carrying amount of $9.7m of goodwill has been transferred from Network Construction to Fixed Communications.

[2] Previously Mobile Communications.

(b) Significant estimates

The Group tests whether goodwill is subject to any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. For key assumptions used in the value-in-use calculations refer to note 12(c).

12 Intangible assets (continued)

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

The recoverable amount of each CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial forecasts covering a four-year period. These forecasts are based on historical performance combined with management's expectations of future performance based on prevailing and anticipated market factors.

Cash flows beyond the next four-year period have been extrapolated where relevant using a 0% per annum real growth rate. A pre-tax discount rate of 12.9% (FY16: 12.9%) has been applied in order to discount expected future cash flows into present-day values.

Forecast compound average annual revenue growth over the four-year period is 4.2% for Fixed Communications, 5.9% for Network Construction (other than nbn design and construction activities which have an assumed finite life) and 9.7% for Energy & Water.

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

(i) Fixed Communications

The critical cash flow assumption in Fixed Communications is that Service Stream continues to undertake significant work with its major customers. This assumes existing contracts are extended, new contracts are awarded and margins remain stable as fixed-line telecommunications networks are connected and maintained.

(ii) Network Construction

The critical cash flow assumption for Network Construction accounts for the potential reduction in the design and construction of the National Broadband Network. It also assumes that current contract margins with respect to the augmentation of existing infrastructure and networks are maintained into the future years.

(iii) Energy & Water

Over the four-year forecast period the Energy & Water cash flows comprise four material revenue streams: meter reading, meter replacement including advanced meter installations (AMI), in-home services (including solar PV and battery storage installations) and electrical inspections/audits.

The critical cash flow assumption in Energy & Water is that Service Stream continues to undertake significant work with its existing and new customers to pursue improved demand-side management, creating opportunities in smart metering, in-home services and asset maintenance. Further, through the acquisition of TechSafe, Energy & Water will be able to position itself for growth in the electrical inspections / audit sector.

13 Other assets

	2017 $'000	2016 $'000
Work in progress	**260**	516
Prepayments	**2,252**	1,572
Financing facility establishment costs	**-**	68
Other	**492**	271
	3,004	2,427

14 Trade and other payables

	2017 $'000	2016 $'000
Trade creditors[1]	**17,511**	13,580
Sundry creditors and accruals	**47,278**	36,401
Goods and services tax payable	**2,786**	2,893
Income in advance	**15,841**	7,844
	83,416	60,718

[1] Typically no interest is charged by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15 Provisions

	2017 $'000	2016 $'000
Current		
Employee benefits[1]	**8,153**	6,536
Provision for contractual obligations[2]	**6,248**	5,638
	14,401	12,174
Non-current		
Contingent consideration for TechSafe acquisition	**1,000**	-
Employee benefits[1]	**3,927**	3,444
	4,927	3,444
	19,328	15,618

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

[2] The provision for contractual obligations represents the present value of an estimate for the future outflow of economic benefits that may be required under the Group's obligations for warranties, rectification and rework, and data and artefact quality, with its various customers under various contracts.

(a) Movement in provision

	Provision for contractual obligations	
	2017 $'000	2016 $'000
Carrying amount at start of year	**5,638**	1,018
Charged / (credited) to profit or loss		
Additional provisions recognised	**3,304**	5,150
Unused amounts reversed	**(2,694)**	(530)
Carrying amount at end of year	**6,248**	5,638

(b) Significant estimates

Management estimates the provision for future claims based on the value of work historically performed. Actual claim amounts in the next reporting period are likely to vary from management's estimates. Amounts may be reversed if it is determined they are no longer required.

16 Contributed equity

	Number of shares		Share capital	
	2017 No.'000	2016 No.'000	2017 $'000	2016 $'000
Fully paid ordinary shares	**365,189**	360,039	**233,151**	228,258
Treasury shares	**-**	(426)	**-**	(257)
	365,189	359,613	**233,151**	228,001

(a) Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 July 2015	386,390	247,647
Return of capital and share consolidation	(26,351)	(19,297)
Transaction costs relating to capital return	-	(92)
Balance at 30 June 2016	360,039	228,258
Issue of shares	5,150	4,899
Transaction costs relating to capital return	-	(6)
Balance at 30 June 2017	**365,189**	**233,151**

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

(b) Employee share schemes

Information relating to the employee share schemes is set out in note 23.

(c) Treasury shares

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

	Number of shares '000	Share capital $'000
Balance at 1 July 2015	(5,436)	(1,440)
Acquisition of treasury shares (average price: $0.42 per share)	(1,293)	(540)
Shares issued under employee share schemes	6,272	1,723
Share consolidation	31	-
Balance at 30 June 2016	(426)	(257)
Acquisition of treasury shares (average price: $0.98 per share)	(9,024)	(8,829)
Shares issued under employee share schemes	9,450	9,086
Balance at 30 June 2017	**-**	**-**

17 Dividends

Recognised amounts	2017 Cents per share	2016 Cents per share	2017 $'000	2016 $'000
Fully paid ordinary shares				
Interim dividend	**1.50**	1.00	**5,478**	3,862
	1.50	1.00	**5,478**	3,862

17 Dividends (continued)

Unrecognised amounts	2017 Cents per share	2016 Cents per share	2017 $'000	2016 $'000
Fully paid ordinary shares				
Final dividend	**3.00**	1.50	**10,956**	5,394 [1]
	3.00	1.50	**10,956**	5,394

[1] The 2016 final fully-franked dividend was paid on 29 September 2016.

In respect of current year's earnings, an interim dividend of 1.50 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 13 April 2017. In addition, on 16 August 2017, the Directors declared a fully-franked final dividend of 3.00 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2017, to be paid to shareholders on 28 September 2017. This dividend has not been included as a liability in these consolidated financial statements. The dividend will be paid to all shareholders on the Register of Members on 13 September 2017 and the total dividend estimated to be paid in respect of the current shares on issue is $10,955,684.

	Company	
	2017 $'000	2016 $'000
Adjusted franking account balance as at 30 June	**2,397**	3

18 Lease arrangements

(a) Finance lease commitments

The Group leases various plant and equipment and software with a carrying amount of $1,010,000 (2016: Nil) under a finance lease expiring within three years. Under the terms of the lease, the ownership of the assets transfers to the Group at no cost at the conclusion of the lease term.

	2017 $'000	2016 $'000
Commitments in relation to finance lease are payable as follows:		
Not longer than 1 year	**391**	-
Longer than 1 year and not longer than 5 years	**684**	-
Minimum lease payments	**1,075**	-
Future finance charges	**(65)**	-
Recognised as finance lease liability	**1,010**	-
The present value of finance lease liabilities is as follows:		
Not longer than 1 year	**353**	-
Longer than 1 year and not longer than 5 years	**657**	-
Minimum lease payments	**1,010**	-

(b) Operating lease commitments

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

	2017 $'000	2016 $'000
Not longer than 1 year	**7,770**	7,131
Longer than 1 year and not longer than 5 years	**7,778**	13,804
	15,548	20,935

19 Business combinations

(a) Summary of acquisition

On 28 April 2017, the Group acquired 100% of the issued share capital of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd (TechSafe) under the terms of two separate, but interdependent Share Purchase Agreements. The acquisition was a related party transaction and was approved by the Company's shareholders on 26 April 2017. For further disclosure on the nature of this related party transaction, refer to note 26

TechSafe provides electrical inspection, auditing and compliance services nationally to electricity network owners, electricity industry regulators, government entities and electrical contractors. The acquisition provides further diversification to the Group's revenue stream and TechSafe's service offering is highly complementary to the Energy & Water division, strengthening the Group's market position in the energy sector.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration at fair value	Fair value at 28 April 2017 $'000
Cash consideration paid	**17,790**
Cash consideration payable	**738**
	18,528
Contingent consideration	**1,000**
Total purchase consideration	**19,528**

Purchase consideration at fair value	Fair value at 28 April 2017 $'000
Cash and cash equivalents	**649**
Trade and other receivables	**1,256**
Accrued revenue	**244**
Other assets	**37**
Plant and equipment	**494**
Customer contracts	**6,899**
Trade and other payables	**(1,078)**
Provisions	**(546)**
Current tax liabilities	**(671)**
Finance lease	**(86)**
Deferred tax liability (net)	**(1,806)**
Net identifiable assets acquired	**5,392**
Add: goodwill	**14,136**
Net assets acquired	**19,528**

(i) Contingent consideration
In the event that certain pre-determined financial performance targets with respect to the year ending 30 June 2018 (FY18) are achieved, an additional consideration of up to $1,000,000 may be payable in cash following completion of the FY18 audit. The Group has provided for the additional consideration amount in full, which represents its fair value as at 30 June 2017.

(ii) Revenue and profit contribution
TechSafe contributed revenues of $2,799,000, EBITDA of $657,000 and profit before tax of $152,000 to the Group from the transaction date to 30 June 2017.

If the acquisition had occurred on 1 July 2016, consolidated pro-forma revenue and profit for the year ended 30 June 2017 would have been revenues of approximately $14,043,000, EBITDA of $2,459,000 and profit before tax (excluding the impact of the amortisation of customer contracts) of $1,822,000 respectively. These amounts have been calculated using TechSafe's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and

19 Business combinations (continued)

(a) Summary of acquisition (continued)

- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to plant and equipment and software had applied from 1 July 2016.

(iii) Acquisition-related costs
Acquisition-related costs of $519,000 are included in the consulting and temporary staff fees line item in the consolidated statement of profit or loss and in operating cash flows within the statement of cash flows.

There were no acquisitions in the year ending 30 June 2016.

(b) Purchase consideration - cash outflow

Cash outflow with respect to the acquisition	2017 $'000	2016 $'000
Cash consideration paid	**17,790**	-
Less: Cash acquired	**(649)**	-
Net outflow of cash - investing activities	**17,141**	-

20 Notes to the statement of cash flow

(a) Reconciliation of cash and cash equivalents

	2017 $'000	2016 $'000
Cash and cash equivalents	**50,897**	41,086
Balance per consolidated statement of cash flows	**50,897**	41,086

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

Profit for the year	**28,370**	19,983
Gain on sale of non-current assets	**(98)**	(811)
Depreciation and amortisation	**7,479**	7,410
Equity-settled share-based payments	**4,977**	2,385
Increase in tax balances	**6,062**	6,870
Movement in working capital:		
Increase in trade and other receivables	**(9,584)**	(5,253)
(Increase) / decrease in accrued revenue	**(11,823)**	18,822
(Increase) / decrease in other assets	**(577)**	819
Decrease in inventories	**2,292**	1,740
Increase in trade and other payables	**22,698**	6,008
Increase in provisions	**3,710**	5,504
Decrease in lease incentives	**(936)**	(1,147)
Acquired working capital balances	**(1,825)**	-
Net cash inflow from operating activities	**50,745**	62,330

21 Financial instruments

(a) Overview

The Group's activities expose it to a variety of financial risks including interest rate, credit and liquidity risk exposures. The Group's risk management program looks to identify and quantify these exposures and where relevant reduce the sensitivity to potential adverse impacts on its financial performance. The Group operates a centralised treasury function which manages all financing facilities and external payments on behalf of the Group. Compliance with financial risk management policies, financial exposures and compliance with risk management strategy are reviewed by senior management and reported to the Group's Audit and Risk Committee and the Board on a regular basis.

21 Financial instruments (continued)

(b) Categories of financial instruments

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**50,897**	41,086
Trade and other receivables	**48,921**	39,337
	99,818	80,423
Financial liabilities		
Finance lease	**1,010**	-
Trade and other payables	**83,416**	60,718
	84,426	60,718

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

(c) Market risk - Interest rate risk management

During the year, the Group's exposure to the risk of change in market interest rates related primarily to the Group's holding of cash.

The Group has managed its interest rate risk during the year by maximising the interest earned from available funds balanced against its working capital needs.

Based upon a 100 basis point decrease in prevailing market interest rates as applied to the Group's cash balance at 30 June 2017, the Group's sensitivity to interest rate risk would be equivalent to a $508,965 per annum unfavourable impact to profit before tax (2016: $410,862 unfavourable).

(d) Credit risk management

Credit risk of the Group arises predominately from outstanding receivables from its customers.

Receivable balances are monitored on an ongoing basis and the Group has a policy of only dealing with creditworthy counterparties and where appropriate, obtaining collateral or other forms of credit support as means of mitigating the risk of financial loss from credit defaults.

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

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

(e) Liquidity risk management

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

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

Included in note 21(e)(ii) are details of the financing facilities available to the Group at 30 June 2017.

21 Financial instruments (continued)

(e) Liquidity risk management (continued)

(i) Liquidity and interest rate risk tables

The following table detail the Group's maturity profile for financial liabilities.

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

	Weighted average interest rate	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years
		$'000	$'000	$'000	$'000	$'000	$'000
2017							
Financial liabilities							
Finance lease	-	(1,010)	(1,010)	(175)	(178)	(369)	(288)
Trade and other payables	-	(83,416)	(83,416)	(83,416)	-	-	-
	-	**(84,426)**	**(84,426)**	**(83,591)**	**(178)**	**(369)**	**(288)**
2016							
Financial liabilities							
Trade and other payables	-	(60,718)	(60,718)	(60,718)	-	-	-
	-	(60,718)	(60,718)	(60,718)	-	-	-

(ii) Financing facilities

	Bank guarantees	Bank overdraft	Cash advance
	$'000	$'000	$'000
Amount used	25,041	-	-
Amount unused	4,959	5,000	25,000
Balance at 30 June 2017	**30,000**	**5,000**	**25,000**
Amount used	13,587	-	-
Amount unused	6,413	5,000	35,000
Balance at 30 June 2016	20,000	5,000	35,000

The Group's financing facilities are due to expire on 30 September 2019.

Financial guarantees provided in the normal course of business are shown above. Based upon current expectations as at 30 June 2017, the Group considers that it is more likely than not that such amounts will not be payable under these arrangements.

22 Capital risk management

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

The Board and senior management review the capital structure of the Group at least annually considering any restrictions or limitations that may exist under current financing arrangements with regard to mix of capital.

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

23 Share-based payments

(a) Long Term Incentive Plan (LTIP)

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

In accordance with the provisions of the ESOP, certain employees in senior management roles were invited to participate in the LTIP which entitles them to receive a number of performance rights in respect of the year ending 30 June 2017 (FY17). Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long term incentive participation rate, which is expressed as a percentage of the participant's total fixed remuneration (TFR), and the volume-weighted average market price of the Company's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

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

A The participant must be an employee at the conclusion of the performance period;

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

(i) The Group's earnings per share (EPS) achieves annual growth of 10% or more over the performance period, commencing with growth from an agreed base EPS, as detailed below.

LTIP tranches	FY15 [1]	FY16 [2]	FY17 [3]
Performance period	3 years	3 years	3 years
Vesting date	September 2017	September 2018	September 2019

1. The FY15 LTIP targets, from base of 0.76 cps are: Year 1: 0.84 cps, Year 2: 3.33 cps, Year 3: 5.72 cps.
2. The FY16 LTIP targets, from base of 3.03 cps are: Year 1: 3.33 cps, Year 2: 5.72 cps, Year 3: 8.57cps.
3. The FY17 LTIP targets, from base of 5.20 cps are: Year 1: 5.72 cps, Year 2: 8.57 cps, Year 3: not yet determined.

Subject to the following proportional vesting:

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

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

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

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

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

23 Share-based payments (continued)

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

Series	Number	Grant date	Grant date fair value	Vesting date	Performance period
FY15 LTIP	1,930,951	28 February 2015	Relative TSR hurdle - 13.8 cps EPS hurdle - 18.5 cps	September 2017	1 July 2014 - 30 June 2017
FY16 LTIP	1,651,356	11 September 2015	Relative TSR hurdle - 21.7 cps EPS hurdle - 26.8 cps	September 2018	1 July 2015 - 30 June 2018
FY17 LTIP	980,219	14 September 2016	Relative TSR hurdle - 45.2 cps EPS hurdle - 79.3 cps	September 2019	1 July 2016 - 30 June 2019

Fair value of performance rights

The FY17 LTIP performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a Monte-Carlo simulation. The FY17 LTIP performance rights with the EPS hurdle vesting condition have been valued using a Binomial tree methodology. Both valuation methodologies are underpinned by a 'risk-neutral' probability framework with lognormal share prices. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk-neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Key inputs into the model

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

Tranche	Share price at grant date	Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY15 LTIP	$0.207	2.63 years	60% to 70%	2.53%	4.80%	September 2017
FY16 LTIP	$0.302	2.89 years	55%	1.94%	6.00%	September 2018
FY17 LTIP	$0.850	2.87 years	50%	1.37%	4.00%	September 2019

Movements in the LTIP performance rights during the year

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

	2017		2016	
	Number of rights	Grant date weighted avg FV $	Number of rights	Grant date weighted avg FV $
Balance at start of the financial year	**7,961,899**	**0.188**	8,020,030	0.186
Granted during the year	**1,235,400**	**0.567**	1,966,199	0.243
Vested during the year	**(3,964,523)**	**0.180**	(786,247)	0.240
Forfeited during the year	**(670,250)**	**0.241**	(1,238,083)	0.229
Balance at end of the financial year	**4,562,526**	**0.290**	7,961,899	0.188

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

In accordance with the Employee Share Ownership Plan the shares relating to the FY15 Tranche will be issued to the extent that vesting criteria have been satisfied following final calculations of the Relative TSR measure after release of the FY17 financial statements.

As at 30 June 2017, 1,930,951 performance rights granted under the FY15 Tranche remain unforfeited and subject to vesting criteria.

The balance of performance rights outstanding at the end of the year have a remaining contractual life of two years (FY17 Tranche) and one year (FY16 Tranche).

23 Share-based payments (continued)

(b) Executive Share-based Incentive Plan (ESBIP)

The ESBIP is a share-based incentive plan that was established by the Board in 2014 to operate for a five year period from FY15 to FY19 and offered to the Managing Director and to a small number of other key executives of the time. By accepting the offer to participate in the ESBIP, these executives have forfeited their entitlement to participate in both the LTIP and the Short Term Incentive Plan (STIP). ESBIP operates within the shareholder-approved Employee Share Ownership Plan (ESOP), under the administration of the Remuneration and Nomination Committee. The number of performance rights offered to participating executives has been endorsed by the Remuneration and Nomination Committee and approved by the Board and by shareholders in the case of the Managing Director.

The ESBIP invitation letter provided to participants sets out their rights and obligation under the plan, and provides details regarding the number of rights that will be offered to them on an annual basis (by way of an annual offer letter) over a period of up to five years. Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights.

The FY17 ESBIP performance rights are subject to service and performance criteria being:

A The participant must be an employee at the latter of the date on which the Company releases its results for the financial year ending 30 June 2017 or otherwise determines that the vesting conditions have been satisfied; and

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

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

ESBIP tranche	FY17
Performance period	1 year to 30 June 2017
Vesting date	16 August 2017
Aggregate period end date	30 June 2019
EPS base (cents per share)	5.20

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

The following ESBIP performance rights arrangements were in existence at the end of the current period.

Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY17 ESBIP	5,150,000	17 August 2016	82.5 cps	16 August 2017	1 July 2016

Fair value of ESBIP performance rights

The FY17 ESBIP performance rights with the EPS hurdle vesting condition have been valued by an independent expert using a Binomial tree methodology. This methodology is underpinned by a 'risk-neutral' probability framework with lognormal share prices. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk-neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Key inputs into the ESBIP valuation model

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

Series	Share price at grant date	Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY17 ESBIP	$0.910	0.87 years	50%	1.38%	4.00%	16 August 2017

23 Share-based payments (continued)

(b) Executive Share-based Incentive Plan (ESBIP) (continued)

Movements in the ESBIP performance rights during the year

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

	2017		2016	
	Number of rights	Grant date weighted avg FV	Number of rights	Grant date weighted avg FV
Balance at beginning of the financial year	**5,150,000**	**0.284**	4,650,000	0.194
Granted during the year	**5,150,000**	**0.825**	5,150,000	0.284
Vested during the year	**(5,150,000)**	**0.284**	(4,650,000)	0.194
Balance at end of the financial year	**5,150,000**	**0.825**	5,150,000	0.284

Included in the balance as at 30 June 2017 are rights which have reached their vesting date and both the service and performance criterias have been met (number of rights 5,150,000). The relevant number of shares will be delivered to the participants after the release of the FY17 financial statements.

24 Subsidiaries

Details of the Company's subsidiaries at 30 June 2017 are as follows:

Name of entity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Parent entity			
Service Stream Limited (i)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (ii) (iv)	Australia	100	100
Service Stream Fixed Communications Pty Ltd (ii) (iii) (iv) (v)	Australia	100	100
Service Stream Mobile Communications Pty Ltd (ii) (iii) (iv) (vi)	Australia	100	100
Service Stream Customer Care Pty Ltd (ii) (iii) (iv) (vii)	Australia	100	100
Radhaz Consulting Pty Ltd (ii) (iv)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (ii) (iii) (iv)	Australia	100	100
Service Stream Energy & Water Pty Ltd (ii) (iii) (iv) (viii)	Australia	100	100
TechSafe Australia Pty Ltd (ii) (iii) (iv)	Australia	100	-
TechSafe Management Pty Ltd (ii) (iii) (iv)	Australia	100	-
Service Stream Nominees Pty Ltd (ii) (iii) (iv)	Australia	100	100
Service Stream Operations Pty Ltd (ii) (iii)	Australia	100	100

(i) Service Stream Limited is the head entity within the tax-consolidated Group.
(ii) These companies are members of the tax-consolidated Group.
(iii) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
(iv) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Service Stream Limited pursuant to *ASIC Corporations (wholly-owned companies) Instrument 2016/785* (Instrument) and are relieved of the requirement to prepare and lodge an audited financial and Directors' report.
(v) Previously Service Stream Communications Pty Ltd.
(vi) Previously Total Communications Infrastructure Pty Ltd.
(vii) Previously Service Stream Solutions Pty Ltd.
(viii) Previously AMRS (Aust) Pty Ltd.

25 Deed of cross guarantee

The parties to a deed of cross guarantees for the Group as listed in note 24 represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Service Stream Limited, they also represent the 'extended closed group'. A separate consolidated statement of comprehensive income and consolidated balance sheet of the parties to the deed of cross guarantees have not been disclosed separately as it is not materially different to those of the Group.

26 Related party transactions

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

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

(a) Transactions with key management personnel

(i) Key management personnel compensation

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

	2017 $	2016 $
Short-term employee benefits	**2,451,235**	2,242,473
Post-employment benefits	**137,555**	124,628
Other long-term benefits	**50,190**	63,834
Share-based payments[1]	**3,009,790**	1,233,324
	5,648,770	3,664,259

[1] The fair value of performance rights issued under the ESBIP and LTIP, allocated on a pro-rata basis to the current financial year.

The compensation of each member of the key management personnel of the Group is set out in the remuneration report.

(ii) Other transactions with key management personnel of the Group

During the year, the Group acquired all of the shares of TechSafe Australia Pty Ltd and TechSafe Management Pty Ltd (TechSafe), entities in which Brett Gallagher (the Company's Chairman) and associates had a beneficial interest. The terms under which the Company purchased TechSafe were arm's length, and in accordance with the ASX Listing Rules and the Corporation Act 2001 (Cth), the proposed transaction was referred to the Company's shareholders for approval at an Extraordinary General Meeting that was held on 26 April 2017. The Company's Board established a range of governance protocols to consider the proposed transaction in light of its related party nature. These protocols included the establishment of an Independent Board Committee (IBC) comprising all of the Company's directors excluding Mr Gallagher, to oversee all aspects of evaluating the proposed transaction. The IBC appointed KPMG Corporate Finance for the purposes of preparing an independent expert's report in accordance with the ASX Listing Rules. The independent expert's report concluded that the proposed transaction was fair and reasonable. The proposed transaction was approved by the Company's shareholders by a majority of 95.4%.

Prior to its acquisition by the Group on 28 April 2017, TechSafe performed inspections and certifications of residential solar panel installations for the Group. The terms under which TechSafe provided services were standard, arm's length and of low value (approximately $1,300 until 28 April 2017) (2016: approximately $3,100). Brett Gallagher also has a beneficial interest in one of the commercial properties that Service Stream occupies and pays rent (approximately $6,800) (2016: nil).

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

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

- The Company recognised tax balances in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to / from the Company were made in accordance with the terms of the tax funding arrangement.

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

- Loans receivable totalling $131,872,335 are receivable from subsidiaries (2016: $100,502,111).

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

26 Related party transactions (continued)

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

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

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

27 Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information of the parent entity shown below, are the same as those applied in the consolidated financial statements. Refer to note 31 for a summary of the significant accounting policies relating to the Group.

(a) Financial position

	2017 $'000	2016 $'000
Current assets	**49**	203
Non-current assets	**172,260**	162,468
Total assets	**172,309**	162,671
Current liabilities	**9,135**	7,094
Total liabilities	**9,135**	7,094
Net assets	**163,174**	155,577
Issued capital	**211,614**	211,621
Reserves – equity-settled employee benefits	**4,589**	5,933
Accumulated losses	**(53,029)**	(61,977)
Equity	**163,174**	155,577

(b) Financial performance

	2017 $'000	2016 $'000
Profit for the year	**19,897**	5,870
Total comprehensive profit	**19,897**	5,870

(c) Guarantees entered into by the parent entity

The parent entity is party to the Group's financing facilities as a security provider under the Security Trust Deed. In addition, there are cross guarantees given by the parent entity as described in notes 24 and 25.

28 Contingent assets and liabilities

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

29 Events after the reporting period

Other than elsewhere disclosed in the financial statements, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

30 Remuneration of auditors

	2017 $	2016 $
Audit or review of the financial report	**298,000**	288,000
Review of income tax return	**21,000**	15,000
Employee share trust advice	**15,300**	-
Tax advice and other services	**55,590**	129,000
	389,890	432,000

The auditor of Service Stream Limited is PricewaterhouseCoopers.

31 Significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Service Stream Limited and its subsidiaries.

During the year, the Group has re-evaluated its expense classification and considers it to be more relevant to combine Site and construction costs with Subcontractor fees into a single line item in the consolidated statement of profit or loss as the expenses are of a similar nature. The prior year comparative amount of Site and construction costs for the period ended 30 June 2016 ($76,903,000) has been restated by reclassifying these costs into Subcontractor fees.

(a) Basis of preparation

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

The financial statements were authorised for issue by the Directors on 16 August 2017.

Compliance with IFRS

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

New and amended standards adopted by the Group

The Group has applied the following standard and amendment for the first time for their annual reporting period commencing 1 July 2016:

- AASB 2014-1 Amendments to Australian Accounting Standards (including Part A: Annual Improvements 2012-2014 Cycles).

As the amendments merely clarify the existing requirements, the adoption of the above improvements did not have an impact on the current period nor any prior period and is not likely to affect future periods.

Early adoption of standards

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 32.

31 Significant accounting policies (continued)

(b) Basis of consolidation

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

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

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

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

(c) Goodwill

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

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

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

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Details of the Group's segment reporting is set out in note 2.

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

<u>Revenue from operations</u>

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

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

31 Significant accounting policies (continued)

(e) Revenue recognition (continued)

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(f) Construction contracts

Under AASB 111 *Construction Contracts*, where a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period. This is normally measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Where this is the case, stage of completion is measured on a milestone basis. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

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

Where recognised revenues exceed progress billings, the surplus is shown as accrued revenue. For contracts where progress billings exceed recognised revenues, the surplus is shown as income in advance. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as income in advance under trade and other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet, as an asset, under trade and other receivables.

Judgements made in the application of AASB 111 include:

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

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

(g) Leases

Leases of plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the asset, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(h) Employee benefits

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

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

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows in respect of services provided by employees up to reporting date. Expected future payments falling due more than 12 months after the end of the reporting period are discounted using corporate bonds market yields. Remeasurements as a result of employment status and changes in actuarial assumptions are recognised in profit or loss.

31 Significant accounting policies (continued)

(h) Employee benefits (continued)

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy where applicable.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(i) Share-based payments

Equity-settled share-based payments to executives and Directors are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of the equity instruments are set out in note 23.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At the end of each reporting period the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(j) Taxation

Current tax

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

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

31 Significant accounting policies (continued)

(j) Taxation (continued)

R&D tax incentive

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

(k) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is the sum of the acquisition-date fair values of assets transferred, liabilities incurred and any equity instruments issued. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions in existence at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to the present value as at the date of exchange. Contingent consideration is classified as a financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes to fair value recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(l) Plant and equipment

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

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

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

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

- Leasehold improvements: 4 - 7 years
- Plant and equipment: 3 - 10 years
- Motor vehicles: 3 - 7 years

31 Significant accounting policies (continued)

(m) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation or cost reduction are capitalised to software and systems. Any costs associated with maintaining software and systems are recognised as an expense as incurred. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset. The amount initially recognised includes direct costs of materials and service and direct payroll and other payroll-related costs of employees' time spent on the project.

Customer contracts acquired in a business combination are initially recognised at their fair value at the acquisition date, which is regarded as their cost.

Software and customer contracts have finite lives and are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is recognised on a straight-line basis over each asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual accounting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives used in the calculation of amortisation range from between 3 to 8 years for software and from 3 to 5 years for customer contracts.

(n) Impairment of tangible and intangible assets excluding goodwill

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

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

The recoverable amount is the higher of the fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first in, first out basis. The inventory balance is comprised of purchased inventory, the cost of which is determined after deducting rebates and discounts.

(p) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

31 Significant accounting policies (continued)

(q) Financial instruments

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

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

(i) Financial assets

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

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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

(ii) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

31 Significant accounting policies (continued)

(q) Financial instruments (continued)

(ii) Financial liabilities and equity instruments

Financial guarantee liabilities

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

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

- the amount of the obligation under the contract, as determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised, less where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Financial liabilities

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

Other financial liabilities

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying value on initial recognition.

De-recognition of financial liabilities

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

(r) Trade receivables

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

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

(s) Trade and other payables

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

(t) Goods and Services Tax (GST)

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

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

31 Significant accounting policies (continued)

(t) Goods and Services Tax (GST) (continued)

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

(u) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the Groups's consolidated balance sheet.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based incentive scheme, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Service Stream Limited as treasury shares until the shares are cancelled or reissued.

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

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

(w) Dividends

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

(x) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

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

(y) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and the financial report. Amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars, in accordance with that Instrument.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective from annual reporting period beginning on or after 1 January 2018).

  AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

31 Significant accounting policies (continued)

(z) New accounting standards and interpretations (continued)

- AASB 15 *Revenue from Contracts with Customers* (effective from annual reporting period beginning on or after 1 January 2018).

  The AASB has issued a new standard for the recognition of revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption and it replaces AASB 118 which covers contracts for good and services and AASB 111 which covers construction contracts.

  Management is well underway in evaluating the impact of applying the new standard on the Group's financial statements. The Group proposes to adopt a modified retrospective approach and based on initial assessment, management do not believe that the change in the revenue recognition across its contracts will have a material impact to profit.

- AASB 16 *Leases* (effective from annual reporting period beginning on or after 1 January 2019).

  AASB 16 modifies accounting for leases by removing the current distinction between operating and financing leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. The standard will primarily affect the accounting for the Group's operating leases in respect of motor vehicles and premises. As at the reporting date, the Group had non-cancellable operating lease commitments of $15.5 million (see note 18).

  On transition to AASB 16 and moving forward, for operating leases for which payments are currently required to be expensed, the Group will recognise right of use assets and corresponding liabilities for the principal amount of lease payments, which will then result in amortisation and interest expenses being recognised in the income statement (replacing operating lease expenses). Certain performance metrics and ratios may be impacted as a result of the above changes, including EBITDA and to lesser extent EPS which are measures used to assess senior executive performance as part of the Group's remuneration framework.

  Management estimates that, had AASB 16 been applicable for FY17:

  (i) EBITDA would have increased by approximately $360,000 due to lower lease charges to motor vehicle expense and occupancy expense, whilst Interest Expense would have increased by approximately the same amount, resulting in little to no impact on net profit before tax and earnings per share; and
  (ii) Leasehold assets on the balance sheet as at 30 June 2017 would have increased by approximately $15 million, with lease liabilities increasing by the same amount.

32 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies as described in note 31.

The areas involving a higher degree of judgement or complexity are:

- Estimation of current tax payable and deferred tax balances - note 7(e)
- Testing of goodwill for impairment - note 12(b)
- Estimation of provision for contractual obligations - note 15(b)
- Recognition of revenue on construction contracts - note 31(f)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Directors' declaration

In the Directors' opinion:

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

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

Note 31 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Brett Gallagher
Chairman
16 August 2017

Leigh Mackender
Managing Director
16 August 2017

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

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Service Stream Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

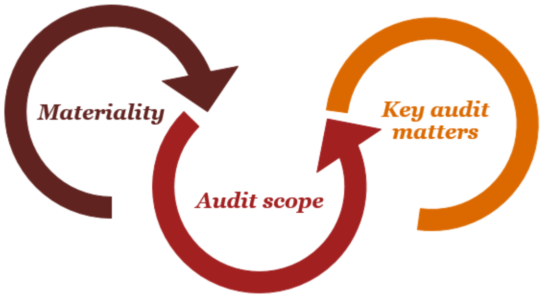
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

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



Materiality	Audit scope	Key audit matters
• For the purposes of our audit, we used overall materiality of $1.2 million, which was based on approximately 2.5% of the Group's Earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year ended 30 June 2017. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We selected EBITDA as the primary benchmark because in our view, it is the key metric upon which the Group's performance is assessed. • We determined 2.5% based on our professional judgement, noting that it is within the range of commonly accepted EBITDA related benchmarks.	• The Group operates across Australia in its key segments being Fixed Communications, Network Construction and Energy & Water, and has a corporate accounting function based in Melbourne. Our work is performed predominantly in Melbourne and we perform site visits to the Group's warehouse locations annually on a rotational basis based on our risk assessment. • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. One of the key areas in this respect is the Group's annual goodwill impairment assessment.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Goodwill impairment assessment (Energy & Water segment) – Revenue recognition – Recoverability of accrued revenue • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment (Energy & Water segment) *Refer to notes 2 and 12 in the financial report* Goodwill is allocated to the Group's three segments. We focused on the goodwill associated with Energy & Water ($56 million) because the carrying value is material and the level of	We evaluated the Group's cash flow forecasts in the model for the Energy & Water business and the process by which they were developed at an individual customer level. We compared the previous year's forecasts for 2017 with the actual results for 2017 to assess the accuracy of forecasting. We found that actual 2017 performance was materially consistent with forecast performance.

Key audit matter	*How our audit addressed the key audit matter*
headroom between the recoverable amount and the carrying value is the lowest of the three segments. Assessing the carrying value of goodwill inherently requires making estimates of uncertain future cash flows. For example, key customer volumes are not contracted and can fluctuate significantly. A discounted cash flow model is used by the Group to assess potential impairment (the model). The recoverable amount is estimated based on the Board approved business plan for the Energy & Water business. The significant estimates relate to the underlying EBITDA growth assumptions along with the discount rate applied to the forecast cash flows within the model.	We checked that the four year forecast used in the model was consistent with the Board approved plan for the Energy & Water business and that the key assumptions were subject to oversight from the Directors. We assessed the assumptions and methodology used for the impairment test, in particular, those relating to the growth and discount rates. To do this we: • evaluated the impact of the Group's organisational restructure on the Group's Cash Generating Units (CGUs) and assessed the inclusion of the acquired TechSafe business in the Energy & Water forecast cash flows • assessed the appropriateness of the discount rate adopted with the assistance of PwC valuation experts • evaluated the underlying cash flow assumptions in the model at an individual customer level with reference to current year results and expected project pipelines, and considered external industry information and market data • checked the calculations in the model for mathematical accuracy • considered the sensitivity of the calculations by varying key assumptions in the model and applying other values within a reasonably possible range for the Energy & Water business, for example, by increasing the discount rate and by reducing certain growth assumptions. As indicated in note 12 of the financial statements, the impairment assessment assumes that the Group continues to undertake significant work with its existing and new customers, including in relation to smart metering, in-home services and asset maintenance.
Revenue recognition *Refer to notes 3, 31(e) and 31(f) in the financial report* The Group has two distinct categories of revenue, being revenue from contracts to provide services and revenue from construction contracts. Revenue from contracts to provide services involves a high volume of transactions and is recognised as the services are delivered. Revenue recognition in relation to construction contracts is complex because it is based on the Group's estimates of: • the stage of completion of the contract activity; • total contract revenue and costs;	For revenue from contracts to provide services, we: • tested a sample of transactions by sighting evidence of completed subcontractor claims and/or work orders and compared the revenue amount recognised to the contracted rate with the customer for the type of service. For revenue from construction contracts, we: • assessed the Group's estimates of total contract revenue and contract costs and evaluated the stage of completion based on actual costs incurred to date for a sample of transactions • tested a sample of transactions by sighting evidence of milestone completion • performed retrospective analysis of a selection of incomplete projects at year end to assess the allocation of revenue between periods.

Key audit matter	*How our audit addressed the key audit matter*
• the probability of customer approval of variations and claims; and • project completion dates. This was a key audit matter because of its significance to profit, the high volume of revenue transactions associated with services revenue and the judgement required in recognising revenue from construction contracts.	For both categories of revenue, our procedures included, amongst others, performing testing over a sample of manual journals.
Recoverability of accrued revenue *Refer to note 10 in the financial report* Several of the Group's customers require payment claims to be submitted and approved prior to invoices being issued. This process can extend the time that revenue is held as accrued. Payment claims on customers may be rejected for a variety of reasons, for example, the claim's adherence to contractual obligations. Rejected claims are commonly revised, resubmitted and subsequently approved for payment. However, there is a risk that not all claims will be recovered in full, particularly those that have significantly aged since the original services were provided. The recoverability of aged accrued revenue was a key audit matter because judgement was required to evaluate whether any allowance should be made to reflect the commercial risk that some claims may not be recovered in full.	We evaluated the aging of accrued revenue to identify areas of higher risk. Whilst each segment has aged accrued revenue balances, the Fixed Communications and Network Construction segments had the most significant balances. We therefore directed the majority of our audit effort on these segments. We performed the following procedures in relation to the recoverability of accrued revenue: • assessed the reliability of accrued revenue aging reports by testing that the aging profile was accurate • evaluated the consistency of the Group's approach to estimating recoverability of accrued revenue with those used in prior periods • checked that allowances were established to reflect those categories of aged accrued revenue items that had an increased risk of non-recoverability • assessed key assumptions such as the long term average claim rejection rate which we compared to actual experience, including recent trends. We also performed sample testing over individual accrued revenue balances to test the Group's entitlement to the accrued revenue balances.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and ASX Additional Information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 21 of the Directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
16 August 2017

ASX Additional Information for the financial year ended 30 June 2017

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

A. Distribution of Shareholders Number as at 17 August 2017

Category (size of holding)	Holders
1-1,000	627
1,001-5,000	1,339
5,001-10,000	946
10,001-100,000	1,764
100,001+	195
	4,871

B. There are 4,871 holders of fully paid ordinary shares.

The Company has no other class of shares issued.

C. The number of shareholdings held in less than marketable parcels is 166.

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 17 August 2017 are:

Shareholder	Ordinary	%
Thorney International Pty Ltd (1)	57,335,407	15.70
Thorney Opportunities Ltd (1)	24,073,335	6.59

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

E. Voting Rights

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

Ordinary shares

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

Options

These securities have no voting rights.

F. Net Tangible Assets

The net tangible assets per security is $0.1578 (2016: $0.1695).

G. 20 Largest Shareholders as at 17 August 2017 - Ordinary Shares

Name of 20 largest shareholders in each class of share	Ordinary shares Fully paid number of shares held	% Held
HSBC Custody Nominees (Australia) Limited	86,592,934	23.71
J P Morgan Nominees Australia Limited	43,701,645	11.97
UBS Nominees Pty Ltd	24,159,134	6.62
Citicorp Nominees Pty Limited	21,758,921	5.96
National Nominees Limited	19,032,081	5.21
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	6,898,781	1.89
Gandel Springwest Pty Ltd <The Gandel Invest No 1 A/C>	5,586,085	1.53
JBL-G Pty Ltd <Gallagher MSA Family A/C>	5,376,126	1.47
BNP Paribas Noms Pty Ltd <DRP>	4,309,646	1.18
Dr Roger Graham Brooke + Mrs Sally Ann Brooke <Salrog Super Fund A/C>	4,221,197	1.16
Brispot Nominees Pty Ltd <House Head Nominee A/C>	4,113,308	1.13
Mr Darren Ronald Patterson	3,745,000	1.03
Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	3,256,493	0.89
Berkeley Services Pty Ltd <Berkeley Super Fund A/C>	2,900,000	0.79
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	2,833,555	0.78
Bnp Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	2,768,566	0.76
Bnp Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,623,342	0.72
AMP Life Limited	2,295,474	0.63
Researched Investments Pty Ltd <Richard Cruickshank S/F A/C>	2,265,000	0.62
Grant Family Nominees Pty Ltd <Grant Family A/C>	1,965,960	0.54
	250,403,248	**68.57**

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

SERVICE STREAM LIMITED
ABN: 46 072 369 870

Level 4, 357 Collins Street
Melbourne, Victoria 3000

WWW.SERVICESTREAM.COM.AU