2014 Annual Report

servicestream
ESSENTIAL NETWORK SERVICES

Annual General Meeting

The Annual General Meeting of
Service Stream Limited will be held at the
InterContinental Melbourne The Rialto
495 Collins Street, Melbourne
22 October 2014, 10.30am

Service Stream Limited

ABN 46 072 369 870

Annual financial report for the financial year ended
30 June 2014

Annual financial report for the financial year ended 30 June 2014

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 9 to 14, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 13 August 2014. The Directors have the power to amend and reissue the financial statements.

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

Corporate governance statement

This corporate governance statement summarises the main corporate governance practices of Service Stream Limited and its subsidiaries for the financial year ended 30 June 2014.

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

Principle 1 – Lay solid foundations for management and oversight

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

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

Responsibility for the Group's day-to-day operations, administration and management is delegated by the Board to the Managing Director.

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

The Board receives comprehensive Board papers in advance of each monthly Board meeting which contain standing agenda items such as safety, financial performance, operational issues and legal issues.

Performance and accountability of the Managing Director and Senior Executive Team

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

Given that Leigh Mackender only commenced as Managing Director in May 2014, the Board's review on appointment forms the basis of his performance evaluation along with feedback as Managing Director since that date.

The performance of each Senior Executive Team member against key performance indicators and other performance criteria has been reviewed during the reporting period. In addition, each Senior Executive Team member is also provided with regular, informal feedback by the Managing Director and the Board.

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

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

Principle 2 – Structure the Board to add value

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

The Board believes that the current mix of Directors bring a broad range of complementary skills and experience to their responsibility of governing the Company. Further information about the Board (and the Company Secretaries) is set out in the Directors' Report on pages 6-25.

Director's independence

The Board regularly assesses whether a Director is independent including by reference to the independence and materiality tests set out in the ASX Principles. The Board has a policy of separating the role of Chairman and Managing Director and this policy is reflected in the Board's current practice with Peter Dempsey in the role of Chairman and Leigh Mackender in the role of Managing Director. The Chairman is independent and his role and responsibilities are independent from those of the Managing Director.

Committees

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

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

Each of the above Committees has their own Charters approved by the Board. For details of membership of and attendance at Committee Meetings please refer to page 15 of the Directors' Report.

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

Appointment of Directors

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

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

Apart from the role of Managing Director and any Alternate Director, all Directors are subject to re-election by rotation at least every three years.

At the end of each financial year, the Board assesses its performance and that of its Committees and individual members, to ensure its effectiveness in meeting shareholder expectations. In FY14 this was undertaken by a formal internal process via questionnaire.

Principle 3 – Promote ethical and responsible decision-making

The Company is committed to being a socially responsible corporate citizen.

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

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

A Whistleblower Policy has also been established to encourage a culture of reporting matters that may cause the Group financial loss or damage to its reputation.

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

Dealing in Company shares by Directors, other officers and employees

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

Diversity

The Group is comprised of men and women of varying ages, ethnicities and cultural backgrounds. The Company has a Diversity Committee which is made up of the Senior Executive Team and is chaired by the Managing Director. The Committee formally reports to the Remuneration and Nomination Committee on a regular basis. During FY14, the Board established the following measurable objectives for achieving diversity within the Group:

"The Group will support the specific needs of our employees with families and provide them with helpful advice at critical times of their lives. By June 2014, the Group will embed and further enhance the new family support project that was implemented in FY13."

The Group has continued to engage with SeventeenHundred, a provider of work life integration services, to further develop the family support program offered to employees to provide practical support and services to all employees about child care, aged care and retirement including the various government and company related benefits.

"The Group will support individual differences and recognise the importance of skills and the views of our employees, particularly in performance development, training and recruitment and selection. By June 2014, the Group will develop and implement revised recruitment processes that incorporate diversity requirements."

Recruitment processes have been developed to ensure all shortlists for roles will comprise a diverse slate. A similar approach for talent management is currently under development. Service Stream was also a finalist at the Aboriginal Employment Industry Cluster event in November 2013.

"The Group will ensure that workplace diversity is supported and communicated to all staff. By June 2014, the Group will increase the awareness of Diversity."

Diversity has been an agenda item at Executive, Board and Remuneration and Nomination Committee meetings throughout the year and initiatives have been shared through the Company's newsletter, team meetings and Corporate Governance training which contains a dedicated unit on Diversity. Mentoring arrangements for females in the workplace have continued from the previous year and these will be further formalised as group programs in FY15.

Having met the objectives set for FY14, the Board has set new objectives for the year commencing 1 July 2014.

As at April 2014, women constituted 24% of the Group's employees, 25% of the Board and 29% of the Senior Executive Team. The Group's annual public report which was lodged with the Workplace Gender Equality Agency on 30 May 2014 can be found on the Company's website.

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

Principle 4 – Safeguard integrity in financial reporting

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

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

The Company engages PricewaterhouseCoopers as its external auditor and the policy on the procedure for the selection and appointment of external auditors and rotation of the external audit engagement partner can be found on the Company's website.

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

Further information with respect to safeguarding the integrity of financial reporting, is provided in the Directors' Report on page 16.

Principle 5 – Make timely and balanced disclosure

The Company is committed to providing timely and accurate disclosure to the market of all material matters concerning the Company. The Company has adopted a Continuous Disclosure policy which can be found on the Company's website.

Principle 6 – Respect the rights of shareholders

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

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

- the Annual Report which is made available to shareholders;
- disclosures made to the ASX;
- information uploaded in the "Investors" section of the Company's website;
- notices of meeting and explanatory memoranda in relation to resolutions to be put to a vote of shareholders;
- Annual General Meetings at which shareholders are given an opportunity to ask questions about and comment on the performance and operations of the Company and its subsidiaries and to vote on other items of business including Director appointments and ask the external auditors questions on the financial statements;
- responding to communications from shareholders in a timely and responsive manner; and
- periodic investor presentations and briefings.

Principle 7 – Recognise and manage risk

The Company has established an Audit and Risk Committee to assist the Board in identifying, assessing, monitoring and controlling of the Group's material business risks.

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

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

- implement a standard structured Group-wide approach to risk management;
- promote a culture that accepts both good and bad news, encourages personal responsibility and expects proactive identification and management of risks and opportunities; and
- monitor, address and report on risk management performance measures.

In accordance with its risk management framework, the Group has in place various processes and internal controls designed to safeguard the Group's assets, minimise its liabilities and to ensure the integrity of its reporting. The identification, assessment, monitoring and management of business risks and the internal controls environment is undertaken by the Senior Executive Team and reported to the Board on an on-going basis.

The Board has received an assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration and Nomination Committee. The Committee has three members with all of its members being independent Non-Executive Directors as at 30 June 2014.

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

No Executive Director or other executive participates in any decision relating to their own remuneration. For the period during the year that Mr Gallagher undertook an executive role, he was paid his pre-existing Director fee and a fixed 'higher duties' allowance. Non-Executive Directors are remunerated by way of fees and statutory superannuation. The Senior Executive Team (including Mr Mackender and Mr Grant) is remunerated by way of fixed salary, long-term and short-term incentives and superannuation. The remuneration report (at pages 16-24 of this annual financial report) details the remuneration of Directors and Senior Management.

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 2014, and in order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors and senior management

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

Name	Particulars
Peter Dempsey B. Tech. (Civil Eng.) (Adel) Grad. Diploma (Bus. Admin.) SAIT, FIEAust, MAICD. *Chairman*	*Term of Office: Chairman since November 2010* Peter Dempsey was appointed Chairman of Service Stream Limited on 1 November 2010. Peter has extensive construction and development experience and has been involved in these industries for the last 40 years. In 2003 he retired from A W Baulderstone Pty Ltd after a 30 year career, the last five years as Managing Director. Baulderstone undertook some of Australia's largest building and civil infrastructure projects with annual revenues up to $1.5b during his tenure. The company was also involved in projects for the resources sector, with operations in all Australian mainland states, Papua New Guinea, Indonesia and Vietnam. Peter is Chair of the Remuneration and Nomination Committee and is a member of the Audit and Risk Committee. Peter is currently a Non-Executive Director of Monadelphous Limited, as well as holding other Board roles with private construction and charitable organisations. Peter was a Non-Executive Director of Becton Property Group Limited from July 2008 until resigning on 26 February 2013. Peter has no other listed company directorships and has held no other listed company directorships in the last three years.
Leigh Mackender *Managing Director*	*Term of Office: Managing Director since May 2014* Leigh Mackender was appointed Managing Director of Service Stream Limited on 26 May 2014. Leigh joined Service Stream when it acquired the AMRS Group of Companies (now Energy and Water) in February 2008, prior to which he held various management roles with the AMRS business since joining in 2005. Leigh was appointed to the role of Executive General Manager of Energy and Water in April 2011. Leigh was previously responsible for overseeing the Energy and Water business' national operations which includes metering, asset inspection and in-home services divisions operating across the Electricity, Gas and Water markets. Leigh has over 14 years of extensive experience working within the industrial services sector and held various roles in private and public businesses specialising in contract management, financial analysis, business development and commercial negotiations. Leigh has held no other listed company directorships in the last three years. Leigh has recently completed the final requirements for the award of a Masters of Business Administration from Victoria University.
Brett Gallagher FAICD *Executive Director*	*Term of Office: Non-Executive Director since April 2010 Managing Director for the period 8 April 2013 to 6 November 2013, Executive Director since May 2014* Brett Gallagher has over 20 years' experience across the utility and facilities management industries, and was Managing Director and a major shareholder of the AMRS Group of Companies (now Energy and Water) from 2003 until 2008 when that Group was acquired by Service Stream. Brett was instrumental in the growth of AMRS, establishing it as Australia's largest metering services provider.

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

Brett also holds directorships and interests in a number of private businesses that operate predominately in the utilities sector.

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

Deborah Page AM
B Ec (Syd), FCA, MAICD

Non-Executive Director

Term of Office: Non-Executive Director since September 2010

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

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

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

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

Stephe Wilks
BSc (Macq) LLM (Syd)

Non-Executive Director

Term of Office: Non-Executive Director since September 2005

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

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

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

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

Robert Grant
BCom (Qld), FCPA

Alternate Director
and Chief Financial Officer

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

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

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

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

Terry Sinclair
MBA, Grad dip in Management, other tertiary qualifications in Mining, including Surveying.

Term of Office: Managing Director from 6 November 2013 until his resignation on 26 May 2014

Terry Sinclair has significant experience in the Resources, Industrials and Services sectors.

Terry has held leadership roles with BHP Billiton, Australia Post, and a number of joint ventures in the Australian, Chinese, North American and European markets.

During his term of office with Service Stream, Terry was also a Non-Executive Director of Transpacific Industries Group Limited.

Directors' shareholdings

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

	Service Stream Limited	
	Fully paid ordinary shares	Performance Rights
Directors	Number	Number
P Dempsey	673,637	-
D Page	152,928	-
B Gallagher	10,390,679	-
S Wilks	455,001	-
L Mackender [1]	92,637	728,571
R Grant [1,2]	540,855	2,193,749

1. Balances include LTIP FY14 Tranche performance rights which are subject to shareholder approval at the Company's Annual General Meeting on 22 October 2014.

2. R Grant is an Alternate Director for the Managing Director.

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 16 to 24. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

Performance rights granted to Directors and senior management

During and since the end of the financial year, an aggregate of 6,827,387 performance rights were granted to the following Directors and to the five highest remunerated officers of the Group as part of their remuneration:

Directors and senior management	Number of rights granted	Issuing entity	Number of ordinary shares under rights
L Mackender [1]	430,556	Service Stream Limited	430,556
R Grant [1, 2]	1,241,389	Service Stream Limited	1,241,389
M Saloyedoff	409,722	Service Stream Limited	409,722
K Smith	245,720	Service Stream Limited	245,720
D Hill [3]	-	Service Stream Limited	-
T Sinclair [3, 4]	4,500,000	Service Stream Limited	4,500,000
C Orr [3]	-	Service Stream Limited	-

1. As L Mackender and R Grant are Directors of the Company, the issuance of performance rights under the LTIP FY14 Tranche is subject to shareholder approval at the Company's Annual General Meeting on 22 October 2014.

2. R Grant is an Alternate Director for the Managing Director.

3. D Hill, T Sinclair and C Orr resigned during the year. Refer to the remuneration report on page 16-24 for further details.

4. Shareholder approval would have been required for the issuance of performance rights to T Sinclair had he not resigned and the rights forfeited.

Company secretary

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

Jessica Lyons joined Service Stream in September 2010 as General Counsel and was appointed Company Secretary in November 2010. Jessica has a Bachelor of Laws and Bachelor of Arts, and is also a member of the Governance Institute.

As co-Company Secretary, both Vicki and Jessica are responsible for the corporate administration, and corporate governance of the Group.

Principal activities

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

Review of operations and financial performance

Financial overview

Service Stream returned to profitability in FY14 with an EBITDA result of $16.6 million and a Net Profit After Tax of $2.3 million following the losses of the previous year.

As reported at half-year, all non-NBN related activities were transferred to the Mobile Communications segment in July 2013 to assist Fixed Communications with its operational recovery. Subsequent improvements in Fixed Communications' operational and cost effectiveness and the non-recurrence of loss contributions from the Syntheo Joint Venture has resulted in that segment delivering an EBITDA profit for the year. Mobile Communications' management of the transferred activities contributed to it delivering an EBITDA of $7.7 million, an improvement of $6.8 million compared to the prior year. The Energy and Water segment once again delivered a strong EBITDA result of $11.2 million, albeit down on the previous year primarily due to the cessation during the year of the smart meter rollout in Victoria.

- Group revenue: down ($137.0 million) to $389.6 million
- Group earnings before interest, tax, depreciation and amortisation (EBITDA): up $30.0 million to $16.6 million
- Group net profit after tax (NPAT): up $109.4 million to $2.3 million
- Group cashflow from operating activities: up $21.7 million to $24.9 million

	FY14	*EBITDA %*	FY13	*EBITDA %*	Net change	*Change %*
Fixed Communications	98.4		136.0		(37.6)	
Mobile Communications	166.9		215.8		(48.9)	
Energy & Water	124.2		174.2		(50.0)	
Inter-company revenue	(0.8)		(0.8)		(0.0)	
Interest received and other	0.9		1.4		(0.5)	
Total Revenue	**389.6**		**526.6**		**(137.0)**	***(26.1%)***
Fixed Communications	2.4	*2.4%*	(23.0)	*-16.9%*	25.4	
Mobile Communications	7.7	*4.6%*	1.0	*0.4%*	6.8	
Energy & Water	11.2	*9.0%*	14.3	*8.2%*	(3.1)	
Investment in associate[1]	-		(0.6)		0.6	
Unallocated Corporate Services	(4.8)		(5.1)		0.3	
Total EBITDA	**16.6**	***4.3%***	**(13.4)**	***-2.5%***	**30.0**	***n/a***
Depreciation / Amortisation	(9.0)		(8.3)		(0.7)	
EBIT	**7.6**		**(21.7)**		**29.3**	***n/a***
Goodwill impairment	-		(89.8)		89.8	
Net interest expense	(5.0)		(2.0)		(2.9)	
Income tax expense	(0.3)		6.5		(6.8)	
NPAT	**2.3**		**(107.1)**		**109.4**	***n/a***
EPS (cents per share)	**0.76**		**(37.8)**		**38.5**	***n/a***

[1.] The investment in Total Communications Infrastructure (Singapore) Pte Ltd was sold during the prior year. Upon sale, the cumulative amount of the exchange differences relating to this investment has been reclassified from equity to profit and loss.

Revenue

Revenue of $389.6 million decreased by ($137.0 million) compared to prior comparative period driven by:

- Fixed Communications revenue was down by ($37.6 million) primarily due to there being no contribution from the Syntheo Joint Venture (FY13: $26.7 million). The balance of the reduction was due to the cessation of the Fujitsu New Estates contract and various miscellaneous works (including payphones, pre-provision, subcontracting to the Syntheo Joint Venture and DSL activities), partially offset by additional volume under the New Developments, Field Service Delivery and Network Augmentation & Restoration Activities contracts with NBN Co and under the Telstra pipe and pipe remediation program.
- Mobile Communications revenue was down by ($48.9 million) primarily due to ($41.5 million) lower revenue from the non-NBN related activities that were transferred from Fixed Communications. The balance of the reduction was due to lower volume of wireless site acquisition and design services, partially offset by an increase in wireless construction activity.
- Energy and Water revenue was down by ($50.0 million) primarily due to fewer residential solar PV system installations being completed, along with lower revenue from the AMI smart meter program in Victoria which ceased during the year. 2,626 residential solar PV installations (totalling 8.7 gigawatts) were completed in FY14 compared to 9,552 installations (totalling 26.1 gigawatts) in the prior year.

Earnings before interest, tax, depreciation and amortisation

The Group's EBITDA of $16.6 million for the year was favourable to the prior year by $30.0 million.

- Fixed Communications achieved an EBITDA of $2.4 million for FY14 which, excluding the impact of Syntheo discussed below, represents an improvement of $5.5 million compared to the prior year. Improved performance on all contracts and reduced overheads contributed to this improvement.
- Within the Fixed Communications segment, the Syntheo Joint Venture ("Syntheo") in which the Group has a 50% interest, recognised a loss of ($19.9 million) in the prior financial year. No subsequent losses were or will be recognised in relation to Syntheo.
- Mobile Communications recorded EBITDA of $7.7 million for FY14. This is an improvement of $6.8 million compared to the prior year which had been impacted by operational difficulties and demobilisation costs in the activities that were then managed under Fixed Communications.
- Energy & Water reported an EBITDA of $11.2 million for FY14, a decrease compared to the prior year of ($3.1 million) in line with reduced revenue as detailed above.

Net interest expense & finance costs

- Net interest expense and finance costs of $5.0 million were ($2.9 million) higher than the prior period reflecting the higher fees and interest rates arising from the refinancing completed in August 2013, together with higher levels of borrowings and bank guarantee utilisation during the year.

Tax

- An income tax expense of $0.3 million was recorded for the period. The current year income tax expense has benefited from an adjustment related to prior period Research and Development expenditure.

Depreciation and amortisation

- A depreciation and amortisation charge of $9.0 million was recorded for the period. This was slightly higher than the prior year's charge of $8.3 million with a full year's depreciation of the increased FY13 capital expenditure being brought to account this year.

Capital raise

- Following approval at an Extraordinary General Meeting of shareholders on 19 March 2014, a fully-underwritten capital raise was undertaken to raise net proceeds of $18.9 million.
    - A placement of 42.5 million shares at an issue price of $0.22 per share was concluded on 24 March 2014 to raise $9.4 million. The major participants in the placement were Thorney International Pty Ltd (9.1 million shares), Thorney Opportunities Ltd (27.3 million shares) and other sophisticated investors (6.1 million shares).
    - A 2-for-11 rights issue of 59.4 million shares at an issue price of $0.18 per share was concluded on 1 May 2014 to raise $10.7 million. Shareholder take-up of the rights issue was 82.6%, with the shortfall taken up by oversubscription requests from current shareholders.
    - Transaction costs totalled $1.2 million.
    - Following the capital raise, Thorney International Pty Ltd and Thorney Opportunities Ltd collectively held 92.9 million shares representing 28.4% of the voting rights in the Company.

Cashflow

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

- Net cashflow from operations was $24.9 million, an improvement of $21.7 million over the prior period due to:
  - Service Stream operations (before Syntheo) generated $50.7 million in operating cashflow before interest and tax for the year compared to $5.6 million in the prior period, on the back of substantial reductions in working capital.
  - $20.4 million was paid as contributions to Syntheo during the year to extinguish all liabilities associated with that joint venture. These payments are ($8.3 million) unfavourable to the Syntheo cashflows reported in the prior period.
  - Net interest and other finance costs paid of $5.5 million were ($3.2 million) higher than prior year, predominately due to higher fees, interest rates and facility utilisation.
  - There were no tax payments nor refunds during the year, compared to a refund of $12.0 million in the prior period.
- Net investing cash outflows decreased by $13.6 million to $2.1 million due to tight restrictions on capital expenditure during the year.
- A net financing activities outflow of $24.6 million was the result of a net inflow from the capital raising ($18.9 million) offset by the repayment of $43.4 million of borrowings during the year.

Financial position

The financial position of the Group improved during the year with Net Assets increasing by $21.9 million, predominately due to the impact of the capital raise ($19.2 million tax effected) and the profit achieved over the period ($2.3m). At 30 June 2014, Net Assets totalled $179.6 million, with Current Assets exceeding Current Liabilities by $58.3 million.

Debt and financing facilities

- Net debt decreased by $41.6 million over the year on the back of the capital raise and the business' generation of cashflow from operations. The Group had net debt of ($10.4 million) at 30 June 2014 compared to ($52.0 million) at June 2013.
- The net debt at June 2014 comprised ($17.0 million) of borrowings offset by $6.6 million of cash on hand.
- Borrowings have been classified as a current liability since the Group's banking facilities had less than 12 months of remaining term at balance date.
- Bank guarantee utilisation reduced substantially over the year with a balance at June 2014 of ($11.6 million).
- Leverage Ratio (Gross Debt + Bank Guarantees / Adjusted EBITDA) under the Group's financing facilities was 1.63x at 30 June 2014 compared to the covenant of <3.00x.
- The Group reduced the size of its financing facilities over the course of the year from $140.0 million to $62.0 million. The financing facilities at 30 June 2014 comprised cash advance lines totalling $32.0 million, bank guarantee facilities totalling $25.0 million and overdraft facilities totalling $5.0 million.
- Since balance date, the Group has received credit-approved term sheets from a number of leading Australian and International financial institutions, that each provide the commercial terms of offers for participation in a banking facility to 30 September 2016 commencing upon the expiry of the Group's existing banking facilities on 31 August 2014. Each such term-sheet is for a 50% participation in a multi-option facility under the Group's existing Syndicated Facilities Agreement and Security Arrangements and comprises cash advance, overdraft and bank guarantee facilities with an initial total limit of $60.0 million. The offers contain improved terms and conditions relative to the Group's existing banking facilities. The Board and Management are in the final stages of assessing the offers and finalising documentation.

Other Balance Sheet

Other key balance sheet movements during the year included:

- The net liability to the Syntheo Joint Venture (2013: $19.5 million) was fully extinguished during the year, ahead of schedule and all bank guarantees securing the liability have been returned by Lend Lease and retired with the issuing banks.
- Service Stream working capital at 30 June 2014 was a net asset position of $61.7 million and reflected a decrease over the prior year's closing balance (excluding Syntheo) of ($33.5 million).
- Trade and other receivables of $38.8 million was ($22.8 million) down on prior year due to a combination of strong cash collection, lower volumes, and collection of prior year-end amounts owing from Fujitsu and Syntheo. The balance at 30 June 2014 comprised Fixed Communications $8.1 million (2013: $16.5 million), Mobile Communications $18.0 million (2013: $27.9 million), Energy & Water $12.1 million (2013: $17.0 million) and Other $0.6 million (2013: $0.2 million).
- Inventories have reduced by ($4.0 million) during the year with the reduction due to the wind back of solar PV installations leading to reduced stock holdings and the continued strong management of inventory holdings.
- Accrued revenue of $71.6 million was ($13.2 million) down on prior year due to a combination of strong billing overall,

cessation of the smart meter program in Energy & Water, and billing of prior year-end balances relating to Fujitsu, Telstra A&AS and Syntheo. The balance at 30 June 2014 comprised Fixed Communications $35.2 million (2013: $32.3 million), Mobile Communications $34.0 million (2013: $40.8 million), Energy & Water $2.4 million (2013: $11.6 million).

- A Lease Incentive liability of ($4.9 million) relating to the lease of office accommodation in Melbourne CBD and St. Leonards in Sydney has been recognised on the balance sheet. The corresponding balance in the prior year was ($5.4 million).
- Trade and other payables of ($43.1 million) has decreased by $4.9 million with the bulk of the decrease relating to lower year-end accounts payable balances.
- Provisions have decreased by $3.2 million to ($9.5 million) during the year with the decrease predominately due to a reduction of employee leave entitlements.
- Property, plant & equipment at 30 June 2014 was $10.7 million compared to $15.3 million at June 2013 and reflects the annual deprecation charge substantially exceeding the minor additional leasehold improvements and plant and equipment purchases for the year.

Business activities and outlook

Fixed Communications

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

- Fixed Communications' financial performance in FY14 significantly improved over the prior year in accordance with expectations, delivering an EBITDA of $2.4 million on revenue of $98.4 million (2.4% margin).
    - During the year, Fixed Communications was successful in renewing its contract with NBN Co for the design and construction of the fibre network to Greenfield New Developments Housing Estates. The renewal is effective from 19 May 2014 and runs for two years, with two one-year extension options. In addition to the existing locations under the contract of New South Wales, Western Australia, South Australia and the Northern Territory, Service Stream may now also be awarded work in other regions. The agreement is expected to generate an estimated $70 million in revenue across the initial two-year term with the potential for additional revenue from other regions, with a further $70 million potentially arising from the two one-year extension options.
    - On 12 June 2014 Fixed Communications announced the renewal of its Field Services Delivery contract with NBN Co for home and business premises connections. The renewal is for a two-year period with two one-year extension options. Under this contract, Service Stream performs the physical cable connections between the street network and the outside of the buildings, and the installation of the NBN connection box and power supply units within the premises. These tasks will continue to be performed across five states and territories – Victoria, NSW, Western Australia, the Northern Territory and South Australia. It is estimated that the work from this contract will generate revenue of approximately $140 million across the initial two-year term.

Fixed Communications delivered solid results for the year under each of its contracts, being the two contracts referred to above as well as the Telstra Remediation and NBN NARA contracts. At the end of the year Fixed Communications underwent a change in leadership, with the resignation of Chad Orr in May and the appointment (in an acting capacity) of Kevin Smith.

As mentioned above, all non-NBN related activities were transferred to the Mobile Communications division during the year.

Mobile Communications

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

- Mobile Communications' financial performance in FY14 saw significant improvement with EBITDA of $7.7 million on revenue of $166.9 million (4.6% margin) compared with EBITDA of $1.0 million on revenue of $215.8 million (0.4% margin) in the prior year.
- During the year, Mobile Communications was successful in securing a two-year extension of its contract with Telstra for the provision of wireless construction services. Under this contract, Mobile Communications provides services on a national basis relating to the upgrade of existing base stations and the construction of new base stations for the Telstra wireless network.

Energy & Water

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

- Energy & Water's financial performance in FY14 was solid with EBITDA of $11.2 million on revenue of $124.2 million (9.0% margin) compared with EBITDA of $14.3 million on revenue of $174.2 million (8.2%) in the prior year.
- During the year, Energy and Water was successful in renewing several contracts including:
  - Western Power – Meter reading and meter replacement services (WA) for a three-year term with a potential for two one-year extension options to 2019.
  - APA Gas – Meter Reading and Field Services (QLD, VIC, SA) for a five-year term to 2019.
- Subsequent to year-end, Energy and Water was awarded a five-year Meter Reading and Field Services Contract with SA Power Networks (SAPN). The new contract term will see Service Stream continue to provide meter reading and field services to SAPN until mid-2019.

Overall Group strategy, prospects and risks

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

The Board appointed Terry Sinclair as Managing Director in November 2013 after an extensive executive search and subsequently reviewed and approved a strategic plan developed by management that will see the Group focus on:

- Unlocking value from existing core businesses; strengthening customer relationships, mitigating contract risk, and maximizing volume through delivery excellence;
- Re-configuring the operating model; the reduction of indirect costs, implementation of common processes and platforms, and increasing capabilities in a number of areas; and
- Extending the reach of the business model; identifying and securing growth opportunities to reduce concentration risk.

Mr. Sinclair tendered his resignation in May 2014 after being unable to agree with the Board on the approach to implement the strategic direction of the Group in coming years. The Board was pleased to subsequently appoint Leigh Mackender from within the business as replacement Managing Director to lead the Group going forward and with Non-Executive Director Brett Gallagher agreeing to take on a part-time executive role for the near term to provide support to Leigh as he settles into his new role.

The Board is also pleased to have concluded a number of other significant initiatives during the year and since year end including:

- substantially improving the Group's balance sheet with a capital raise and very strong cashflow generation;
- nearing finalisation of refinance of its banking facilities on substantially improved terms for a further two years;
- fully extinguishing the liability to the Syntheo Joint Venture ahead of schedule;
- renewing many of the Group's most significant contracts; and
- securing key members of the management team.

The Board believes that the Group is now significantly better placed to take advantage of growth opportunities as they present and to maximize shareholders returns.

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

- The Australian government's investment in the National Broadband Network will continue to drive opportunities for Fixed Communications on the back of NBN Co's mixed technology strategy as well as in the areas of its proven competence such as New Estates and Customer Connections.
- In Mobile Communications, increasing demand for mobile data will continue to drive the development and augmentation of the necessary supporting infrastructure.
- Energy network owners, retailers and governments will continue to pursue better demand side management, use of consumption data and distributed generation presenting significant opportunities in smart metering, in-home services and asset maintenance.

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

Customer concentration	Management and the Board are conscious of the Group's exposure to a small number of key customers and infrastructure programs as a source of revenue and profitability, but accepts that concentration to customers such as NBN Co, Telstra and Vodafone Hutchison Australia is a natural consequence of operating in the telecommunications sector in Australia. In that context, Management and the Board remain alert to factors that could disrupt or delay the flow of work from those customers, and implement strategies to actively pursue the diversification of income streams both within and separate to those customers by developing and offering a broad range of services and geographic coverage.

Customer demand

Many of the Group's customer contracts do not contain volume commitments and are therefore dependent on the customer's demand requirements. Whilst Management and the Board take a balanced view on the level of customer demand that is expected to arise under each of these contracts in forecasting financial performance, there is a risk that the level of customer demand may be less than forecasted.

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

Contract management effectiveness

Given that Service Stream's operating model is premised on the provision of infrastructure services to customers under periodically renewed contracts, Management and the Board are conscious of the risks that can arise through the acceptance of sub-optimal conditions in customer contracts and through the ineffective commercial administration of these contracts over their term. Management and the Board are therefore focused on ensuring that appropriate contract management disciplines are effectively embedded in the organisation to manage contract risk and to maximize contract entitlements.

Renewal of customer contracts

Whilst the Group has successfully renewed and extended many of its key customer contracts during FY14, the renewal of contracts remains a risk that Management and the Board continues to actively monitor and manage.

A number of contracts with key customers in the Fixed and Mobile Communications business units expire during FY15. Discussions are underway between Management and these customers in relation to the renewal of these contracts.

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

Retention of key personnel and sourcing of sub-contractors

The talents of a relatively small number of key personnel contribute significantly to the Group's operational effectiveness. Management and the Board have implemented strategies to retain those personnel, including participation in appropriate incentive arrangements, and are currently finalising a talent identification and succession program for deployment across the business in early FY15.

Access to an appropriately skilled and resourced pool of sub-contractors across Australia is also critical to Service Stream's ability to successfully undertake and complete work for its customers. Management and the Board have implemented strategies to attract and retain those sub-contractors, and are currently in the final stages of implementing a new Workforce Management System to enhance its effectiveness in that regard.

Dividends

No interim nor final dividend has been declared by the Board for the year ended 30 June 2014 (2013: Interim one cent per fully paid share, Final nil).

Significant changes in state of affairs

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

Matters subsequent to the end of financial year

Since balance date, the Group has received credit-approved term sheets from a number of banking institutions for a refinance of its banking facilities to 30 September 2016. The Board and Management are in the final stages of assessing the offers and finalising documentation.

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

Environmental regulation

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

Shares under performance rights

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

Issuing entity	LTIP Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
Service Stream Limited	FY12 Tranche	Ordinary	$0.0000	30 June 2014	1,071,819
Service Stream Limited	FY13 Tranche	Ordinary	$0.0000	30 June 2015	1,836,210
Service Stream Limited	FY14 Tranche	Ordinary	$0.0000	30 June 2016	4,722,515
					7,630,544

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

In accordance with the Employee Share Ownership Plan the shares relating to the FY12 Tranche which vested on 30 June 2014 will be issued to participants who have met the vesting criteria following final calculations of the Relative TSR vesting criteria after release of the FY14 financial statements.

Directors' meetings

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

	Board of Directors		Audit and Risk Committee		Remuneration and Nomination Committee		Sustainability, Safety, Health and Environment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P Dempsey	35	32	9	9	5	5	5	5*
D Page	35	32	9	9	5	5	5	4*
S Wilks	35	35	9	9	5	5	5	5
B Gallagher[3]	35	34	9	3 + 5*	5	4*	5	5
R Grant	35	35	9	9*	5	5*	5	4*
T Sinclair[1]	35	20	9	4*	5	4*	5	2
L Mackender[2]	35	2	9	-	5	-	5	1

[*] Attended as a Standing Invitee

1. Appointed to the position of Managing Director on 6 November 2013. Resigned from the position of Managing Director on 26 May 2014.

2. Appointed to the position of Managing Director on 26 May 2014.

3. During the period that Mr Gallagher was acting as either Managing Director or Executive Director he attended the Audit and Risk Committee as a Standing Attendee.

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 29 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 29 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 26 of the annual financial report.

Rounding off of amounts

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

Remuneration report

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Service Stream Limited's Directors and its key management personnel for the financial year ended 30 June 2014. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity. The prescribed details of each person covered by this report are detailed below under the following headings:

- Director and key management personnel details;
- remuneration policy;
- use of remuneration consultants;
- relationship between remuneration policy and Group performance;
- non-executive Directors remuneration policy;
- remuneration of Directors and key management personnel;
- voting and comments made at the Company's 2013 Annual General Meeting;
- key terms of employment contracts;
- share-based payments granted as compensation; and
- remuneration outcomes.

Director and key management personnel details

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

P Dempsey (Chairman)
L Mackender (Managing Director – appointed 26 May 2014)
B Gallagher (Managing Director to 6 November 2013, Non-Executive Director from 7 November 2013 until 25 May 2014, Executive Director since 26 May 2014)
D Page AM (Non-Executive Director)
S Wilks (Non-Executive Director)
R Grant (Alternate Director, Chief Financial Officer)
T Sinclair (Managing Director from 6 November 2013 until 26 May 2014)

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

L Mackender (Executive General Manager, Energy and Water)
M Saloyedoff (Executive General Manager, Mobile Communications – appointed 18 October 2013)
K Smith (Executive General Manager, Fixed Communications – appointed 12 June 2014)
D Hill (Executive General Manager, Mobile Communications – until 18 October 2013)
C Orr (Executive General Manager, Fixed Communications – until 12 June 2014)

Remuneration policy

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

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

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

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

1. Fixed remuneration

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

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

2. Variable remuneration

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

Short Term Incentive Plan ("STIP")

Employees invited to participate in the STIP have the opportunity to earn an annual lump sum incentive payment through the achievement of Group and individual goals agreed with the Remuneration and Nomination Committee (RNC) and their line manager respectively at the beginning of each financial year.

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

50% Group Financial Performance	
Performance to Budget	**Percentage Paid out**
90-100%	Pro-rata between 50% and 100% at RNC discretion
100%	100%

50% Individual Performance	
KPI Quadrant - individual goals	**Example percentage allocation**
Financial	50%
Market & Customer	20%
Safety & People	20%
Risk & Governance	10%

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

Long Term Incentive Plan ("LTIP")

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

In accordance with the provision of the ESOP and consistent with the prior year, Directors and employees in senior management roles were invited to participate in the LTIP which entitled them to receive a number of performance rights in respect of the year ending 30 June 2014 ("FY14 Tranche"). Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long term incentive participation rate, which is expressed as a percentage of the participant's TFR, and the volume-weighted average market price of the Company's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

The FY14 Tranche performance rights are subject to service and performance criteria being:

- The participant must be an employee at the vesting date;
- 50% of the performance rights granted will each vest where:
  - The Group's earnings per share ("EPS") achieves the following targets:

FY14 Tranche (vesting 30 June 2016)	Year 1	Year 2	Year 3	Average
EPS Target (cents per share)	2.81	3.09	3.40	3.10

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

  - 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.

In contrast to the criteria set out above for the FY14 Tranche, performance rights issued in previous years were subject to the following EPS performance criteria:

- The Group's earnings per share ("EPS") achieves annual growth of 10% or more (full achievement) or 7.5% (pro-rata achievement) over the performance period from an agreed base EPS, as detailed below:

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

The service and TSR performance criteria is consistent across all tranches.

Securities Trading Policy

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

3. Reward and recognition

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

Use of remuneration consultants

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

Relationship between remuneration policy and Group performance

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

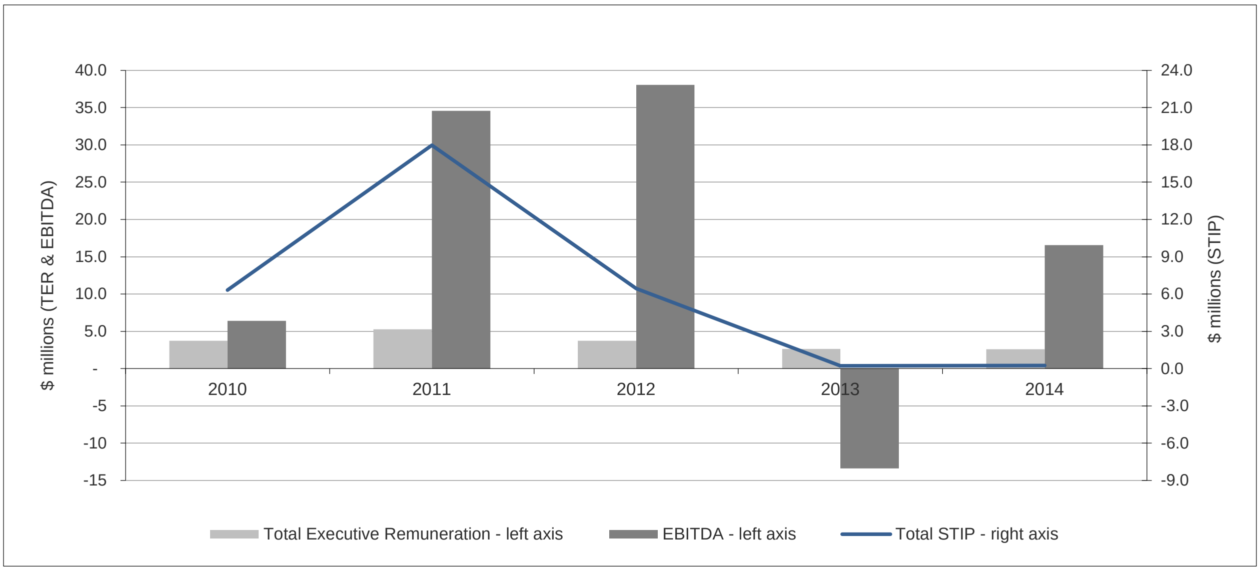
The Remuneration and Nomination Committee reviews the remuneration packages of all Directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance, data on remuneration paid by comparable companies and where appropriate, the Remuneration and

Nomination Committee receives expert independent advice regarding remuneration levels required to attract and compensate Directors and executives, given the nature of their work and responsibilities.

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

	Results					Change				
	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2014 %	2013 %	2012 %	2011 %	2010 %
Total Executive Remuneration	2,585	2,662	3,719	5,274	3,727	(2.9%)	(28.4%)	(29.5%)	41.5%	(23.0%)
Revenue	389,574	526,593	592,216	633,290	520,781	(26.0%)	(11.1%)	(6.5%)	21.6%	(6.7%)
EBITDA [1]	16,560	(13,392)	38,041	34,584	6,401	(223.7%)	(135.2%)	10.0%	440.3%	(78.8%)
Net profit/(loss) before tax	2,598	(113,581)	26,643	22,631	(7,315)	(102.3%)	(526.3%)	17.7%	(409.4%)	(147.8%)
Net profit/(loss) after tax	2,309	(107,054)	18,716	16,452	(2,555)	(102.2%)	(672.0%)	13.8%	(743.9%)	(123.0%)
Share price at end of year	0.19	0.14	0.35	0.49	0.23	32.1%	(60.0%)	(28.6%)	113.0%	(43.9%)
Interim dividend [2]	-	1.00 cps	1.00 cps	-	-	(100.0%)	-	n/a	-	(100.0%)
Final dividend [2 & 3]	-	-	1.00 cps	-	-	-	(100.0%)	n/a	-	-
Basic earnings per share	0.76 cps	-37.77 cps	6.60 cps	5.80 cps	-0.99 cps	(102.0%)	(672.3%)	13.8%	(685.9%)	(116.7%)
Diluted earnings per share	0.75 cps	-37.77 cps	6.54 cps	5.80 cps	-0.99 cps	(102.0%)	(677.5%)	12.8%	(685.9%)	(116.7%)

1. Earnings before interest, tax, depreciation and amortisation.
2. Franked to 100% at 30% corporate income tax rate.
3. Declared after the balance date and not reflected in the financial statements of that year.



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

Non-Executive Directors remuneration policy

Non-Executive Directors are remunerated by way of fees and statutory superannuation (where applicable). During the time Mr Gallagher acted as Managing or Executive Director he was paid his pre-existing fixed Directors fee and a fixed higher duties allowance. The Non-Executive Directors and the Executive Director (Mr Gallagher) do not receive performance-based pay.

Fees are reviewed annually taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The Directors have not had a fee increase in the past four years apart from the statutory increase in superannuation. The Remuneration Report (at pages 16-24 of this annual financial report) details the remuneration of Directors.

The maximum annual aggregate Directors' fee pool limit is $500,000. The following fees have applied:

	2014				2013			
	Chair		Other Members		Chair		Other Members	
	Fees	No.	Fees	No.	Fees	No.	Fees	No.
Board Fees	$ 100,000	1	$ 75,000	3	$ 100,000	1	$ 75,000	3
Committee Fees:								
- Audit & Risk	$ 25,000	1	$ 12,500	3	$ 25,000	1	$ 12,500	3
- Remuneration & Nomination	$ 15,000	1	$ 7,500	2	$ 15,000	1	$ 7,500	2
- Sustainability, Safety, Health and Environment	$ 15,000	1	$ 7,500	1	$ 15,000	1	$ 7,500	1
plus statutory superannuation	9.25%				9.00%			
Aggregate	$480,700				$479,600			

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

Remuneration of Directors and key management personnel

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

1. S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which Mr Wilks has a beneficial interest.
2. B Gallagher was Managing Director to 6 November 2013, Non-Executive Director from 7 November 2013 until 25 May 2014 and Executive Director since 26 May 2014.
3. L Mackender was appointed Managing Director on 26 May 2014 and in addition performed the duties of Executive General Manager, Energy and Water for the full year.
4. M Saloyedoff was appointed to the position of Executive General Manager, Mobile Communications on 18 October 2013.
5. K Smith was appointed to the position of Acting Executive General Manager, Fixed Communications on 12 June 2014.
6. D Hill held the position of Executive General Manager, Mobile Communications until 18 October 2013.
7. T Sinclair was appointed as Managing Director on 6 November 2013 and held this position until his resignation on 26 May 2014. Under the terms agreed with Mr Sinclair, his employment will be terminated upon the expiry of his 6 months paid notice period on 18 November 2014. Mr Sinclair has agreed not to work for a competitor of Service Stream for the duration of the notice period.
8. C Orr held the position of Executive General Manager, Fixed Communications until 12 June 2014.
9. Due to the failure of the Group to meet the required performance targets, there are no short term incentives payable for the year ended 30 June 2014. The amounts included above represent variances between the 30 June 2013 estimation as included in the remuneration report for the year ended 30 June 2013 and the amount subsequently paid.
10. The fair value of performance rights issued under the Long Term Incentive Plan, allocated on a pro-rata basis to the current financial year. Where previously disclosed rights have been subsequently forfeited due to resignation the relevant remuneration disclosure will be negative.

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

1. S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which Mr Wilks has a beneficial interest.
2. B Gallagher was a Non-Executive Director until 8 April 2013 at which time he become Managing Director.
3. G Sumner held the position of Managing Director until 8 April 2013 and left the employment of the Group on 1 July 2013. Due to Graeme's cessation of employment his performance rights were forfeited, effective as at his date of resignation. Remuneration shown in the above table relates only to the period of time which Graeme was considered to be key management personnel.
4. C Orr was appointed to the position of Executive General Manager, Fixed Communications on 28 May 2013. Remuneration shown in the above table relates only to the period of time which Chad was considered to be key management personnel.
5. S Ellich held the position of Executive General Manager, Fixed Communications until 28 May 2013 and left the employment of the Group on 1 July 2013. Due to Stephen's cessation of employment his performance rights were forfeited, effective as at his date of resignation. Remuneration shown in the above table relates only to the period of time which Stephen was considered to be key management personnel.
6. Due to the failure of the Group to meet the required performance targets, there are no short term incentives payable for the year ended 30 June 2013. The amounts included above represent variances between the 30 June 2012 estimation as included in the remuneration report for the year ended 30 June 2012 and the amount subsequently paid.
7. The fair value of performance rights issued under the Long Term Incentive Plan, allocated on a pro-rata basis to the current financial year. Where previously disclosed rights have been subsequently forfeited due to resignation the relevant remuneration disclosure will be negative.

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

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

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
Non-Executive Directors						
P Dempsey	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
S Wilks	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
D Page	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Executives						
L Mackender	64.5%	64.5%	19.4%	19.4%	16.1%	16.1%
B Gallagher	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
R Grant	50.0%	50.0%	25.0%	25.0%	25.0%	25.0%
M Saloyedoff	64.5%	64.5%	19.4%	19.4%	16.1%	16.1%
K Smith	66.7%	66.7%	20.0%	20.0%	13.3%	13.3%
D Hill	64.5%	64.5%	19.4%	19.4%	16.1%	16.1%
T Sinclair	80.0%	80.0%	0.0%	0.0%	20.0%	20.0%
C Orr	57.1%	57.1%	28.6%	28.6%	14.3%	14.3%

Voting and comments made at the Company's 2013 Annual General Meeting

The Company received more than 96% of "yes" votes on its Remuneration Report for the 2013 financial year. The Company did not receive any specific feedback at the AGM on its remuneration practices.

Key terms of employment contracts

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

- Fixed remuneration including base salary and superannuation.
- Payment of a short term bonus if and to the extent that the criteria for Company wide targets are met and personal goals are achieved.
- Mutual three month notice period for termination of service, with the exception of Mr Leigh Mackender and Mr Robert Grant where there is a mutual six month notice period for termination.

Robert Grant

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

Brett Gallagher

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

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

Share-based payments granted as compensation

Long Term Incentive Plan ("LTIP")

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

LTIP Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY12 tranche	1,071,819	25 November 2011	Relative TSR hurdle - $0.160	30 June 2014	1 July 2011
			EPS growth hurdle - $0.250		
FY13 tranche	1,836,210	30 November 2012	Relative TSR hurdle - $0.190	30 June 2015	1 July 2012
			EPS growth hurdle - $0.290		
FY14 tranche [1]	4,722,515	31 July 2014	Relative TSR hurdle - $0.101	30 June 2016	1 July 2013
			EPS hurdle - $0.154		

[1] As the grant date for the FY14 Tranche is 31 July 2014, the grant date fair values for this Tranche have been estimated for the purposes of year-end reporting.

Remuneration outcomes

The achievement of the EPS and TSR targets are measured each year and performance rights can vest if the targets are met in any individual year. Performance is also measured over the 3 year period.

The FY12 Tranche LTIP vested at the conclusion of the current financial year (vesting date: 30 June 2014). The table below details the vesting of the performance rights under this tranche. On vesting, each right converts to one ordinary share in Service Stream Limited.

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

[1] Measurement of the Relative TSR for Year 3 and the three-year period will not be completed until after the release of FY14 results.

The FY11 Tranche LTIP vested on 30 June 2013. The table below details the vesting of the performance rights under this tranche.

FY11 Tranche	EPS growth hurdle (base 3.85 cps)		Relative TSR hurdle	
	Outcome	Vested	Outcome	Vested
Year 1	50.8%	Yes	1st Quartile	Yes
Year 2	13.8%	Yes	4th Quartile	No
Year 3	n/a	No	4th Quartile	No
Three-year Period	n/a	No	4th Quartile	No

The following table outlines:

- the performance rights issued under the LTIP to Directors and key management personnel in the current financial year, and
- for each cash bonus and grant of performance rights included in the tables on pages 21-24, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because either the service or performance criteria was not met.

Name	STIP	LTIP							
	Awarded %[4]	Tranche	Vesting date	No. Granted	No. Vested [1]	No. Forfeited	Balance held	Vested %	Forfeited %
L Mackender [2]	0%	FY11	30-Jun-13	82,006	41,003	41,003	-	50.0%	50.0%
		FY12	30-Jun-14	133,577	-	-	133,577	0.0%	0.0%
		FY13	30-Jun-15	164,438	-	-	164,438	0.0%	0.0%
		FY14	30-Jun-16	430,556	-	-	430,556	0.0%	0.0%
R Grant [2]	0%	FY11	30-Jun-13	626,959	313,480	313,480	-	50.0%	50.0%
		FY12	30-Jun-14	430,063	-	-	430,063	0.0%	0.0%
		FY13	30-Jun-15	522,297	-	-	522,297	0.0%	0.0%
		FY14	30-Jun-16	1,241,389	-	-	1,241,389	0.0%	0.0%
M Saloyedoff	0%	FY11	30-Jun-13	-	-	-	-	n/a	n/a
		FY12	30-Jun-14	-	-	-	-	n/a	n/a
		FY13	30-Jun-15	102,690	-	-	102,690	0.0%	0.0%
		FY14	30-Jun-16	409,722	-	-	409,722	0.0%	0.0%
K Smith	0%	FY11	30-Jun-13	97,806	48,903	48,903	-	50.0%	50.0%
		FY12	30-Jun-14	89,453	-	-	89,453	0.0%	0.0%
		FY13	30-Jun-15	104,047	-	-	104,047	0.0%	0.0%
		FY14	30-Jun-16	245,720	-	-	245,720	0.0%	0.0%
D Hill	0%	FY11	30-Jun-13	87,789	43,895	43,895	-	50.0%	50.0%
		FY12	30-Jun-14	82,035	-	82,035	-	0.0%	100.0%
		FY13	30-Jun-15	173,868	-	173,868	-	0.0%	100.0%
		FY14	30-Jun-16	n/a	-	-	-	n/a	n/a
T Sinclair [3]	n/a	FY11	30-Jun-13	n/a	-	-	-	n/a	n/a
		FY12	30-Jun-14	n/a	-	-	-	n/a	n/a
		FY13	30-Jun-15	n/a	-	-	-	n/a	n/a
		FY14	30-Jun-16	4,500,000	-	4,500,000	-	0.0%	100.0%
C Orr	0%	FY11	30-Jun-13	256,270	128,135	128,135	-	50.0%	50.0%
		FY12	30-Jun-14	175,788	-	175,788	-	0.0%	100.0%
		FY13	30-Jun-15	205,458	-	205,458	-	0.0%	100.0%
		FY14	30-Jun-16	n/a	-	-	-	n/a	n/a

1. Although the vesting date of the FY12 Tranche is 30 June 2014, the number of rights that will vest cannot be determined until the release of the results, and the determination of the achievement or otherwise of the TSR hurdle.

2. As L Mackender and R Grant are Directors of the Company, the issuance of the FY14 Tranche performance rights are subject to shareholder approval at the Company's Annual General Meeting on 22 October 2014.

3. Shareholder approval would have been required had T Sinclair not resigned and rights had not been forfeited.

4. Awarded as a percentage of maximum eligibility.

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

On behalf of the Directors

P Dempsey
Chairman
13 August 2014

L Mackender
Managing Director
13 August 2014

Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2014, 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
13 August 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Independent auditor's report to the members of Service Stream Limited

Report on the financial report

We have audited the accompanying financial report of Service Stream Limited (the company), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Service Stream Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 33, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Auditor's opinion

In our opinion:

(a) the financial report of Service Stream Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 33.

Report on the Remuneration Report

We have audited the remuneration report included in pages 16 to 24 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
13 August 2014

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 2014 and of its performance for the financial year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 22 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 23.

Note 33 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

P Dempsey
Chairman
13 August 2014

L Mackender
Managing Director
13 August 2014

Consolidated statement of comprehensive income for the financial year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue from continuing operations			
Revenue from the rendering of services	3A	388,735	526,600
Other income	3B	839	(7)
		389,574	526,593
Expenses			
Employee salaries and benefits		(123,128)	(163,222)
Subcontractor fees		(92,052)	(153,083)
Site and construction costs		(88,461)	(91,752)
Raw materials and consumables used		(33,936)	(57,980)
Consulting and temporary staff fees		(4,984)	(12,065)
Company administration and insurance expenses		(5,134)	(11,305)
Occupancy expenses		(8,241)	(10,702)
Technology and communication services		(7,375)	(7,852)
Motor vehicle expenses		(8,938)	(10,768)
Other expenses		(448)	(6,167)
Loss on onerous contracts		-	(12,824)
Write back of currency translation differences		-	(576)
Share of losses of investment in associate		-	(48)
Depreciation and amortisation	5.1	(8,996)	(8,345)
Goodwill impairment	11	-	(89,800)
Interest expense and other finance costs	4	(5,283)	(3,685)
Profit / (loss) before tax		2,598	(113,581)
Income tax (expense) / benefit	6	(289)	6,527
Profit / (loss) for the year		2,309	(107,054)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign investment		-	576
Cash flow hedges		181	(203)
Total comprehensive income for the year		2,490	(106,681)
Profit / (loss) attributable to the equity holders of the parent		2,309	(107,054)
Total comprehensive income attributable to equity holders of the parent		2,490	(106,681)
Earnings per share			
Basic (cents per share)	18	0.76	(37.77)
Diluted (cents per share)	18	0.75	(37.77)

Notes to the financial statements are included on pages 34 to 71

Consolidated balance sheet as at 30 June 2014

	Note	2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents	24.1	6,590	13,398
Trade and other receivables	7	38,753	61,617
Inventories		6,891	17,545
Accrued revenue	9	71,606	88,338
Other	12	1,976	5,258
Total current assets		125,816	186,156
Non-current assets			
Property, plant and equipment	10	10,738	15,291
Intangible assets	11	120,637	123,869
Total non-current assets		131,375	139,160
Total assets		257,191	325,316
Liabilities			
Current liabilities			
Trade and other payables	13	43,146	69,824
Borrowings	14	16,556	65,231
Derivatives	25.2	39	-
Provisions	15	6,740	10,483
Other	16	1,024	1,339
Total current liabilities		67,505	146,877
Non-current liabilities			
Trade and other payables	13	-	9,500
Provisions	15	2,745	2,731
Deferred tax liability	6.2	3,385	4,177
Other	16	3,921	4,094
Derivatives	25.2	-	203
Total non-current liabilities		10,051	20,705
Total liabilities		77,556	167,582
Net assets		179,635	157,734
Equity			
Capital and reserves			
Issued Capital	17	247,647	228,416
Reserves		2,888	2,527
Retained earnings/ (accumulated losses)		(70,900)	(73,209)
Total equity		179,635	157,734

Notes to the financial statements are included on pages 34 to 71

Consolidated statement of changes in equity for the financial year ended 30 June 2014

	Note	Share capital	Employee equity-settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings / (accumulated losses)	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012		228,416	3,008	-	(636)	39,573	270,361
Loss for the period		-	-	-	-	(107,054)	(107,054)
Write back of currency translation reserve on sale of investment		-	-	-	636	(60)	576
Other comprehensive income		-	-	(203)	-	-	(203)
Total comprehensive income for the year		-	-	(203)	636	(107,114)	(106,681)
Equity settled share based payment		-	(278)	-	-	-	(278)
Dividends paid	19	-	-	-	-	(5,668)	(5,668)
Balance at 30 June 2013		**228,416**	**2,730**	**(203)**	**-**	**(73,209)**	**157,734**
Profit for the period		-	-	-	-	2,309	2,309
Other comprehensive income		-	-	181	-	-	181
Total comprehensive income for the year		-	-	181	-	2,309	2,490
Contributions of equity	17	19,231	-	-	-	-	19,231
Equity settled share based payment		-	180	-	-	-	180
Balance at 30 June 2014		**247,647**	**2,910**	**(22)**	**-**	**(70,900)**	**179,635**

Notes to the financial statements are included on pages 34 to 71.

Consolidated statement of cash flows for the financial year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		483,892	598,987
Payments to suppliers and employees (including GST)		(453,580)	(605,531)
Cash generated from / (used in) operations before interest and tax		30,312	(6,544)
Interest received		317	1,394
Interest and other finance costs paid		(5,775)	(3,655)
Income taxes paid / (refunded)		-	11,991
Net cash provided by operating activities	24.2	24,854	3,186
Cash flows from investing activities			
Payments for plant and equipment		(969)	(10,821)
Proceeds from sale of plant and equipment		522	175
Payment for intangible assets		(1,682)	(5,317)
Proceeds from sale of investment		-	282
Net cash used in investing activities		(2,129)	(15,681)
Cash flows from financing activities			
Proceeds from issues of shares		18,881	-
Proceeds from borrowings		-	42,327
Repayment of borrowings		(43,444)	(36,652)
Dividends paid		-	(5,668)
Net cash (used) / provided by financing activities		(24,563)	7
Net decrease in cash and cash equivalents		(1,838)	(12,488)
Cash and cash equivalents at the beginning of the financial year		8,428	20,916
Cash and cash equivalents at the end of the financial year	24.1	6,590	8,428

Notes to the financial statements are included on pages 34 to 71.

Notes to the financial statements for the financial year ended 30 June 2014

1. General information

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

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

Level 4, 357 Collins Street
Melbourne, Victoria 3000

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

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

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

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

Due to the previously reported operational issues within Fixed Communications, a review was undertaken of the activities performed by this segment. Based on the outcome of this review the decision was made to transfer all non-NBN related activities from the Fixed Communications segment to the Mobile Communications segment. The relevant prior period comparatives reflect these transfers.

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

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

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

Information regarding these segments is presented below:

2. Segment information (continued)

2.2 Segment revenues and results

	Segment revenue		Segment result	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Fixed Communications[1]	98,400	136,020	2,386	(22,969)
Mobile Communications[1]	166,899	215,846	7,736	953
Energy & Water	124,223	174,158	11,192	14,276
Total of all segments	389,522	526,024	21,314	(7,740)
Eliminations	(840)	(825)	-	-
Investment in associate[2]			-	(576)
Unallocated	575		(4,754)	(5,076)
Earnings before interest, tax, depreciation and amortisation			16,560	(13,392)
Net interest received/(paid)	317	1,394	(4,966)	(2,044)
Depreciation/Amortisation			(8,996)	(8,345)
Goodwill impairment			-	(89,800)
Total revenue	389,574	526,593		
Profit / (loss) before income tax expense			2,598	(113,581)
Income tax expense			(289)	6,527
Profit / (loss) for the period			2,309	(107,054)

1. In accordance with AASB 8 *Operating Segments*, the segment result of the previous financial year have been restated by transferring revenue of $91,118,000 and EBITDA of $9,001,000 loss from Fixed Communication to Mobile Communications to reflect the changes in the operational structure.
2. The investment in Total Communications Infrastructure (Singapore) Pte Ltd was sold during the prior reporting period. Upon sale, the cumulative amount of the exchange differences relating to this investment has been reclassified from equity to profit and loss.

2.3 Segment assets and liabilities

	Segment assets		Segment liabilities	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Fixed Communications	69,692	113,116	12,051	51,506
Mobile Communications	111,265	112,610	26,523	20,558
Energy & Water	57,678	75,200	10,721	15,708
Total of all segments	238,635	300,926	49,295	87,772
Unallocated	18,556	24,390	28,261	79,810
Consolidated	257,191	325,316	77,556	167,582

2. Segment information (continued)

2.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Fixed Communications	1,253	1,563	479	3,325
Mobile Communications	1,607	1,624	95	1,197
Energy & Water	2,169	2,778	111	871
Total of all segments	5,029	5,965	685	5,393
Unallocated	3,967	2,380	1,378	10,366
Consolidated	8,996	8,345	2,063	15,759

2.5 Information about major customers

In the current reporting period there were two customers (2013: three customers) which each contributed more than 10% of the Group's revenue. The relevant revenue by segment is shown below:

Largest customer	2014: Fixed and Mobile Communications $144.4 million (2013: Fixed and Mobile Communications $198.5 million).
Second largest customer	2014: Fixed Communications $80.7 million (2013: Energy & Water $65.2 million).
Third largest customer	2014: nil (2013: Fixed Communications $59.7 million).

No other single customer contributed 10% or more of the Group's total revenue in 2014 and 2013.

	2014 $'000	2013 $'000
3A Revenue		
Revenue from the rendering of services	388,418	525,206
Interest revenue	317	1,394
	388,735	526,600
3B Other income		
Gain/(loss) on disposal of plant, equipment and intangible assets	264	(7)
R&D tax incentives	575	-
	839	(7)
4. Finance costs		
Interest on bank overdrafts and loans	2,036	2,341
Interest on obligations under finance leases	5	45
Other interest expense	1,583	1,052
Total interest expense	3,624	3,438
Facility costs	1,659	247
Interest expense and other finance costs	5,283	3,685

5. Other expense items

	2014 $'000	2013 $'000
5.1 Depreciation and amortisation expense		
Depreciation of non current assets	4,865	4,502
Amortisation of intangible assets	4,131	3,843
	8,996	8,345
5.2 Operating lease rental expenses		
Minimum lease payments	6,447	5,178
	6,447	5,178
5.3 Employee benefit expense		
Post employment benefits: Defined contribution plans	9,064	11,358
Equity settled share-based payments	180	(278)
	9,244	11,080

6. Income taxes

6.1 Income tax recognised in profit or loss

	2014 $'000	2013 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	(1,285)	(1,510)
Adjustments recognised in the current year in relation to the tax of prior years	(337)	175
	(1,622)	(1,335)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,911	(5,192)
	1,911	(5,192)
Total tax expense relating to continuing operations	289	(6,527)

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

	2014 $'000	2013 $'000
Profit from continuing activities	2,598	(113,581)
Income tax expense calculated at 30%	779	(34,074)
Effect of expenses that are not deductible in determining taxable profit:		
Goodwill impairment	-	26,940
R&D rebates	(173)	-
Other	20	432
	626	(6,702)
Adjustments recognised in the current year in relation to the tax of prior years	(337)	175
	289	(6,527)

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.

6. Income taxes (continued)

6.2 Deferred tax balances

	2014 $'000	2013 $'000
Deferred tax balances expected to be recovered within 12 months	1,946	7,534
Deferred tax balances expected to be recovered after more than 12 months	(5,331)	(11,711)
	(3,385)	(4,177)

Deferred tax balances arise from the following:

2014	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Carried forward losses $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Tax Losses	6,318	-	4,837	1,500	-	12,655
Trade and other receivables	38	152	-	-	-	190
Accrued revenue	(23,025)	1,428	1,041	-	-	(20,556)
Trade, other payables and provisions	7,496	(335)	(5,405)	-	-	1,756
Share issue costs	324	(284)	-	-	349	389
Employee Benefits	4,045	(747)	-	-	-	3,298
Property, plant and equipment	(832)	454	(895)	-	-	(1,273)
Other	1,459	(2,579)	1,276	-	-	156
	(4,177)	(1,911)	854	1,500	349	(3,385)

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

Deferred tax liability	(3,385)
	(3,385)

2013	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	-	-	4,808	1,510	-	6,318
Trade and other receivables	27	11	-	-	-	38
Accrued revenue	(2,106)	(279)	(20,640)	-	-	(23,025)
Trade, other payables and provisions	3,440	3,394	662	-	-	7,496
Share issue costs	199	125	-	-	-	324
Employee Benefits	4,699	314	(968)	-	-	4,045
Property, plant and equipment	(82)	168	(918)	-	-	(832)
Other	-	1,459	-	-	-	1,459
	6,177	5,192	(17,056)	1,510	-	(4,177)

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

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

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

6. Income taxes (continued)

6.3 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 22. A tax funding arrangement and a tax sharing agreement has been entered into between the entities. As such a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right (except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequences) has been performed. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Nature of tax funding arrangements and tax sharing agreements

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

7. Current trade and other receivables

	2014 $'000	2013 $'000
Trade receivables	36,205	60,626
Allowance for doubtful debts	(640)	(132)
	35,565	60,494
Other	3,188	1,123
	38,753	61,617

The ageing of trade receivables as at 30 June 2014 and 30 June 2013 respectively are detailed below:

	2014		2013	
	Gross $'000	Allowance $'000	Gross $'000	Allowance $'000
Not past due	28,377	-	46,054	-
Past due 0–30 days	5,826	-	12,036	-
Past due 31–60 days	646	-	1,287	-
Past due 61–90 days	402	-	109	-
Past 90 days	954	(640)	1,140	(132)
	36,205	(640)	60,626	(132)

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

	2014 $'000	2013 $'000
Balance at the beginning of the year	(132)	(91)
Impairment losses recognised on receivables	(577)	(80)
Amounts written-off during the year as uncollectible	69	39
Balance at the end of the year	(640)	(132)

7. Current trade and other receivables (continued)

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. Standard payment terms on sale of goods and services is 30 days from date of invoice.

Included in the Group's trade receivables balance was debtors with a carrying amount of $7.2 million (2013: $14.4 million) which were past due dates as at reporting date. Based on the credit history of these trade receivables, they are considered recoverable.

Approximately 90% of the Group receivables balance is held with high credit worthy listed companies, commonwealth agencies, state utilities or multinational companies. Of the trade receivables balance at reporting date; $15 million (2013: $22 million) was due from Telstra Corporation Ltd, $4 million (2013: $2 million) from NBN Co Ltd, $2 million (2013: $5 million) from Jemena Asset Management Pty Ltd, $2 million (2013: $4 million) from Vodafone Hutchison Australia Pty Ltd, $3 million from Origin Energy Ltd (2013: $4 million) and $2 million (2013: $1 million) from Western Power.

8. Joint operations

The Syntheo Joint Venture ("Syntheo") is an unincorporated joint venture entity between Service Stream Limited and Lend Lease Project Management & Construction (Australia) Pty Ltd (the "Parties") established in January 2011 for the purposes of undertaking certain works for NBN Co Limited ("NBN Co").

In July 2013, the Parties executed a variation to the Syntheo Joint Venture Agreement under which Lend Lease would assume control of Syntheo and the Parties agreed that Service Stream's share of any losses incurred by the joint venture shall be $19.5 million. These losses were brought to account during the previous financial year and all liabilities relating to the Syntheo Joint Venture have since been extinguished. As there is no longer joint control of this arrangement, it is no longer appropriate to account for the Syntheo Joint Venture using proportionate consolidation.

	2014 $'000	2013 $'000
Financial position:		
Current assets	-	11,341
Non-current assets	-	586
Total assets	-	11,927
Current liabilities	-	31,427
Total liabilities	-	31,427
Net assets	-	(19,500)
Financial performance:		
Income	-	26,741
Expenses	-	(46,597)
Profit/(loss) for the year	-	(19,856)

9. Accrued revenue

	2014 $'000	2013 $'000
Accrued revenue	71,606	88,338
	71,606	88,338

The accrued revenue balance of $71.6 million (2013: $88.3 million) represents revenue which has yet to be invoiced to customers at year-end, due to either the invoicing process not being finalised or work not yet reaching a stage where it can be invoiced. Many of the Group's customers require payment claims to be submitted and approved prior to invoices being issued. Although this extends the time revenue is held as accrued, historically it does result in high level of recoverability of trade debtors. Where work has not yet reached a stage where it can be invoiced, revenue is accrued in line with the Group's accounting policies as outlined at notes 33.7 revenue recognition and 33.8 construction contracts.

10. Plant and equipment

	Leasehold improve-ments at cost $'000	Plant and equipment at cost $'000	Equipment under finance lease at cost $'000	Motor Vehicles at cost $'000	Motor Vehicles under finance lease at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 July 2012	6,611	16,664	683	4,787	2,773	31,518
Additions	5,293	4,592	-	151	-	10,036
Transfers [1]	(78)	1,049	(683)	2,407	(2,773)	(78)
Disposals	(477)	(548)	-	(640)	-	(1,665)
Balance at 1 July 2013	11,349	21,757	-	6,705	-	39,811
Additions	424	347	-	17	-	788
Derecognised [2]	(203)	(37)	-	-	-	(240)
Disposals	(6)	(894)	-	(1,374)	-	(2,274)
Balance at 30 June 2014	11,564	21,173	-	5,348	-	38,085
Accumulated depreciation						
Balance at 1 July 2012	(4,449)	(11,287)	(238)	(4,223)	(1,269)	(21,466)
Transfers [1]	(34)	(238)	238	(1,269)	1,269	(34)
Disposals	454	436	-	592	-	1,482
Depreciation expense	(925)	(2,780)	-	(797)	-	(4,502)
Balance at 1 July 2013	(4,954)	(13,869)	-	(5,697)	-	(24,520)
Transfers [1]	-	(30)	-	30	-	-
Derecognised [2]	21	2	-	-	-	23
Disposals	8	721	-	1,286	-	2,015
Depreciation expense	(1,335)	(3,087)	-	(443)	-	(4,865)
Balance at 30 June 2014	(6,260)	(16,263)	-	(4,824)	-	(27,347)
Net book value						
As at 30 June 2013	6,395	7,888	-	1,008	-	15,291
As at 30 June 2014	5,304	4,910	-	524	-	10,738

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

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

11. Intangible Assets

	Software	Software under finance lease	Goodwill	Total
	$'000	$'000	$'000	$'000
Gross carrying amount				
Balance at 1 July 2012	11,628	2,649	205,362	219,639
Additions	5,723	-	-	5,723
Transfers [1]	78	-	-	78
Balance at 1 July 2013	17,429	2,649	205,362	225,440
Additions	1,275	-	-	1,275
Transfers [1]	2,649	(2,649)	-	-
Disposals	(7)	-	-	(7)
Derecognised [2]	(423)	-	-	(423)
Balance at 30 June 2014	20,923	-	205,362	226,285
Accumulated amortisation				
Balance at 1 July 2012	(6,374)	(1,588)	-	(7,962)
Transfers [1]	(312)	346	-	34
Goodwill impairment	-	-	(89,800)	(89,800)
Amortisation expense	(2,960)	(883)	-	(3,843)
Balance at 1 July 2013	(9,646)	(2,125)	(89,800)	(101,571)
Derecognised [2]	54	-	-	54
Transfers [1]	(2,584)	2,584	-	-
Amortisation expense	(3,672)	(459)	-	(4,131)
Balance at 30 June 2014	(15,848)	-	(89,800)	(105,648)
Net book value				
As at 30 June 2013	7,783	524	115,562	123,869
As at 30 June 2014	5,075	-	115,562	120,637

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

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

(a) Impairment tests for goodwill

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

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

- Fixed Communications – provides a wide range of design, construction, maintenance and customer connection services to the owners of telecommunications network infrastructure and to telecommunications retail service providers in connection with the roll-out of the National Broadband Network in Australia – $18.0 million[1] (2013: $27.7 million).
- Mobile Communications – provides program management and turnkey services for infrastructure projects across Australia, principally in the telecommunications sector. Service capability covers site acquisition, town planning, design, and management of construction projects requiring specialist skill sets in wireless and fixed line telecommunications, signalling and power – $55.6 million[1] (2013: $45.9 million).
- Energy and Water – provides a range of specialist metering and environmental services to utilities and government authorities across Australia; and through the Customer Care business, provides contact centre services and end-to-end customer support for key contracts – $42.0 million (2013: $42.0 million).

1. As at 1 July 2013, the following businesses changed reporting lines, from Fixed Communications to Mobile Communications: Telstra Minor Works, Recoverable Works and SEQUD. The carrying amounts of goodwill shown above for Fixed Communications and Mobile Communications reflect this, with $9.7m of goodwill transferred from Fixed to Mobile.

11. Intangible assets (continued)

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

The recoverable amount of the cash-generating units is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and long-term strategic plans approved by the Board. These forecasts are based on a combination of historical performance combined with management's expectations of future performance based on prevailing and anticipated market factors. Cash flows beyond the five-year period have been extrapolated using a 0% per annum real growth rate. A pre-tax discount rate of 14.1% (2013: 16.4%) has been applied in order to discount expected future cash flows into present-day values.

(c) Impact of possible changes in key assumptions

<u>Fixed Communications</u>
The recoverable amount of the Fixed Communications CGU is estimated to be $96.0m (2013: $74.9m). This exceeds the carrying amount of the CGU by $38.1m (2013: $0.0m).

If the cash flows used in the value-in-use calculations of the Fixed Communications CGU had been 39.1% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

<u>Mobile Communications</u>
The recoverable amount of the Mobile Communications CGU is estimated to be $102.6m (2013: $101.9m). This exceeds the carrying amount of the CGU by $14.7m (2013: $19.8m).

If the pre-tax discount rate applied to the cash flow projections of the Mobile Communications CGU was 16.4% instead of 14.1%, the recoverable amount of the CGU would equal its carrying amount. If the cash flows used in the value-in-use calculations of the Mobile Communications CGU had been 14.3% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

<u>Energy and Water</u>
The recoverable amount of the Energy and Water CGU is estimated to be $63.1m (2013: $73.3m). This exceeds the carrying amount of the CGU by $15.4m (2013: $12.3m).

If the cash flows used in the value-in-use calculations of the Energy and Water CGU had been 24.4% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

12. Other assets

	2014 $'000	2013 $'000
<u>Current</u>		
Work in progress	263	2,584
Prepayments	1,314	2,498
Other	399	176
	1,976	5,258

13. Trade and other payables

	2014 $'000	2013 $'000
Current		
Trade creditors[1]	16,696	21,182
Sundry creditors and accruals	22,222	38,988
Goods and services tax payable	1,707	1,858
Income in advance	2,521	7,796
	43,146	69,824
Non-current		
Sundry creditors and accruals	-	9,500
	-	9,500

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

14. Borrowings

	2014 $'000	2013 $'000
Current		
Bank overdrafts	-	4,970
Cash Advance	17,000	60,000
Finance lease liabilities (note 20.2)	-	444
Transaction costs	(444)	(183)
	16,556	65,231

A fixed and floating mortgage charge exists over all assets and uncalled capital of the Group as security for all borrowings under its various bank debt and finance facilities

Since balance date, the Group has received credit-approved term sheets from a number of banking institutions for a refinance of its banking facilities to 30 September 2016. The Board and Management are in the final stages of assessing the offers and finalising documentation.

15. Provisions

	2014 $'000	2013 $'000
Current		
Employee benefits[1]	6,481	9,703
Warranty provision[2]	259	780
	6,740	10,483
Non-current		
Employee benefits[1]	2,745	2,731
	2,745	2,731
	9,485	13,214

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

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

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

	Warranty provisions	
2014	**2014 $'000**	**2013 $'000**
Carrying amount at start of year	780	828
Charged / (credited) to profit or loss		
Additional provisions recognised	-	205
Unused amounts reversed	(521)	(253)
Carrying amount at end of year	259	780

16. Other

	2014 $'000	2013 $'000
Current		
Lease incentives	1,024	1,339
	1,024	1,339
Non-current		
Lease incentives	3,921	4,094
	3,921	4,094
	4,945	5,433

17. Issued capital

	2014 $'000	2013 $'000
386,389,873 fully paid ordinary shares (2013: 283,418,867)	247,647	228,416

	Number of shares '000	Share capital $'000
17.1 Fully paid ordinary shares		
Balance at 1 July 2012	283,419	228,416
Balance 30 June 2013	283,419	228,416
Capital raising	101,946	20,050
Less: transaction costs arising on share issue (net of tax)	-	(819)
Issue of shares under the Long Term Incentive Plan	1,025	-
Balance at 30 June 2014	386,390	247,647

17.2 Performance Rights

As at 30 June 2014, employees have 7,630,544 performance rights issued under the Long Term Incentive Plan ("LTIP") in respect of the FY12 Tranche, the FY13 Tranche and the FY14 Tranche (2013: 5,909,474, FY11, FY12 and FY13 tranches). In accordance with the Employee Share Ownership Plan the shares relating to the FY12 Tranche which vested on 30 June 2014 will be issued to participants to the extent of that vesting criteria have been satisfied following final calculations of the Relative TSR measure after release of the FY14 financial statements. The remaining rights are due to vest on 30 June 2015 (for the FY13 Tranche) and 30 June 2016 (for the FY14 Tranche). Each performance right converts into one ordinary share, subject to satisfaction of vesting criteria. Performance rights carry no rights to dividends and no voting rights. Further details of the LTIP are contained in notes 33.11 and 26.

18. Earnings per share

	2014 Cents per share	2013 Cents per share
Basic earnings per share:		
Total basic earnings per share	0.76	(37.77)
Diluted earnings per share:		
Total diluted earnings per share [1]	0.75	(37.77)

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:

	2014 $'000	2013 $'000
Profit / (loss) for the year attributable to owners of the Company	2,309	(107,054)
Earnings used in the calculation of basic EPS	2,309	(107,054)

	2014 No.'000	2013 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	305,493	283,419

18. Earnings per share (continued)

	2014 No.'000	2013 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	305,493	283,419
Shares deemed to be issued for no consideration in respect of:		
- Long Term Incentive Plan (LTIP)	663	1,897
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	306,156	285,316

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

19. Dividends

Recognised amounts	2014 Cents per share	2013 Cents per share
Fully paid ordinary shares		
Interim dividend	-	1.0
	-	1.0

	2014 $'000	2013 $'000
Fully paid ordinary shares		
Interim dividend	-	5,668

No interim nor final dividend has been declared by the Board for the year ended 30 June 2014 (2013: Interim one cent per fully paid share, Final nil).

	Company	
	2014 $'000	2013 $'000
Adjusted franking account balance as at 30 June	2,480	2,480

20. Obligations under finance leases

20.1 Leasing arrangements

The Group previously leased plant and equipment, motor vehicles and software assets with lease terms of between one to four years. The Group's obligations under finance leases were secured by the lessor's title to the leased assets.

20.2 Finance lease liabilities

As at 30 June 2014, there were no outstanding finance lease liabilities. As at 30 June 2013, the present value of minimum lease payments was $444,000, with an outstanding term not longer than one year.

21. Operating lease arrangements

21.1 Leasing arrangements

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

	2014 $'000	2013 $'000
21.2 Non-cancellable operating lease commitments		
Not longer than 1 year	6,213	6,031
Longer than 1 year and not longer than 5 years	10,932	14,260
Longer than 5 years	793	1,680
	17,938	21,971

Income relating to the subletting of leased premises is not included in the above table.

22. Subsidiaries

Details of the Company's subsidiaries at 30 June 2014 are as follows:

Name of entity	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Parent entity			
Service Stream Limited (i)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (ii) (v)	Australia	100	100
Service Stream Communications Pty Ltd (ii) (iii) (v)	Australia	100	100
Total Communications Infrastructure Pty Ltd (ii) (iii) (v)	Australia	100	100
Service Stream Solutions Pty Ltd (ii) (iii) (v)	Australia	100	100
Radhaz Consulting Pty Ltd (ii) (v)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (ii) (iii) (v)	Australia	100	100
Milcom Communications Pty Ltd (ii) (iii) (v)	Australia	100	100
McCourt Dando Pty Ltd (ii) (iv) (vii)	Australia	-	100
McCourt Dando Civil Pty Ltd (ii) (iv) (vii)	Australia	-	100
McCourt Dando Plant Hire Pty Ltd (ii) (iv) (vii)	Australia	-	100
AMRS (Aust) Pty Ltd (ii) (iii) (v)	Australia	100	100
Service Stream Nominees Pty Ltd (ii) (iii) (vi)	Australia	100	100
SEQUD Pty Ltd (ii) (iii)	Australia	100	100

(i) Service Stream Limited is the head entity within the tax-consolidated Group.
(ii) These companies are / were members of the tax-consolidated Group.
(iii) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
(iv) These companies are / were wholly owned subsidiaries of Service Stream Infrastructure Services Pty Ltd.
(v) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Service Stream Limited pursuant to ASIC Class Order 98/1418 and are relieved of the requirement to prepare and lodge an audited financial report.
(vi) Previously known as Service Stream Financial Services Pty Ltd
(vii) These companies were deregistered and removed from the deed of cross guarantee with Service Stream Limited during 2014 financial year.

23. Deed of cross guarantee

The consolidated statement of comprehensive income and consolidated statement of financial position of the entities party to the deed of cross guarantee are consistent with those of the Group.

24. Notes to the statement of cash flow

24.1 Reconciliation of cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank	6,590	13,398
Bank overdraft (note 14)	-	(4,970)
Cash and cash equivalents	6,590	8,428

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

	2014 $'000	2013 $'000
Profit / (loss) for the year	2,309	(107,054)
(Gain) / loss on sale of disposal of non-current assets	(263)	7
R&D rebates	(576)	-
Depreciation and amortisation	8,996	8,345
Goodwill impairment	-	89,800
Share of investment in associates loss	-	23
Expense recognised in respect of equity-settled share-based payments	180	(278)
Impairment loss recognised on trade receivables	577	80
Increase in deferred tax balances	(793)	10,354
Decrease in current tax liability	-	(4,891)
Movement in working capital:		
Decrease in receivables	22,287	1,975
Decrease in accrued income	16,732	9,493
Decrease / (increase) in other assets	3,282	(2,796)
Decrease / (increase) in inventories	10,654	(5,449)
(Decrease) / increase in trade and other payables	(35,063)	4,338
Decrease in provisions	(3,729)	(761)
Movement in other balance:		
Borrowings (transaction costs)	261	-
Net cash provided by operating activities	24,854	3,186

25. Financial instruments

The Group's activities expose it to a variety of financial risks including credit, currency, interest rate and liquidity risk exposures. The Group's risk management program looks to identify and quantify these exposures and where relevant reduce the sensitivity to potential adverse impacts on its financial performance.

The Group uses derivative financial instruments to hedge certain market risk exposures as required. The use of derivative and other financial instruments is undertaken in accordance with documented Risk Management Policies and Delegations of Authorities approved by the Company's Board.

25.1 Capital risk management

The capital structure of the Group consists of debt borrowings (as detailed in note 14), cash balances held at bank and equity (comprising issued capital, reserves and retained earnings).

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

The Group manages its capital and liquidity to ensure that it is able to continue as a going concern and to maximise returns to shareholders. Liquidity risk management is undertaken via on-going monitoring of daily and forecasted cashflows so as to ensure that adequate liquidity and access to financing & performance bonding facilities are sufficient to support business operations and cost effective.

25. Financial instruments (continued)

25.1 Capital risk management (continued)

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

There were no breaches of financial debt covenants during the year that were not waived by the Group's bankers.

Since balance date, the Group has received credit-approved term sheets from a number of banking institutions for a refinance of its banking facilities to 30 September 2016. The Board and Management are in the final stages of assessing the offers and finalising documentation.

25.2 Categories of financial instruments

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	6,590	13,398
Trade and other receivables	38,753	61,617
Financial liabilities		
Trade and other payables	43,146	79,324
Bank overdraft	-	4,970
Cash advances	17,000	60,000
Derivatives	39	203
Finance lease / hire purchase liabilities	-	444

25.3 Financial risk management objectives

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

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

The use of derivative financial instruments is governed by the Group's Financial and Treasury Risk Management Policy.

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

25.4 Market risk

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

The Group's funding activities routinely expose it to market related financial risks arising from changes in interest rates (refer note 25.5).

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

25.5 Interest rate risk management

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

Management of the Group's floating rate interest rate risk on borrowings is undertaken using derivative financial instruments.

25. Financial instruments (continued)

25.5 Interest rate risk management (continued)

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

Based upon a 100 basis point parallel increase in prevailing market interest rates as applied to the Group's net debt balance at 30 June 2014, the Group's sensitivity to interest rate risk would be equivalent to a $97,000 per annum unfavourable impact to profit before tax (2013: $350,000).

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

25.6 Credit risk management

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

The Group transacts wholesale financial market transactions only with entities that have a minimum long-term Investment Grade credit rating.

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

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

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

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

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

25.7 Currency risk management

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

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

The Group has only minor USD denominated currency exposures primarily for small value inventory and technology related service purchases.

At balance date no foreign exchange derivative contracts were open.

25.8 Liquidity risk management

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

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

Included in note 25.8.2 are details of the borrowing facilities available to the Group at 30 June 2014.

25.8.1 Liquidity and interest rate risk tables

The following tables detail the Group's maturity profile for non-derivative financial liabilities.
The table represents the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is contracted to repay principal. Where applicable, values represent both interest and principal cash flows.

25. Financial instruments (continued)

25.8.1 Liquidity and interest rate risk tables (continued)

	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	$'000
2014							
Financial liabilities							
Trade and other payables	-	(43,146)	(43,146)	(43,146)	-	-	-
Derivatives	3.16%	(39)	(39)	(39)	-	-	-
Cash advances - variable	6.71%	(17,000)	(17,147)	(17,147)	-	-	-
		(60,185)	**(60,332)**	**(60,332)**	**-**	**-**	**-**
2013							
Financial liabilities							
Trade and other payables	-	(79,324)	(79,324)	(69,824)	-	(9,500)	-
Finance lease liabilities	4.19%	(444)	(449)	(449)	-	-	-
Derivatives	3.16%	(203)	(203)	(77)	(84)	(42)	
Cash advances - variable	4.72%	(60,000)	(60,471)	(60,471)	-	-	-
		(139,971)	**(140,447)**	**(130,821)**	**(84)**	**(9,542)**	**-**

25.8.2 Financing facilities

	Bank guarantees	Bank overdraft	Finance lease liabilities	Cash advance [1]
	$'000	$'000	$'000	$'000
Amount used	11,584	-	-	17,000
Amount unused	13,416	5,000	-	15,000
Balance at 30 June 2014	25,000	5,000	-	32,000
Amount used	28,324	4,970	444	60,000
Amount unused	16,676	5,030	-	25,000
Balance at 30 June 2013	45,000	10,000	444	85,000

[1.] The secured cash advance facilities (2013: cash advance and trade finance facilities) are due to mature on 31 August 2014. Since balance date, the Group has received credit-approved term sheets from a number of leading Australian and International financial institutions, that each provide the commercial terms of offers for participation in a banking facility to 30 September 2016 commencing upon the expiry of the Group's existing banking facilities on 31 August 2014. Each such term-sheet is for a 50% participation in a multi-option facility under the Group's existing Syndicated Facilities Agreement and Security Arrangements and comprises cash advance, overdraft and bank guarantee facilities with an initial total limit of $60.0 million. The offers contain improved terms and conditions relative to the Group's existing banking facilities. The Board and Management are in the final stages of assessing the offers and finalising documentation.

Financial guarantees provided in the normal course of business are shown above. Based upon current expectations as at 30 June 2014, the Group considers that it is more likely than not that such amounts will not be payable under these arrangements.

25. Financial instruments (continued)

25.9 Fair value of financial instruments

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

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

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

The Group's derivatives are considered to be level 2 financial instruments.

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

26. Share-based payments

26.1 Long Term Incentive Plan ("LTIP")

From time to time employees in senior management roles and/or Directors may be invited 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 for senior management roles 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. Participation by Directors must be approved by shareholders.

In accordance with the provision of the ESOP and consistent with the prior year, Directors and employees in senior management roles were invited during the year to participate in the LTIP which entitled them to receive a number of performance rights in respect of the "FY14 Tranche". Each performance right converts into one Service Stream Limited ordinary share on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long term incentive participation rate, which is expressed as a percentage of the participant's TFR, and the volume-weighted average market price of the Company's shares over a prescribed period of time or other issue price as deemed appropriate by the Board. The performance rights are subject to service and performance criteria being:

The FY14 Tranche performance rights are subject to service and performance criteria being:

- The participant must be an employee at the vesting date;
- 50% of the performance rights granted will each vest where:
  - The Group's earnings per share ("EPS") achieves the following targets:

FY14 Tranche (vesting 30 June 2016)	Year 1	Year 2	Year 3	Average
EPS Target (cents per share)	2.81	3.09	3.40	3.10

26. Share-based payments (continued)

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

Subject to the following proportional vesting:

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

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

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

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.

In contrast to the criteria set out above for the FY14 Tranche, performance rights issued in previous years were subject to the following EPS performance criteria:

- o The Group's earnings per share ("EPS") achieves annual growth of 10% or more (full achievement) or 7.5% (pro-rata achievement) over the performance period from an agreed base EPS, as detailed below:

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

The service and TSR performance criteria is consistent across all tranches.

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

LTIP Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY12 tranche	1,071,819	25 November 2011	Relative TSR hurdle - $0.160 EPS growth hurdle - $0.250	30 June 2014	1 July 2011
FY13 tranche	1,836,210	30 November 2012	Relative TSR hurdle - $0.190 EPS growth hurdle - $0.290	30 June 2015	1 July 2012
FY14 tranche [1]	4,722,515	31 July 2014	Relative TSR hurdle - $0.101 EPS hurdle - $0.154	30 June 2016	1 July 2013

[1] As the grant date for the FY14 Tranche is 31 July 2014, the grant date fair values for this Tranche have been estimated for the purposes of year-end reporting.

26. Share-based payments (continued)

26.2 Fair value of performance rights

Subsequent to grant date, the FY14 Tranche performance rights with the relative TSR hurdle vesting condition will be valued using a Monte-Carlo simulation. The FY14 Tranche performance rights with the EPS hurdle vesting condition will be 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. Previous years' performance rights have been valued using the methodology detailed above.

26.3 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
FY14 [1]	$0.18	TBC	TBC	TBC	TBC	30 June 2016
FY13	$0.34	2.8 years	50%	2.62%	5.7%	30 June 2015
FY12	$0.30	2.6 years	60%	3.06%	6.7%	30 June 2014

1. As the grant date for the FY14 Tranche is 31 July 2014, the valuation of this tranche was not completed as at year-end. The fair values used as the basis of measuring the expense have been estimated for reporting purposes.

26.4 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:

	2014		2013	
	Number of performance rights	Grant date weighted average fair value $	Number of performance rights	Grant date weighted average fair value $
Balance at start of the financial year	5,909,474	0.270	6,775,335	0.378
Granted during the year	9,222,515	0.158	4,393,375	0.240
Vested during the year	(1,024,703)	0.607	-	-
Forfeited during the year	(6,476,742)	0.113	(5,259,236)	0.384
Balance at end of the financial year	7,630,544	0.240	5,909,474	0.270

The fair value of $0.158 for performance rights issued during the year is the result of the separate criteria as set out at note 26.2.

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 FY12 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 FY14 financial statements.

As at 30 June 2014, 1,071,819 performance rights granted under the FY12 Tranche remain unforfeited and subject to vesting criteria.

The performance rights outstanding at the end of the year have a remaining contractual life of two years (FY14 Tranche) and one year (FY13 Tranche).

27. Key management personnel compensation

27.1 Details of key management personnel

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

P Dempsey (Chairman)
L Mackender (Managing Director – appointed 26 May 2014)
B Gallagher (Managing Director to 6 November 2013, Non-Executive Director from 7 November 2013 until 25 May 2014, Executive Director since 26 May 2014)
D Page AM (Non-Executive Director)
S Wilks (Non-Executive Director)
R Grant (Alternate Director, Chief Financial Officer)
T Sinclair (Managing Director from 6 November 2013 until 26 May 2014)

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

L Mackender (Executive General Manager, Energy and Water)
M Saloyedoff (Executive General Manager, Mobile Communications – appointed 18 October 2013)
K Smith (Executive General Manager, Fixed Communications – appointed 12 June 2014)
D Hill (Executive General Manager, Mobile Communications – until 18 October 2013)
C Orr (Executive General Manager, Fixed Communications – until 12 June 2014)

27.2 Key management personnel compensation

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

	2014	2013
Short-term employee benefits	2,316,018	2,463,940
Post-employment benefits	132,292	166,268
Other long-term benefits	39,190	58,329
Share-based payments [1]	97,660	(26,220)
	2,585,160	2,662,317

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

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

28. Related party disclosures

The immediate parent and ultimate controlling party of the Group is Service Stream Limited.
Balances and transactions between the Company and its controlled entities, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

28.1 Transactions with key management personnel

28.1.1 Key management personnel compensation

Details of key management personnel compensation are disclosed in note 27 to the financial statements.

28. Related party disclosures (continued)

28.1.2 Key management personnel equity holdings

Fully paid ordinary shares of Service Stream Limited

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

	Balance at 1 July	Granted as compen -sation	Balance as at date of appointment	Net other change	Balance as at date of resignation	Balance at 30 June
	No.	No.	No.	No.	No.	No.
2014						
P Dempsey	570,000	-	-	103,637	-	673,637
D Page	129,400	-	-	23,528	-	152,928
B Gallagher	8,792,113	-	-	1,598,566	-	10,390,679
S Wilks	385,000	-	-	70,001	-	455,001
L Mackender	49,434	-	-	43,203	-	92,637
R Grant	144,166	-	-	396,689	-	540,855
C Orr [2]	1,134	-	-	-	(1,134)	-
D Hill [2]	1,134	-	-	-	(1,134)	-
2013						
P Dempsey	320,000	-	-	250,000	-	570,000
D Page	82,900	-	-	46,500	-	129,400
B Gallagher	8,792,113	-	-	-	-	8,792,113
S Wilks	140,000	-	-	245,000	-	385,000
G Sumner [2]	350,000	-	-	150,000	(500,000)	-
R Grant	144,166	-	-	-	-	144,166
S Ellich [2]	367,655	-	-	-	(367,655)	-
C Orr [1]	-	-	1,134	-	-	1,134
D Hill	1,134	-	-	-	-	1,134
L Mackender	49,434	-	-	-	-	49,434

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

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

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

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

28. Related party disclosures (continued)

28.1.2 Key management personnel equity holdings (continued)

Performance Rights of Service Stream Limited

	Balance at 1 July No.	Granted as compen-sation No.	Vested during year [1] No.	Forfeited during the year No.	Net other change No.	Balance at 30 June No.
L Mackender	380,021	430,556	(41,003)	(41,003)	-	728,571
R Grant	1,579,319	1,241,389	(313,480)	(313,480)	-	2,193,748
M Saloyedoff	102,690	409,722	-	-	-	512,412
K Smith	291,306	245,720	(48,903)	(48,903)	-	439,220
D Hill	343,692	-	(43,895)	(299,797)	-	-
T Sinclair	-	4,500,000	-	(4,500,000)	-	-
C Orr	457,516	-	(128,135)	(329,381)	-	-

[1.] Performance rights vested during the current financial year relate to the FY11 Tranche, with vesting date 30 June 2013.

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

Further details of the LTIP and of performance rights granted during 2014, 2013, 2012 and 2011 financial years are contained in notes 26 to the financial statements

28.1.3 Other transactions with key management personnel of the Group

Brett Gallagher is a Director of Techsafe Australia Pty Ltd ("Techsafe"), which is currently performing inspections and certifications of residential solar panel installations for the Group. The terms under which Techsafe provides services are standard, arm's length and of low value (approximately $14,000 per month) (2013: approximately $20,000 per month).

28.2 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 payable in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to / from the Company are made in accordance with the terms of the tax funding arrangement.

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

- Loans receivable totalling $109,303,846 are receivable from subsidiaries (2013: $99,905,960).

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

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

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

29. Remuneration of auditors

Auditor of the parent entity

	2014 $	2013 $
Audit or review of the financial report	270,000	235,000
Additional fees in connection with audit of financial report	-	100,000
Review of income tax return	25,000	25,000
LTIP trust advice	125,000	-
Tax advice and other services	76,956	39,000
	496,956	399,000

30. 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.

31. Events after the reporting period

Since balance date, the Group has received credit-approved term sheets from a number of banking institutions for a refinance of its banking facilities to 30 September 2016. The Board and Management are in the final stages of assessing the offers and finalising documentation.

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

32. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 33 for a summary of the significant accounting policies relating to the Group.

	2014 $'000	2013 $'000
32.1 Financial position		
Current Assets	83	10,908
Non-current assets	180,347	182,844
Total Assets	180,430	193,752
Current liabilities	89	31,535
Non-current liabilities	3,385	4,177
Total liabilities	3,474	35,712
Net Assets	176,956	158,040
Issued capital	231,010	211,779
Retained earnings / (accumulated losses)	(56,964)	(56,469)
Reserves – Equity settled employee benefits	2,910	2,730
Equity	176,956	158,040
32.2 Financial performance		
(Loss) / profit for the year	(495)	(59,719)
Other comprehensive income	-	-
Total comprehensive income	(495)	(59,719)

32. Parent entity information (continued)

32.3 Guarantees entered into by the parent entity

The parent entity is party to the Group's bank debt facilities as a security provider under the Security Trust Deed. In addition, there are cross guarantees given by the parent entity as described in note 22 and 23.

33. 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.

33.1 Basis of preparation

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

The financial statements were authorised for issue by the Directors on 13 August 2014.

Compliance with IFRS

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

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities,* AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefit (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

The adoption of the above Accounting Standards have not resulted in material changes in the current and prior reporting 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 33.28.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 34.

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

33. Significant accounting policies (continued)

33.2 Going concern

The Group's facilities for cash advances, overdraft and bank guarantees are provided under a Syndicated Facilities Agreement with Australia & New Zealand Banking Group Ltd and Westpac Banking Corporation which is scheduled to expire on 31 August 2014. During the year there were no breaches of the financial debt covenants that apply under the Syndicated Facilities Agreement that were not waived by the syndicate members.

Since balance date, the Group has received credit-approved term sheets from a number of leading Australian and International financial institutions, that each provide the commercial terms of offers for participation in a banking facility to 30 September 2016 commencing upon the expiry of the Group's existing banking facilities on 31 August 2014. Each such term-sheet is for a 50% participation in a multi-option facility under the Group's existing Syndicated Facilities Agreement and Security Arrangements and comprises cash advance, overdraft and bank guarantee facilities with an initial total limit of $60.0 million. The offers contain improved terms and conditions relative to the Group's existing banking facilities. The Board and Management are in the final stages of assessing the offers and finalising documentation.

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

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

33.3 Basis of consolidation

<u>Subsidiaries</u>

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 is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct its activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

<u>Joint operations</u>

Service Stream Limited recognises its direct right to the assets, liabilities, revenues and expenses of the joint operation have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 8.

33.4 Goodwill

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

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

33. Significant accounting policies (continued)

33.4 Goodwill (continued)

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.

33.5 Segment reporting

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

33.6 Investment in joint arrangements

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

The proportionate interest in the assets, liabilities, revenue and expenses of the joint operations activity have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 8.

33.7 Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

<u>Rendering of services</u>

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

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 33.8.

<u>Interest revenue</u>

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.

33.8 Construction contracts

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

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

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

Where recognised revenues exceed progress billings, the surplus is shown as accrued. For contracts where progress billings exceed recognised revenues, the surplus is shown as income in advance. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability,

33. Significant accounting policies (continued)

33.8 Construction contracts (continued)

as income in advance. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

33.9 Leases

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As at 30 June 2014, the Group had extinguished all finance lease obligations.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

33.10 Employee benefits

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

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

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

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

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

33.11 Share-based payments

<u>Long Term Incentive Plan</u>

Equity-settled share-based payments to employees under the Long Term Incentive Plan (“LTIP”) are measured at the fair value of the equity instrument at the grant date. As there are two separate hurdles, being relative total shareholder return (“TSR”) and earnings per share (“EPS”), a fair value has been determined for each. In respect of the TSR hurdle, fair value is measured using a Monte-Carlo simulation, whilst for the EPS hurdle, fair value is measured using a Binomial tree methodology. Both valuation methodologies are underpinned by a ‘risk neutral’ probability framework with lognormal share prices. Details regarding the determination of the fair value of the LTIP are set out in note 26.

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

An expense amount of $179,576 has been recognised in profit and loss for the year ended 30 June 2014 (2013: -$277,253) in respect of the LTIP.

33. Significant accounting policies (continued)

33.12 Taxation

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

Refer to note 6.3.

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% income is recognised as the asset is amortised.

This approach has been adopted as at 1 July 2011 with the 2012 impact being recognised via opening retained earnings ($306k). The current year tax entries, which include revision to estimates relating to prior periods, bring to account the R&D related amounts for 2013 and 2014.

33.13 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.

33. Significant accounting policies (continued)

33.13 Plant and equipment (continued)

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

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

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

33.14 Intangible assets

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

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

the asset.

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

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

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

33.15 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

33.16 Inventories

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

33. Significant accounting policies (continued)

33.17 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranties

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

33.18 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.

33.18.1 Financial assets

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

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

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.

33. Significant accounting policies (continued)

33.18 Financial instruments (continued)

33.18.1 Financial assets (continued)

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.

33.18.2 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee liabilities

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

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

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

33. Significant accounting policies (continued)

33.19 Derivative financial instrument

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

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

The current fair values of derivative financial instruments used for hedging purposes are disclosed in note 25.9 and changes in fair values taken to the hedging reserve are shown in the statements of changes in equity.

Cash flow hedge

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

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

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

33.20 Trade receivables

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

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

33.21 Trade and other payables

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

33.22 Goods and services tax

Revenues, expense 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 payables in the consolidated

33. Significant accounting policies (continued)

33.22 Goods and services tax (continued)

balance sheet as applicable.

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

33.23 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 consolidated balance sheet.

33.24 Contributed equity

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

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

33.25 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.

33.26 Earnings per share

<u>Basic earnings per share</u>

Basic earnings per share is calculated by dividing:

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

<u>Diluted earnings per share</u>

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

take into account:

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

33.27 Rounding of amounts

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

33. Significant accounting policies (continued)

33.28 New accounting standards and interpretations (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective from 1 January 2017).

  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 2017 but is available for early adoption. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

  AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2014).

  In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2014 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

- AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014).

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

34. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 33, the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

34.1 Critical judgements in applying accounting policies

The following is the critical judgement that, apart from those involving estimations (see 34.2 below), the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

<u>Revenue recognition</u>

Under AASB 111 *Construction Contracts*, where a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance sheet date. Judgements made in the application of AASB 111 include:

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

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

34.1 Critical judgements in applying accounting policies (continued)

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.

34.2 Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Income tax expense

Judgement is required in determining the Group provision for income taxes. The Group estimates its tax liabilities based on its current understanding of the income tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the future period in which such determination is made. R&D tax concessions available to the business are estimated in the accounts because a full assessment of the position cannot be made by the year-end.

Please refer to note 6 for further details on the Group's income tax balances.

ASX Additional Information for the financial year ended 30 June 2014

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 29 August 2014

Category (size of holding)	Holders
1-1,000	557
1,001-5,000	958
5,001-10,000	553
10,001-100,000	1,497
100,001+	334
	3,899

B. There are 3,899 holders of fully paid ordinary shares.

The Company has no other class of shares issued.

C. The number of shareholdings held in less than marketable parcels is 1,013.

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 29 August 2014 are:

Shareholder	Ordinary	%
Thorney International Pty Ltd (1)	77,516,531	20.06
Thorney Opportunities Ltd (1)	32,231,408	8.34
Forager Funds Management Pty Ltd	30,148,719	7.80
Gandel Springwest Pty Ltd	21,356,226	5.53
Rubi Holdings Pty Ltd	19,453,173	5.03

(1) The Company treated Thorney International Pty Ltd and Thorney Opportunities Ltd as associated entities as defined in the Corporations Act, for the purposes of the recent capital raising.

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 $0.1527 (2013: $0.1206).

G. 20 Largest Shareholders as at 29 August 2014 - 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	82,166,666	21.27
UBS Nominees Pty Ltd	34,443,271	8.91
Gandel Springwest Pty Ltd	21,356,226	5.53
National Nominees Limited	21,029,938	5.44
Rubi Holdings Pty Ltd	19,453,173	5.03
JBL-G Pty Ltd	10,390,679	2.69
UBS Wealth Management Australia Nominees Pty Ltd	10,052,118	2.60
Bond Street Custodians Limited	9,792,224	2.53
Citicorp Nominees Pty Ltd	9,208,841	2.38
Rudie Pty Ltd	4,194,499	1.09
Mr Darren Ronald Patterson	4,000,000	1.04
Dr Roger Graham Brooke & Mrs Sally Ann Brooke	3,968,766	1.03
Brispot Nominees Pty Ltd	3,406,999	0.88
J P Morgan Nominees Australia Limited	2,500,001	0.65
Berkeley Services Pty Ltd	2,148,761	0.56
Dr Hedley Sandler & Mrs Beverley Sandler	1,918,077	0.50
Global Property Services Pty Limited	1,603,206	0.41
Mrs Maree Helen Theiler	1,557,353	0.40
Miclod Holdings Pty Ltd	1,241,630	0.32
Picton Cove Pty Ltd	1,187,373	0.31
	245,619,801	63.57

Corporate Directory

Directors

Peter Dempsey
Leigh Mackender
Brett Gallagher
Deborah Page AM
Stephe Wilks

Company Secretary

Vicki Letcher
Jessica Lyons

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