
Service Stream Limited

ABN 46 072 369 870

Appendix 4D

Half-Year Ended 31 December 2014

(Previous corresponding period:
Half-year ended 31 December 2013)

Results For Announcement to the Market

| Half-year to | | 31 Dec 14 \$'000 | % change | 31 Dec 13 \$'000 |
|--|------|---------------------|----------|---------------------|
| Revenue from ordinary activities | Down | 197,432 | (8.2%) | 214,956 |
| Profit/(Loss) from ordinary activities after tax attributable to members | Up | 4,045 | 669.8% | 525 |
| Net profit/(loss) attributable to members | Up | 4,045 | 669.8% | 525 |

| Dividends | amount per share (cents) | franked amount per share (cents) | tax rate for franking credit |
|--|-----------------------------|-------------------------------------|------------------------------|
| Interim FY15 dividend per share (to be paid 16 April 2015) | 0.5 | 0.5 | 30% |
| Interim dividend dates | | | |
| Ex-dividend date | 13 March 2015 | | |
| Record date | 17 March 2015 | | |
| Payment date | 16 April 2015 | | |
| The Company's Dividend Reinvestment Plan (DRP) will not operate in respect of the FY15 interim dividend. | | | |

| Net Tangible Asset Backing | 31 Dec 14 | 30 Jun 14 | 31 Dec 13 |
|--|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| Consolidated net tangible assets per share | 0.1652 | 0.1527 | 0.1311 |

The appendix 4D should be read in conjunction with Service Stream Limited's most recent annual financial report.

Service Stream Limited

ABN 46 072 369 870

Interim financial report for the half-year ended 31 December 2014

Service Stream Limited

Interim financial report for the half-year ended 31 December 2014

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Service Stream Limited

Directors' Report

The Directors of Service Stream Limited (the "Company") and its subsidiaries (the "Group") submit the interim financial report for the half-year ended 31 December 2014.

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report:

Peter Dempsey (Chairman)
Leigh Mackender (Managing Director)
Brett Gallagher (Executive Director until 31 December 2014)
Deborah Page AM
Stephe Wilks

Robert Grant was an Alternate Director (for Mr Mackender) from the beginning of the financial year until his resignation from that role on 25 August 2014.

Review of Operations

For a detailed review of operations for the half-year ended 31 December 2014 refer to the commentary contained in the media release attached to the Appendix 4D. A summary of the results for the half-year (compared to the prior corresponding period) include:

| Half-Year to 31 December | 2014 (\$ million) | 2013 (\$ million) | Change (\$ million) | Change % |
|--------------------------|----------------------|----------------------|------------------------|-------------|
| Revenue | 197.4 | 215.0 | ▼ 17.5 | (8.2%) |
| EBITDA | 10.7 | 7.5 | ▲ 3.1 | 41.2% |
| EBIT | 7.6 | 2.6 | ▲ 5.0 | 190.5% |
| NPAT | 4.0 | 0.5 | ▲ 3.5 | 669.8% |
| EPS (cents) | 1.05 | 0.18 | ▲ 0.86 | 466.6% |
| DPS (cents) | 0.5 | - | ▲ 0.5 | 100.0% |
| Cashflow from Operations | 0.5 | 14.8 | ▼ 14.3 | (96.8%) |
| Net Debt | 11.0 | 10.4 ¹ | ▲ 0.6 | 6.1% |

¹ as at 30 June 2014

Auditor's Independence Declaration

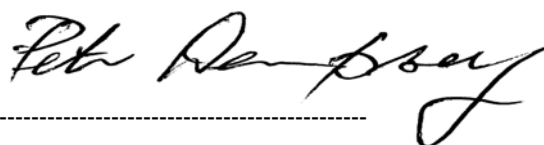
The auditor's independence declaration is included on page 2 of the half-year financial report.

Rounding off of Amounts

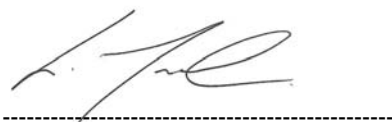
The company is of the a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Peter Dempsey
Chairman
Melbourne
18 February 2015



Leigh Mackender
Managing Director
Melbourne
18 February 2015



Auditor's Independence Declaration

As lead auditor for the review of Service Stream Limited for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'A. Cronin'.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
18 February 2015



Independent auditor's review report to the members of Service Stream Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Service Stream Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected 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 during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Service Stream Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that appears to read 'Andrew Cronin'.

Andrew Cronin
Partner

Melbourne
18 February 2015

Service Stream Limited

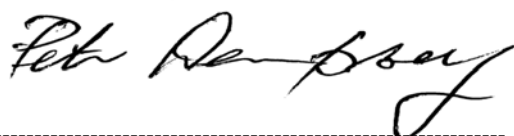
Directors' Declaration

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 Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors,



Peter Dempsey
Chairman
Melbourne
18 February 2015



Leigh Mackender
Managing Director
Melbourne
18 February 2015

Service Stream Limited

Consolidated statement of comprehensive income for the half-year ended 31 December 2014

| | Consolidated | |
|--|-----------------|-------------|
| | Half-year ended | |
| | 31 Dec 2014 | 31 Dec 2013 |
| | \$'000 | \$'000 |
| Revenue from continuing operations | | |
| Revenue from the rendering of services | 197,191 | 214,666 |
| Interest revenue | 53 | 93 |
| Other income | 188 | 197 |
| | 197,432 | 214,956 |
| Expenses | | |
| Employee salaries and benefits | (52,198) | (65,879) |
| Subcontractor fees | (78,120) | (46,284) |
| Site and construction costs | (30,743) | (53,337) |
| Raw materials and consumables used | (9,040) | (21,872) |
| Consulting and temporary staff fees | (1,721) | (2,849) |
| Company administration and insurance expenses | (2,137) | (3,128) |
| Occupancy expenses | (3,320) | (3,841) |
| Technology and communication services | (3,898) | (3,492) |
| Motor vehicles expenses | (3,411) | (4,647) |
| Depreciation and amortisation | (3,049) | (4,927) |
| Financing costs | (1,478) | (2,015) |
| Other expenses | (2,135) | (1,988) |
| | | |
| Profit before tax | 6,182 | 697 |
| Income tax expense | (2,137) | (172) |
| | | |
| Profit for the half-year | 4,045 | 525 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Changes in the fair value of cash flow hedges | 22 | 68 |
| | | |
| Other comprehensive income for the half-year, net of tax | 22 | 68 |
| | | |
| Total comprehensive income for the half-year | 4,067 | 593 |
| | | |
| Profit attributable to the equity holders of the parent | 4,045 | 525 |
| | | |
| Total comprehensive income attributable to equity holders of the parent | 4,067 | 593 |
| | | |
| Earnings per share | | |
| Basic (cents per share) | 1.05 | 0.18 |
| Diluted (cents per share) | 1.04 | 0.18 |

Notes to the condensed financial statements are included on pages 10 to 12

Service Stream Limited

Consolidated balance sheet as at 31 December 2014

| | Note | Consolidated | |
|--------------------------------------|------|-----------------------|------------------------|
| | | 31 Dec 2014 \$'000 | 30 June 2014 \$'000 |
| Current Assets | | | |
| Cash and bank balances | | 9,958 | 6,590 |
| Trade and other receivables | | 34,445 | 38,753 |
| Inventories | | 5,526 | 6,891 |
| Accrued revenue | | 80,126 | 71,606 |
| Other | | 2,819 | 1,976 |
| Total Current Assets | | 132,874 | 125,816 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 9,082 | 10,738 |
| Intangible assets | | 120,300 | 120,637 |
| Total Non-Current Assets | | 129,382 | 131,375 |
| Total Assets | | 262,256 | 257,191 |
| Current Liabilities | | | |
| Trade and other payables | 4 | 37,929 | 43,146 |
| Borrowings | 6 | - | 16,556 |
| Derivatives | | - | 39 |
| Provisions | | 6,689 | 6,740 |
| Other | | 988 | 1,024 |
| Total Current Liabilities | | 45,606 | 67,505 |
| Non-Current Liabilities | | | |
| Borrowings | 6 | 20,666 | - |
| Provisions | | 2,959 | 2,745 |
| Deferred tax liabilities | | 5,349 | 3,385 |
| Other | | 3,543 | 3,921 |
| Total Non-Current Liabilities | | 32,517 | 10,051 |
| Total Liabilities | | 78,123 | 77,556 |
| Net Assets | | 184,133 | 179,635 |
| Equity | | | |
| Issued capital | 5 | 247,647 | 247,647 |
| Reserves | | 3,341 | 2,888 |
| Accumulated losses | | (66,855) | (70,900) |
| Total Equity | | 184,133 | 179,635 |

Notes to the condensed financial statements are included on pages 10 to 12

Service Stream Limited

Consolidated statement of changes in equity for the half-year ended 31 December 2014

| | Consolidated | | | | |
|--|----------------|--|-----------------|-------------------|----------------|
| | Share capital | Employee equity-settled benefits reserve | Hedging reserve | Retained earnings | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2014 | 247,647 | 2,910 | (22) | (70,900) | 179,635 |
| Profit for the period | - | - | - | 4,045 | 4,045 |
| Other comprehensive income | - | - | 22 | - | 22 |
| Total comprehensive income for the period | - | - | 22 | 4,045 | 4,067 |
| Equity-settled share based payments | - | 531 | - | - | 531 |
| Acquisition of treasury shares | (100) | - | - | - | (100) |
| Issue of treasury shares to employees | 100 | (100) | - | - | - |
| As at 31 December 2014 | 247,647 | 3,341 | - | (66,855) | 184,133 |

| | Consolidated | | | | |
|--|----------------|--|-----------------|-------------------|----------------|
| | Share capital | Employee equity-settled benefits reserve | Hedging reserve | Retained earnings | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2013 | 228,416 | 2,730 | (203) | (72,903) | 158,040 |
| Profit for the period | - | - | - | 525 | 525 |
| Other comprehensive income | - | - | 68 | - | 68 |
| Total comprehensive income for the period | - | - | 68 | 525 | 593 |
| Equity-settled share based payments | - | 106 | - | - | 106 |
| As at 31 December 2013 | 228,416 | 2,836 | (135) | (72,378) | 158,739 |

Notes to the condensed financial statements are included on pages 10 to 12

Service Stream Limited

Consolidated statement of cash flows for the half-year ended 31 December 2014

| | Note | Consolidated | |
|--|------|-----------------|-------------|
| | | Half-year ended | |
| | | 31 Dec 2014 | 31 Dec 2013 |
| | | \$'000 | \$'000 |
| <i>Cash flows from operating activities</i> | | | |
| Receipts from customers (including GST) | | 220,745 | 276,048 |
| Payments to suppliers and employees (including GST) | | (219,057) | (257,837) |
| Cash generated from operations before interest and tax | | 1,688 | 18,211 |
| Interest received | | 53 | 93 |
| Interest and facility costs paid | | (1,262) | (3,539) |
| Income tax refunded/(paid) | | - | - |
| Net cash provided by operating activities | | 479 | 14,765 |
| <i>Cash flows from investing activities</i> | | | |
| Payments for plant and equipment | | (432) | (449) |
| Proceeds from sale of plant and equipment | | 97 | 393 |
| Payments for intangible assets | | (676) | (760) |
| Purchase of shares | | (100) | - |
| Net cash used in investing activities | | (1,111) | (816) |
| <i>Cash flows from financing activities</i> | | | |
| Proceeds of borrowings | | 4,000 | - |
| Repayment of borrowings | | - | (10,444) |
| Net cash provided by/(used in) financing activities | | 4,000 | (10,444) |
| <i>Net increase/(decrease) in cash and cash equivalents</i> | | 3,368 | 3,505 |
| <i>Cash and cash equivalents at beginning of the financial year</i> | | 6,590 | 8,428 |
| <i>Cash and cash equivalents at end of the period</i> | | 9,958 | 11,933 |

Notes to the condensed financial statements are included on pages 10 to 12

Service Stream Limited

Notes to the consolidated financial statements

1. Significant accounting policies

Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Service Stream Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods.

2. Segment information

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

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

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

| | |
|-----------------------|--|
| Fixed Communications | Fixed Communications provides a wide range of design, construction, maintenance and customer connection services to the owners of telecommunications network infrastructure 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:

Service Stream Limited

Notes to the consolidated financial statements

2. Segment information (continued)

| | Segment Revenue | | Segment EBITDA | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Half-year ended | | Half-year ended | |
| | 31 Dec 2014 \$'000 | 31 Dec 2013 \$'000 | 31 Dec 2014 \$'000 | 31 Dec 2013 \$'000 |
| Fixed Communications | 84,292 | 42,681 | 6,861 | (3,188) |
| Mobile Communications | 72,516 | 99,223 | 4,228 | 6,497 |
| Energy & Water | 40,927 | 73,500 | 2,127 | 6,644 |
| Total of all segments | 197,735 | 215,404 | 13,216 | 9,953 |
| Eliminations | (356) | (541) | - | - |
| Unallocated | | | (2,560) | (2,408) |
| Earnings before interest, tax, depreciation and amortisation | | | 10,656 | 7,545 |
| Interest received/(paid) | 53 | 93 | (1,425) | (1,921) |
| Depreciation/Amortisation | | | (3,049) | (4,927) |
| Total revenue | 197,432 | 214,956 | | |
| Profit before income tax expense | | | 6,182 | 697 |
| Income tax expense | | | (2,137) | (172) |
| Profit for the period | | | 4,045 | 525 |

3. Dividends

A fully franked interim dividend of 0.5 cent per share was declared by the Directors on 18 February 2015, payable to shareholders on 16 April 2015. This dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is \$1,931,949.

4. Trade and Other Payables

| | 31 Dec 2014 \$'000 | 30 Jun 2014 \$'000 |
|---------------------------------------|-----------------------|-----------------------|
| Trade creditors (i) | 13,927 | 16,696 |
| Sundry creditors and accruals | 19,731 | 22,222 |
| Goods and services tax payable | 1,200 | 1,707 |
| Income in advance | 3,071 | 2,521 |
| Total Trade and Other Payables | 37,929 | 43,146 |

- (i) 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.

Service Stream Limited

Notes to the consolidated financial statements

5. Issuances, Repurchases and Repayment of Equity Securities

Fully Paid Ordinary Shares

| | 31 Dec 2014 | | 31 Dec 2013 | |
|--------------------------------------|-------------|---------|-------------|---------|
| | No. '000 | \$'000 | No. '000 | \$'000 |
| Balance at 1 July | 386,390 | 247,647 | 283,419 | 228,416 |
| Employee Share Based Payments | | | | |
| - FY11 Tranche LTIP | - | - | 1,025 | - |
| Balance at end half-year 31 December | 386,390 | 247,647 | 284,444 | 228,416 |

The company issued no ordinary shares in the current interim reporting period (2013: 1,024,703).

6. Borrowings

| | 31 Dec 2014 \$'000 | 30 Jun 2014 \$'000 |
|-------------------------|-----------------------|-----------------------|
| Cash advance (i) | 21,000 | 17,000 |
| Transaction costs | (334) | (444) |
| Total Borrowings | 20,666 | 16,556 |
| Bank Guarantees (ii) | 11,651 | 11,584 |

- (i) The restructure of the Group's debt facilities has been completed with Australia & New Zealand Banking Group and HSBC Bank Australia Limited agreeing to provide committed finance facilities until 30 September 2016. As the loan term extends beyond 12 months from balance date the Company has classified its bank debt as a non-current liability.
- (ii) Financial guarantees provided in the normal course of business are shown above. Based upon the current expectations as at 31 December 2014, Service Stream considers that it is more likely than not that such amounts will not be payable under these arrangements.

7. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the period 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 periods.

Service Stream Limited

Corporate Directory

Directors

Peter Dempsey (Chairman)
Leigh Mackender (Managing Director)
Brett Gallagher
Deborah Page AM
Stephe Wilks

Company Secretary

Vicki Letcher

Registered Office

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Bankers

Australia & New Zealand Banking Group
HSBC Bank Australia Limited
Westpac Banking Corporation (Transactional Banker)

Share Registry

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+61 3 9415 4000 (outside Australia)
Fax: +61 3 9473 2500

Auditors

PricewaterhouseCoopers