

ASX PRELIMINARY FINAL REPORT



STREAM GROUP LIMITED

ABN 57 010 597 672

30 JUNE 2014

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for Announcement to the Market <i>Appendix 4E item 2</i>	1
Preliminary consolidated statement of comprehensive income <i>Appendix 4E item 3</i>	2
Preliminary consolidated statement of financial position <i>Appendix 4E item 4</i>	3
Preliminary consolidated statement of changes in equity <i>Appendix 4E item 6</i>	4
Preliminary consolidated statement of cash flows <i>Appendix 4E item 5</i>	5
Supplementary Appendix 4E Information <i>Appendix 4E item 6 to 15</i>	6

This report covers the consolidated entity consisting of Stream Group Limited and its controlled entities.
The financial report is presented in Australian Dollars (unless otherwise stated).

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES
YEAR END 30 JUNE 2014
(Previous corresponding period: 30 June 2013)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The consolidated financial statements and other relevant information below are a continuation of the financial statements of Stream Group Consolidated Pty Ltd. The comparative information presented in the following report is that of Stream Group Consolidated Pty Ltd. All amounts are presented in Australian Dollars (\$AUD).

				\$
Revenue from continuing operations <i>(Appendix 4E item 2.1)</i>	Up	7.0%	to	29,655,046
Operating Profit/(loss) before share of profit/(loss) from associates and before tax	Down	89.9%	to	469,996
Profit/(loss) after tax attributable to members <i>(Appendix 4E item 2.2)</i>	Down	173.5%	to	(2,421,750)
Net profit/(loss) for the period attributable to members <i>(Appendix 4E item 2.3)</i>	Down	173.5%	to	(2,421,750)
Dividends <i>(Appendix 4E item 2.4)</i>	Amount per security	Franked amount per security		
Final dividend	Not applicable.	Not applicable.		
Interim dividend	Not applicable.	Not applicable.		

Record date for determining entitlements to the final dividend (Appendix 4e item 2.5)

Not applicable.

Stream Group Acquisition

On the 13 January 2014 the shareholders of Stream Group Limited approved the acquisition of Stream Group Holdings Pty Ltd (Stream Group). The acquisition was completed in April 2014 and consolidated financial statements for Stream Group Limited have been updated to reflect the purchase. The purchase was funded by way of issue of share in Stream Group Limited to the shareholders of Stream Group Holdings Pty Ltd.

Stream Group was founded in 2007 by Don McKenzie and operates an insurance claims management business in several countries. The business focuses on innovation and streamlining the claims process for all stakeholders.

Explanation of revenue *(Appendix 4E item 2.6)*

Total revenue from continuing operations for the year ended 30 June 2014 is \$29,655,046, up 7% against the last corresponding period. The Group's software development company, Insurtech Systems Pty Ltd incurred additional expenses through the year through developing new products. It is now deriving income from sources outside the consolidated group. Revenue earned during the period from the Australian segment was lower than the previous corresponding period due to changes in market conditions. Stream Group continues to expand into the United Kingdom. It is likely that the group will begin to earn revenue from this reporting segment during the next reporting period.

Explanation of profit/(loss) from ordinary activities after tax (Appendix 4E item 2.6)

The net loss after tax attributable to members is \$2,421,750, a decrease of 173.5% over the last corresponding period. Profit has reduced significantly due to lower intensity weather events in Australia during the reporting period and the write down of investments.

The Group's continued expansion into the United Kingdom has also contributed significantly to the loss result for the year.

The Group's investments in Cerno Limited and Melbourne Technology Group Pty Ltd were written down (under the equity method) during the year by an amount of \$3,139,681 and has been included in the Group's profit/(loss) after tax. Stream Group's position excluding the share of loss from these associates is a profit after tax of \$717,931

The underlying operational earnings before interest and tax (EBIT) was \$1,004,670. Refer to note 10 Segment Information for further detail.

Explanation of net profit/(loss) (Appendix 4E item 2.6)

Please refer to above.

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES
PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
Revenue from continuing operations		
Sales revenue	29,203,776	27,337,584
Other revenue	451,270	371,857
Total revenue from continuing operations	<u>29,655,046</u>	<u>27,709,441</u>
Change in work in progress	(526,330)	2,641,095
Expenses		
Employee benefits expense	14,533,873	11,927,909
Depreciation and amortisation expenses	908,507	699,858
Other Expenses	13,216,340	13,065,897
Total expenses	<u>28,658,720</u>	<u>25,693,664</u>
Share of net profit/(loss) of associates and joint venture accounted for using the equity method	(3,139,681)	(342,484)
Profit before related income tax expense	(2,669,685)	4,314,388
Income tax expense/(credit)	247,935	(1,019,986)
Profit/(loss) for the year	<u>(2,421,750)</u>	<u>3,294,402</u>
Other comprehensive income that may be reclassified to profit or loss		
Available-for-sale financial assets	-	-
Income tax relating to components of other comprehensive income	-	-
Total other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(2,421,750)</u>	<u>3,294,402</u>
Profit/(loss) for the year attributable to:		
Members of Stream Group Limited	(2,421,750)	3,294,402
Non-controlling interests	-	-
	<u>(2,421,750)</u>	<u>3,294,402</u>
Total comprehensive income for the year attributable to:		
Members of Stream Group Limited	(2,421,750)	3,294,402
Non-controlling interests	-	-
	<u>(2,421,750)</u>	<u>3,294,402</u>

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The prior year comparatives presented in the consolidated statement of comprehensive income are that of Stream Group Consolidated Pty Ltd.

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES
PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		2014	2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	2	3,304,147	7,614,840
Trade and other receivables		12,536,190	8,391,471
Inventories		2,741,818	3,268,148
Other current assets		326,323	453,817
Total current assets		18,908,478	19,728,276
NON CURRENT ASSETS			
Investments accounted for using the equity method		-	2,914,055
Property, plant & equipment		1,500,902	975,508
Financial assets		674,247	356,840
Deferred tax assets		924,043	344,205
Intangible assets		5,306,878	3,566,283
Other non-current assets		171,383	32,000
Total non-current assets		8,577,453	8,188,891
Total assets		27,485,931	27,917,167
CURRENT LIABILITIES			
Trade and other payables		11,453,653	16,931,899
Borrowings		851,269	81,400
Current tax liabilities		567,931	1,050,171
Provisions		771,347	708,725
Other current liabilities		272,443	-
Total current liabilities		13,916,643	18,772,195
NON CURRENT LIABILITIES			
Trade and other payables		182,900	800
Borrowings		3,683,817	3,115,660
Deferred tax liabilities		-	-
Total non-current liabilities		3,866,717	3,116,460
Total liabilities		17,783,360	21,888,655
Net Assets		9,702,571	6,028,512
EQUITY			
Issued capital		8,373,280	2,408,375
Reserves		169,444	38,540
Retained earnings		1,159,847	3,581,597
Total equity		9,702,571	6,028,512

The above preliminary consolidated statement of financial position should be read in conjunction with the accompanying notes.
The prior year comparatives presented in the consolidated statement of position are that of Stream Group Consolidated Pty Ltd.

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES
PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 30 JUNE 2014

Attributable to members of Stream Group Limited

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total \$	Non- Controlling Interests \$	Total Equity \$
Total equity at 1 July 2012 as	2,408,375	-	3,742,997	6,151,372	-	6,151,372
Profit/loss for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	3,294,402	3,294,402	-	3,294,402
Total comprehensive income for the year	-	-	3,294,402	3,294,402	-	3,294,402
Transactions with owners in their capacity as owners:						
Shares issued during the year	-	-	-	-	-	-
Foreign currency translation reserve	-	38,540	-	38,540	-	38,540
Share based payment reserve	-	-	-	-	-	-
Dividends provided for or paid	-	-	(3,455,802)	(3,455,802)	-	(3,455,802)
Balance at 30 June 2013	2,408,375	38,540	3,581,597	6,028,512	-	6,028,512
Total equity at 1 July 2013 as	2,408,375	38,540	3,581,597	6,028,512	-	6,028,512
Profit/loss for the year	-	-	(2,421,750)	(2,421,750)	-	(2,421,750)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(2,421,750)	(2,421,750)	-	(2,421,750)
Transactions with owners in their capacity as owners:						
Shares issued during the year	5,964,905	-	-	5,964,905	-	5,964,905
Foreign currency translation reserve	-	72,782	-	72,782	-	72,782
Share based payment reserve	-	58,122	-	58,122	-	58,122
Dividends provided for or paid	-	-	-	-	-	-
Balance at 30 June 2014	8,373,280	169,444	1,159,847	9,702,571	-	9,702,571

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

The prior year comparatives presented in the consolidated statement of changes in equity are that of Stream Group Consolidated Pty Ltd.

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES
PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,854,053	25,613,284
Interest received		298,407	224,439
Prepayments		29,188	(107,525)
Payments to Suppliers and Employees		(30,784,564)	(23,117,281)
Income taxes paid		(814,136)	(1,264,707)
Net operating cash flows	12	<u>(1,417,052)</u>	<u>1,348,210</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		219,740	113,278
Proceeds from sale of investments		205,000	1,007,590
Payments for property, plant and equipment		(3,439,522)	(3,038,658)
Purchase of Investments		(769,556)	(2,606,149)
Loan payments made to related parties		(2,255,745)	(1,235,722)
Loan repayments received from related parties		1,238,213	827,367
Net investing cash flows		<u>(4,801,870)</u>	<u>(4,932,294)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,100,000	3,000,800
Repayment of borrowings		(184,400)	(136,335)
Proceeds from share issue		405,924	
Net financing cash flows		<u>1,321,524</u>	<u>2,864,465</u>
Net increase in cash and cash equivalents held			
Cash and cash equivalents at the beginning of the financial year		7,551,898	8,271,517
Net increase/(decrease) in cash equivalents held		(4,897,398)	(719,619)
Cash and cash equivalents at the end of the financial year	2	<u>2,654,500</u>	<u>7,551,898</u>

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

The prior year comparatives presented in the consolidated statement of cash flows are that of Stream Group Consolidated Pty Ltd.

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES

SUPPLEMENTARY APPENDIX 4E INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is to be read in conjunction with any public announcements made by Stream Group Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The financial report, comprising the financial statements and notes of Stream Group Limited and its controlled entities, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year.

Under the principles of AASB 3 Business Combinations the transaction has been accounted for as a reverse acquisition. Therefore, Stream Group Holdings Pty Ltd is deemed to be the legal acquirer of Stream Group Limited. Stream Group Consolidated Pty Ltd was the ultimate parent entity of Stream Group Holdings Pty Ltd for the year ended 30 June 2013. The consolidated financial statements of Stream Group Limited have been prepared as a continuation of the consolidated financial statements of Stream Group Consolidated Pty Ltd. Accordingly, the comparative information for the 2013 year is that of Stream Group Consolidated Pty Ltd.

2. CASH & CASH EQUIVLENTS

	2014	2013
	\$	\$
Current		
Cash at bank and on hand	3,304,147	7,614,840
Short-term bank deposits	-	-
	<u>3,304,147</u>	<u>7,614,840</u>

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the items in the statement of financial position as follows:

Cash and cash equivalents	3,304,147	7,614,840
Bank overdrafts	(649,647)	(62,942)
	<u>2,654,500</u>	<u>7,551,898</u>

3. RETAINED EARNINGS (Appendix 4E item 6)

	2014	2013
	\$	\$
Retained earnings		
Retained earnings at the beginning of the financial year	3,581,597	3,742,997
Ordinary dividends provided for or paid	-	(3,455,802)
Net profit/(loss) attributable to members of Stream Group Limited	(2,421,750)	3,294,402
Retained earnings at the end of the financial year	<u>1,159,847</u>	<u>3,581,597</u>

4. NTA BACKING (Appendix 4E item 9)

	2014	2013
	\$	\$
Net tangible asset backing per ordinary share (cents)	<u>2.8725</u>	<u>2.0225</u>

5. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF (Appendix 4E item 10)

Acquired	Date control gained
Melbourne Technology Group Pty Ltd	1 October 2013
Disposed	Date control lost
Venturis Holdings Pty Ltd	30 June 2013

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES SUPPLEMENTARY APPENDIX 4E INFORMATION

Acquired	Date control gained
Stream Management Services Pty Ltd	10 April 2014
Stream Group Investments Pty Ltd	10 April 2014
Stream Group Aust Pty Ltd	10 April 2014
Stream Connect Pty Ltd	10 April 2014
Insurtech Systems Pty Ltd	10 April 2014
Qusol Pty Ltd	10 April 2014
FNE OS Holdings Pty Ltd atf the FNE OS Holdings Trust	10 April 2014
Stream Group N.Z. Pty Ltd	10 April 2014
Stream Claim Services UK Limited	10 April 2014
Stream Group Holdings Pty Ltd	10 April 2014
Stream Group Consolidated Pty Ltd	10 April 2014

6. ASSOCIATES AND JOINT VENTURE ENTITIES (Appendix 4E item 11)

Name	Place of incorporation	Principal activity	Ownership interest		Consolidated carrying amount	
			June	June	June	June
			2014	2013	2014	2013
			%	%	\$	\$
Associates						
Venturis Holdings Pty Ltd	Australia	Insurance Loss Adjusting	0%	30%	-	-
Melbourne Technology Group Pty Ltd	Australia	Contents Validation & Fulfilment	40%	0%	576,838	-
Cerno Limited	Australia	Insurance Claims & Risk Services	39%	39%	-	2,966,519
Creditorwatch Holdings Pty Ltd	Australia	Credit Risk and Debt Collection	10%	10%	150,000	150,000
					726,838	3,116,519

Name	Date Acquired	Share of Profit/(Loss)**	
		June	June
		2014	2013
		\$	\$
Associates			
Melbourne Technology Group Pty Ltd	10 October 2013	(173,162)	-
Cerno Limited	9 April 2013	(2,966,519)	(342,484)
		(3,139,681)	(342,484)

** Accounted for under equity method.

7. COMMENTARY ON RESULTS (Appendix 4E item 14)

Refer to the explanation of revenue and profit above under 'Results for Announcement to the Market'.

8. EARNINGS PER SHARE (Appendix 4E item 14.1)

	2014	2013
Earnings per share (EPS)	Cents per share	Cents per share
Basic EPS	(1.88)	2.71
Diluted EPS	(1.88)	2.71
	Number	Number
Weighted average number of ordinary shares used as denominator in calculating basic earnings per share	128,684,695	121,741,440

9. SHARE BUYBACK (Appendix 4E item 14.2)

The company had no on-market buy back in operation during the year ended 30 June 2014 and the year ended 30 June 2013.

STREAM GROUP LIMITED AND ITS CONTROLLED ENTITIES SUPPLEMENTARY APPENDIX 4E INFORMATION

10. SEGMENT INFORMATION (Appendix 4E item 14.4)

During the year ended 30 June 2014 the group operated in the following geographical segments:

Australia
New Zealand
United Kingdom

OPERATING SEGMENTS

June 2014	Australia	New Zealand	United Kingdom	Eliminations on Consolidation	Consolidated
Operating Revenue					
Sales	15,768,023	18,655,643	41,276	(5,261,168)	29,203,774
Other Revenue	238,709	233,482	(38,314)	17,395	451,272
Total Revenue	16,006,732	18,889,125	2,962	(5,243,773)	29,655,046
Segment Result					
Operating Expenses	16,507,386	14,850,566	1,627,690	(5,243,773)	27,741,869
Earnings Before interest, tax, depreciation and amortisation (EBITDA)	(500,654)	4,038,559	(1,624,728)	-	1,913,177
Depreciation and amortisation	792,635	109,396	6,476	-	908,507
Earnings before interest and tax (EBIT)	(1,293,289)	3,929,163	(1,631,204)	-	1,004,670
Equity accounted share of associates net profit/(loss)					(3,139,681)
Payments under employee share plan					(73,768)
Share based payments					(58,122)
Negative goodwill on acquisition					(59,745)
Interest (expense)	(235,026)	(108,013)	-	-	(343,039)
Income tax benefit/(expense)					247,935
Profit/(loss)	(1,528,315)	3,821,150	(1,631,204)	-	(2,421,750)

Please note that the above segment analysis provides the results for each geographical segment before elimination of inter-entity transactions to accurately demonstrate the profit in each different segment. This is due to the costs incurred by the Australian entities that relate to the operational activities in New Zealand and the United Kingdom.

11. OTHER SIGNIFICANT INFORMATION (Appendix 4E item 12)

Stream Group continues to be impacted by the very benign claims environment across the insurance industry in Australia for all of the 2014 financial year and continuing into the 2015 financial year. As a result claims volumes are significantly below historic levels which is impacting profitability and working capital.

The Board plans to increase Stream Group's holding in Cerno Limited and Melbourne Technology Group Pty Ltd (NIRS) to 100% as they are both a strategic part of the future growth plans.

12. RECONCILIATION OF NET PROFIT AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES

	2014	2013
	\$	\$
Net profit after income tax	(2,421,750)	3,294,402
Adjustments for non-cash income and expense		
Depreciation and amortisation	908,507	699,858
Net (gain)/loss on asset disposals and write-offs	(17,940)	4,180
Net (gain)/loss on disposal of investments	19,222	(312,873)
Non-cash interest	17,820	(125,811)
	3,139,681	
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(62,844)	(3,887,562)
(Increase)/decrease in inventories	526,330	(2,641,096)
(Increase)/decrease in other assets	333,774	(287,227)
Increase/(decrease) in payables and provisions	(3,389,115)	569,042
Increase/(decrease) in tax balances	(1,062,071)	(244,723)
Increase in other liabilities	591,334	4,280,020
Net cash and cash equivalents from operating activities	(1,417,052)	1,348,210

13. AUDIT STATUS (Appendix 4E item 15)

This report has been prepared under consultation from PKF Lawler. It is not expected for PKF Lawler's independent audit report to be subject to a modified opinion, emphasis of matter or other matter paragraph. This audit of this report is in the process of being finalised.