
Service Stream Limited

ABN 46 072 369 870

Appendix 4D (rule 4.2A) Half-Year Ended 31 December 2018

(Previous corresponding period:
Half-year ended 31 December 2017)

Results For Announcement to the Market

Half-Year To		31 Dec 18 \$'000	% change	31 Dec 17 \$'000
Revenue from ordinary activities	Up	347,954	18.3%	294,135
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)	Up	38,031	18.7%	32,051
Earnings before interest expense and taxation (EBIT)	Up	34,121	20.3%	28,368
Profit from ordinary activities after tax attributable to members	Up	24,092	21.0%	19,902
Net profit attributable to members	Up	24,092	21.0%	19,902

Dividends	amount per share (cents)	franked amount per share (cents)	tax rate for franking credit
Interim FY19 dividend per share to be paid 21 March 2019	3.50	3.50	30%
Interim dividend dates			
Ex-dividend date	06 March 2019		
Record date	07 March 2019		
Payment date	21 March 2019		

The Company's Dividend Reinvestment Plan (DRP) will operate in respect of the FY19 interim dividend.

Net Tangible Asset Backing	31 Dec 18 \$	30 Jun 18 \$	31 Dec 17 \$
Consolidated net tangible assets per share	0.1912	0.1612	0.1537

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 statements for the half-year ended

31 December 2018

Consolidated interim financial statements for the half-year ended 31 December 2018

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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 review of operations for the relevant period is included in the Directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issued by the Directors on 6 February 2019. The Directors have the power to amend and reissue the financial statements.

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

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 2018.

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

Brett Gallagher (Chairman)
 Leigh Mackender (Managing Director)
 Peter Dempsey
 Greg Adcock
 Tom Coen (appointed 1 February 2019)
 Raelene Murphy
 Deborah Page AM

Review of operations

Highlights of the financial results for the half-year ended 31 December 2018 include:

- EBITDA of \$38.0 million after Comdain transaction costs of \$0.6 million
- Operating cashflow of \$17.9 million with Net Cash of \$69.5 million at 31 December 2018
- Interim dividend (fully-franked) of 3.50 cents per share payable on 21 March 2019

All profitability measures for the half-year are up on the prior corresponding period "pcp" (FY18 1st half).

Key financial measures					
\$ '000		FY19	FY18	Change	
		1st half	1st half		
Profitability:					
Revenue		347,954	294,135	53,819	18% ▲
EBITDA ¹		38,031	32,051	5,980	19% ▲
EBIT		34,121	28,368	5,753	20% ▲
Net profit after tax		24,092	19,902	4,190	21% ▲
EPS (cents)		6.68	5.45	1.23	23% ▲
Cashflow & Capital Management:					
OCFBIT		26,429	57,099	(30,670)	(54%) ▼
Operating cashflow		17,866	42,627	(24,761)	(58%) ▼
Net cash		69,500	63,598 ²	5,902	9% ▲
Dividends declared per share (cents)		3.50	3.00	0.50	17% ▲

¹Earnings before interest, tax, depreciation and amortisation, as reported to the chief operating decision maker.

²As at 31 December 2017

¹ Earnings before interest, tax, depreciation and amortisation, as reported to the chief operating decision maker.

² As at 31 December 2017

Each of the Group's operating segments reported improved performance for the half-year ended 31 December 2018.

- Fixed Communications contributed EBITDA of \$21.8 million (13.0% margin) on revenue of \$168.5 million. Revenue was higher than pcp by \$22.8 million with an increased nbn OMMA activation market share, a more favourable technology mix, increased OMMA assurance and remediation volumes and increased nbn minor project volumes offsetting the impact of lower total nbn activation volumes. EBITDA margin was steady against pcp.
- Network Construction contributed EBITDA of \$13.7 million (10.7% margin) on revenue of \$128.4 million. Revenue was higher than pcp by \$29.7 million due to a significant increase in the volume of construction activity under the nbn DCMA contract and to a lesser extent, an increase in revenue from Wireless. EBITDA margin was down marginally by -0.3 percentage points compared to pcp.
- Energy & Water contributed EBITDA of \$5.9 million (10.4% margin) on revenue of \$56.3 million. Revenue was higher than pcp by \$1.7 million with minor growth from most parts of the business. EBITDA margin improved by +0.6 percentage points over pcp.

Service Stream Limited

Directors' report

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year financial report.

Rounding of amounts

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

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,



Brett Gallagher
Chairman
6 February 2019



Leigh Mackender
Managing Director
6 February 2019



Auditor's Independence Declaration

As lead auditor for the review of Service Stream Limited for the half-year ended 31 December 2018, 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 that reads 'Trevor Johnston'.

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
6 February 2019

Service Stream Limited

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Half-year ended	
	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Revenue from continuing operations		
Revenue from the rendering of services	347,193	293,470
Interest revenue	628	426
Other income	133	239
	347,954	294,135
Expenses		
Employee salaries and benefits	(79,770)	(73,382)
Subcontractor fees	(198,070)	(158,521)
Raw materials and consumables used	(6,172)	(8,309)
Consulting and temporary staff fees	(3,572)	(3,004)
Company administration and insurance expenses	(2,497)	(1,995)
Occupancy expenses	(3,970)	(3,804)
Technology and communication services	(7,234)	(5,673)
Motor vehicle expenses	(5,198)	(4,332)
Depreciation and amortisation	(3,911)	(3,683)
Financing costs	(256)	(247)
Other expenses	(2,810)	(2,637)
Profit before tax	34,494	28,548
Income tax expense	(10,402)	(8,646)
Profit for the half-year	24,092	19,902
Total comprehensive income for the half-year	24,092	19,902
Profit attributable to the equity holders of the parent	24,092	19,902
Total comprehensive income attributable to equity holders of the parent	24,092	19,902
Earnings per share		
Basic (cents per share)	6.68	5.45
Diluted (cents per share)	6.66	5.43

Notes to the consolidated interim financial statements are included on pages 8 to 13

Service Stream Limited

Consolidated balance sheet as at 31 December 2018

	Note	31 Dec 2018 \$'000	30 Jun 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		69,975	73,698
Trade and other receivables		34,033	43,321
Inventories		2,651	3,045
Accrued revenue		108,800	82,373
Other		4,809	2,769
Total current assets		220,268	205,206
Non-current assets			
Plant and equipment		3,898	3,948
Intangible assets		150,167	148,831
Total non-current assets		154,065	152,779
Total assets		374,333	357,985
LIABILITIES			
Current liabilities			
Trade and other payables	5	111,212	110,474
Current tax liabilities		819	3,197
Finance lease		378	369
Provisions		20,878	19,111
Lease incentives		781	847
Total current liabilities		134,068	133,998
Non-current liabilities			
Provisions		4,924	4,393
Deferred tax liabilities (net)		16,003	12,111
Lease incentives		13	301
Finance lease		97	288
Total non-current liabilities		21,037	17,093
Total liabilities		155,105	151,091
Net assets		219,228	206,894
EQUITY			
Contributed equity	6	226,904	217,281
Reserves		(3,488)	1,651
Accumulated losses		(4,188)	(12,038)
Total equity		219,228	206,894

Notes to the consolidated interim financial statements are included on pages 8 to 13

Service Stream Limited

Consolidated statement of changes in equity for the half-year ended 31 December 2018

	Contributed equity	Employee equity-settled benefits reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	217,281	1,651	(12,038)	206,894
Profit for the period	-	-	24,092	24,092
Total comprehensive income	-	-	24,092	24,092
Issue of shares, net of transaction cost	1,762	-	-	1,762
Equity settled share based payments, inclusive of tax adjustment	-	4,484	-	4,484
Acquisition of treasury shares	(1,762)			(1,762)
Issue of treasury shares to employees	9,623	(9,623)	-	-
Dividends paid	-	-	(16,242)	(16,242)
As at 31 December 2018	226,904	(3,488)	(4,188)	219,228

	Contributed equity	Employee equity-settled benefits reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	233,151	4,590	(31,421)	206,320
Profit for the period	-	-	19,902	19,902
Total comprehensive income	-	-	19,902	19,902
Issue of shares (net of transaction costs)	-	-	-	-
Equity settled share based payments, inclusive of tax adjustment	-	4,157	-	4,157
Acquisition of treasury shares	(14,046)	-	-	(14,046)
Issue of treasury shares to employees	10,734	(10,734)	-	-
Dividends paid	-	-	(10,904)	(10,904)
As at 31 December 2017	229,839	(1,987)	(22,423)	205,429

Notes to the consolidated interim financial statements are included on pages 8 to 13

Service Stream Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2018

	Half-year ended	
	31 Dec 2018	31 Dec 2017
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (including GST)	376,128	347,768
Payments to suppliers and employees (including GST)	(349,699)	(290,669)
Cash generated from operations before interest and tax	26,429	57,099
Interest received	628	420
Interest and facility costs paid	(613)	(247)
Income taxes paid	(8,578)	(14,645)
Net cash provided by operating activities	17,866	42,627
Cash flows from investing activities		
Payments for plant and equipment	(1,195)	(474)
Proceeds from sale of plant and equipment	107	210
Payments for intangible assets	(4,076)	(3,011)
Payments for businesses	-	(690)
Net cash used in investing activities	(5,164)	(3,965)
Cash flows from financing activities		
Finance lease payments	(183)	(204)
Dividends paid	(16,242)	(10,904)
Purchase of shares (net of transaction costs)	-	(14,046)
Net cash used in financing activities	(16,425)	(25,154)
Net (decrease) increase in cash and cash equivalents	(3,723)	13,508
Cash and cash equivalents at the beginning of the financial year	73,698	50,897
Cash and cash equivalents at end of period	69,975	64,405

Notes to the consolidated interim financial statements are included on pages 8 to 13

Service Stream Limited

Notes to the consolidated financial statements

1 Significant accounting policies

Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This 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 2018 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, except for the change in accounting requirements of AASB 9 and AASB 15, which were effective from 1 July 2018.

New accounting standards adopted by the Group

(a) Impact of transition to AASB 9 'Financial Instruments'

The AASB 9 Financial Instruments standard simplifies the model for classifying and recognising financial instruments and introduces a new impairment model. The new impairment model is a move away from the previous incurred credit loss approach to the expected credit loss approach. Upon adoption of AASB 9, there was no significant impact on current financial instrument classification and measurement practice.

(b) Impact of transition to AASB 15 'Revenue from Contracts with Customers'

AASB 15 'Revenue from Contracts with Customers' replaces AASB 18 and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group adopted the new accounting standard in the financial year using the modified retrospective approach. There were no adjustments recognised upon transition.

Management has undertaken a detailed review of AASB 15 together with a detailed review of all material revenue contracts. This review included assessing all contract types for the entire revenue base in Fixed Communications, Network Construction and Energy & Water against the 5-step model for recognising revenue outlined in AASB 15. The review considered potential changes in the timing of revenue recognition, measurement of the amount of revenue and note disclosure changes between the current standard, AASB 118, and AASB 15. The key revenue types that were assessed under AASB 15 for each of the Group's reporting segments were as follows:

- Fixed Communications provides services to owners of fixed line telecommunication networks. The revenue types within this segment include ticket of work, minor projects and overhead allowances.
- Network Construction provides turnkey services associated with engineering, design and construction mainly in the telecommunication sector. Key revenue components include design, construction and overhead allowances.
- Energy and Water provides a range of new energy services, meter reading, inspection and compliance services to electricity networks owners and regulators. Key revenue components include ticket of work and minor projects.

It was also determined that no financial statement reclassifications were required.

(c) AASB 15 Revenue recognition accounting policy

The Group has two distinct revenue streams, being (i) Revenue from the provision of Tickets of Work and (ii) Revenue from the delivery of projects.

At point in time - Tickets of work

Tickets of work services are repetitive, high volume tasks performed by the Group such as the provision of:

- operations and maintenance services to the owners of fixed-line telecommunications networks including activation, assurance and remediation (as provided by Fixed Communications);
- specialist metering, in-home and new energy services to electricity, gas, and water networks (as provided by Energy & Water); and

Service Stream Limited

Notes to the consolidated financial statements

1 Significant accounting policies (continued)

New accounting standards adopted by the Group (continued)

- inspection, auditing and compliance services to electricity network owners and regulators, government entities and electrical contractors (as provided by Energy & Water).

The benefits provided to our customers under this category of work type do not transfer to the customer until the completion of the service and as such revenue is recognised upon completion.

Over time - Projects and overhead recovery

Project works relate primarily to:

- turnkey services associated with the engineering, design and construction of infrastructure projects, principally in the telecommunications sector. Service capability includes program management, site acquisition, town planning, design, engineering and construction management for projects in wireless and fixed-line telecommunications, signalling and power (as provided by Network Construction).
- minor projects such as asset augmentation and relocation (as provided by Fixed Communications).

The benefits being provided by the Group's project work transfer to the customer as the work is performed and as such revenue is recognised over the duration of the project based on percentage complete. Percentage complete is measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Where this is the case, stage of completion is measured on a milestone basis.

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

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

Certain customer contracts allow for the recovery of specified overheads. The benefits provided to the customer under this revenue stream are simultaneously received and consumed by the customer and as such revenue is recognised over the period the services are provided.

New accounting standard not yet adopted

Other than as detailed below, the Group has adopted all 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.

Details of new and revised standards not yet adopted and the Group's assessment of the impact of these standards is set out below:

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

AASB 16 modifies accounting for leases by removing the current distinction between operating and financing leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. The standard will primarily affect the accounting for the Group's operating leases in respect of motor vehicles and premises. As at 31 December 2018, the Group had non-cancellable operating lease commitments of \$33.3 million.

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

Service Stream Limited

Notes to the consolidated financial statements

1 Significant accounting policies (continued)

New accounting standard not yet adopted (continued)

If AASB16 was adopted from 1 July 2018 and the cost model was applied subsequently:

- (i) EBITDA for the half-year to 31 December 2018 would have increased by approximately \$5.8 million due to lower lease charges to motor vehicle expense and occupancy expense, whilst Depreciation would have increased by approximately \$5.6 million and Interest Expense would have increased by approximately \$0.4 million, resulting in an insignificant impact on net profit and earnings per share; and
- (ii) Leasehold assets on the balance sheet as at 31 December 2018 would have increased by approximately \$30.4 million, representing the present value of the Group's motor vehicle and property leases, with lease liabilities increasing by approximately \$30.5 million.

The Group does not intend to adopt AASB 16 before its effective date.

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, being the Managing Director, 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 services of each of these segments are as follows:

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

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

Service Stream Limited

Notes to the consolidated financial statements

2 Segment information (continued)

Information regarding these segments is presented below:

	Segment revenue		Segment EBITDA	
	Half-year to		Half-year to	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Fixed Communications	168,511	145,698	21,833	18,853
Network Construction ³	128,436	98,743	13,683	10,805
Energy & Water ³	56,347	54,666	5,864	5,371
Total of all segments	353,294	299,107	41,380	35,029
Eliminations	(5,968)	(5,398)	-	-
Unallocated			(3,348)	(2,978)
EBITDA ¹			38,031	32,051
Depreciation			(1,191)	(1,274)
Amortisation			(1,836)	(1,443)
Amortisation of customer contracts			(884)	(966)
EBIT ²			34,121	28,368
Interest revenue	628	426		
Total revenue	347,954	294,135		
Net financing costs			373	180
Profit before tax			34,494	28,548
Income tax expense			(10,402)	(8,646)
Profit for the period			24,092	19,902

¹. Earnings before interest, tax, depreciation and amortisation, as reported to the chief operating decision maker.

². Earnings before interest and tax.

³. Where appropriate, prior year comparatives has been restated to reflect the change in reporting lines undertaken during the year between Network Construction and Energy & Water.

Service Stream Limited

Notes to the consolidated financial statements

3 Disaggregation of segment revenue

The group derives revenue from the transfer of goods and services over time and at a point in time. The table below provides a disaggregation of segment revenues from contracts with customers.

31 December 2018	Fixed Communications	Network Construction	Energy & Water	Total
	\$'000	\$'000	\$'000	\$'000
Segment revenue	168,511	128,436	56,347	353,294
Timing of revenue recognition				
At point in time	138,570	-	50,510	189,080
Over time	29,941	128,436	5,837	164,214
	168,511	128,436	56,347	353,294

31 December 2017	Fixed Communications	Network Construction	Energy & Water	Total
	\$'000	\$'000	\$'000	\$'000
Segment revenue	145,698	98,743	54,666	299,107
Timing of revenue recognition				
At point in time	113,267	-	51,282	164,549
Over time	32,431	98,743	3,384	134,558
	145,698	98,743	54,666	299,107

4 Dividends

A fully-franked interim dividend of 3.50 cents per share was declared by the Directors on 6 February 2019, payable to shareholders on 21 March 2019. This dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is \$14,048,901.

The company has elected to provide the opportunity for all shareholders to participate in its Dividend Reinvestment Plan in respect of the declared interim dividend.

5 Trade and other payables

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Trade creditors	7,633	20,521
Sundry creditors and accruals	57,341	53,742
Goods and services tax payable	2,411	2,777
Income in advance	43,827	33,434
Total trade and other payables	111,212	110,474

Service Stream Limited

Notes to the consolidated financial statements

6 Contributed equity

		2018		2017	
		No. '000	\$'000	No. '000	\$'000
(i)	Contributed equity				
	Balance at 1 July	360,210	225,144	365,189	233,151
	Issue of shares (net of transaction costs)	998	1,762	-	-
		361,208	226,904	365,189	233,151
(ii)	Other equity				
	Balance at 1 July	(5,322)	(7,863)	-	-
	Acquisition of treasury shares	(998)	(1,762)	(9,824)	(14,046)
	Issue of treasury shares to employees	6,320	9,623	7,368	10,734
		-	-	(2,456)	(3,312)
	Balance at 1 July	354,888	217,281	365,189	233,151
	Balance at 31 December	361,208	226,904	362,733	229,839

The company issued 997,819 ordinary shares in the current interim reporting period (Dec 2017: nil), which were acquired as treasury shares for the purpose of issuing shares under the various share-based incentives plans.

7 Subsequent events

On 2 January 2019, following satisfaction of all conditions precedent and the completion of bank funding arrangements, the Company announced the successful completion of its acquisition of 100% of Comdain Infrastructure Pty Ltd, Ayrab Unit Trust and Ayrab Pty Ltd (collectively defined as Comdain Infrastructure), a provider of engineering and asset management services to the gas and water utility sectors in the Australian eastern states.

The acquisition is strategically significant to Service Stream, providing the Group with enhanced revenue diversity across well-known gas and water markets and through a familiar client base. Comdain Infrastructure's operations align with Service Stream's core capabilities of design, construction, operations and maintenance, with the combined business creating the opportunity to provide a broader end-to-end asset life-cycle service offering, extend service capabilities and expand into additional geographies.

Comdain Infrastructure has been acquired by Service Stream for a purchase price of \$161.7 million (subject to adjustments for tax liabilities, net cash and movements in working capital), \$68.0 million of which has been paid by way of 40,189,126 new Service Stream shares being issued to the vendors, with the balance paid in cash. Service Stream funded the cash consideration through \$60.0 million of a new variable interest rate debt facility with the balance paid from the Group's existing cash-on-hand. The debt facility expires on 30 September 2021.

In addition to the new debt facility, Service Stream has taken the opportunity to increase the size of its bank guarantee, bank overdraft and revolving cash advance facilities with its existing financiers, ANZ and HSBC, to \$130.0 million, and to extend the term of the overall syndicated facility, including the new debt facility, by two years to 30 September 2021.

In connection with the refinancing, it is proposed that Comdain Infrastructure will accede to Service Stream's amended facility agreement with ANZ and HSBC, and grant security to ANZ and HSBC. This may constitute the giving of financial assistance by Comdain Infrastructure in connection with the acquisition of its shares by Service Stream for the purposes of section 260A of the Corporations Act. Service Stream shareholder approval will therefore be sought under section 260B of the Corporations Act.

Service Stream will hold an Extraordinary General Meeting for shareholders to consider and approve the giving of financial assistance by Comdain Infrastructure under the amended facility agreement.

The initial accounting for the business combination has not yet been completed due to the proximity of the acquisition to the date of issue of these financial statements. This exercise will be performed prior to the issuance of the 30 June 2019 financial statements, and will include assessing the fair value of the consideration transferred, the fair value of the assets and liabilities acquired (including identified intangible assets) and determining goodwill.

Costs related to the transaction of approximately \$0.6m are included in the consulting and temporary staff fees line in the consolidated statement of profit and loss for the half-year ended 31 December 2018.

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 2018 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.

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,



Brett Gallagher
Chairman
6 February 2019



Leigh Mackender
Managing Director
6 February 2019



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 2018, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for the Service Stream Limited Group. The Group 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 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 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*.

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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:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2018 included on Service Stream Limited's web site. The Company's directors are responsible for the integrity of the Service Stream Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.



PricewaterhouseCoopers



Trevor Johnston
Partner

Melbourne
6 February 2019

Service Stream Limited

Corporate directory

Directors

Brett Gallagher (Chairman)
Leigh Mackender (Managing Director)
Peter Dempsey
Greg Adcock
Tom Coen (appointed 1 February 2019)
Raelene Murphy
Deborah Page AM

Company Secretaries

Vicki Letcher
Nicole Goding

Registered Office

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Bankers

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HSBC Bank Australia Limited

Share Registry

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Fax: +61 3 9473 2500

Auditor

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