servicestream
ESSENTIAL NETWORK SERVICES

ASX & MEDIA RELEASE **16 September 2016**

2016 Annual Report to Shareholders

It has been brought to our attention that certain devices may have been unable to properly display the Service Stream Limited 2016 Annual Report that was uploaded to the ASX on 14 September 2016 due to a technology issue.

As such, attached is a revised Annual Report which should be free from the aforementioned issue.

For further details contact:

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Service Stream Limited
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About Service Stream Limited:

Service Stream is a public company listed on the Australian Securities Exchange (Code: SSM). The Service Stream Group is a provider of essential network services to the telecommunications, energy and water industries. Service Stream operates out of more than 40 locations nationwide and maintains a workforce of around 1,500 employees and up to 3,000 active contractors. For more information please visit www.servicestream.com.au.

servicestream
ESSENTIAL NETWORK SERVICES

2016 Annual Report

Annual General Meeting

The Annual General Meeting of
Service Stream Limited will be held at the
The Westin Hotel
205 Collins Street, Melbourne
19 October 2016, 10.30am

Service Stream Limited

ABN 46 072 369 870

Annual financial report for the financial year ended
30 June 2016

Annual financial report for the financial year ended 30 June 2016

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

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

Level 4, 357 Collins Street Melbourne VIC 3000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and financial performance on pages 4 to 10, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 17 August 2016. 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.

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 2016, and in order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors

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

Brett Gallagher

Chairman

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

Qualifications: FAICD.

Brett Gallagher was appointed as Non-Executive Director of Service Stream Limited in April 2010 and was appointed Chairman on 1 March 2015. Brett has over 20 years' experience across the utility and facilities management industries, and was Managing Director and a 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 is Chair of the Sustainability, Safety, Health and Environment Committee and was a member of the Remuneration and Nomination Committee until 30 June 2016. Brett holds directorships and interests in a number of private businesses that operate predominately in the utilities sector.

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

Leigh Mackender

Managing Director

Term of Office: Managing Director since May 2014.

Qualifications: MBA.

Leigh Mackender joined Service Stream Limited 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.

Prior to being appointed Managing Director, Leigh was 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 15 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 is a member of the Sustainability, Safety, Health and Environment Committee.

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

Peter Dempsey

Non-Executive Director

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

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

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

Peter is Chairman of the Remuneration and Nomination Committee, a member of the Audit and Risk Committee and is the lead Independent Director.

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

Greg Adcock

Non-Executive Director

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

Qualifications: MAICD, MAIPM.

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

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

Greg has worked in and around major projects for over 25 years and began his career outside of Telstra in IT services with various roles at Lindemans Wines, GE, and Aristocrat including the computerisation of manufacturing and accounting systems. He worked on the project to build the New Parliament House in Canberra which provided him an excellent insight into the complexities of project management.

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

Greg joined the Remuneration and Nomination Committee and the Sustainability, Safety, Health and Environment Committee as a member with effect from 1 July 2016.

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

Raelene Murphy

Non-Executive Director

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

Qualifications: BBus, CA, GAICD.

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

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

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

Raelene is a Non-Executive Director of Tassal Group Limited, Bega Cheese Limited and the DOXA Youth Foundation, and held no other listed company directorships in the last three years.

Deborah Page AM

Non-Executive Director

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

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

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

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

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

Directors' shareholdings

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

	Service Stream Limited	
	Fully paid ordinary shares	Performance rights
Directors	Number	Number
B Gallagher	9,682,035	-
P Dempsey	1,186,775	-
G Adcock	-	-
R Murphy	-	-
D Page	364,268	-
L Mackender	1,136,221	1,430,556

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 12 to 18. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

Performance rights granted to Directors and senior management

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

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

Company secretary

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

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

Principal activities

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

Review of operations and financial performance

Financial overview

Service Stream maintained its recent trend of year-on-year growth with significant improvements recorded for the financial year ended 30 June 2016 (FY16) across all key profitability measures. In addition, the Company further improved its Net Cash position during the year notwithstanding an increase in dividends and a 5.0 cps capital return.

Key financial measures

$ million	FY16	FY15	Change		
Revenue	438.9	411.3	27.7	7%	▲
EBITDA	35.8	25.4	10.4	41%	▲
EBITDA %	8.2%	6.2%	2.0%	n/a	▲
Net profit after tax	20.0	11.7	8.3	71%	▲
Earnings per share (cents)	5.20	3.03	2.16	71%	▲
Operating cashflow	62.3	32.3	30.0	93%	▲
Net cash	41.1	14.8	26.3	178%	▲
Total dividends declared (cents)	2.50	1.50	1.0	67%	▲

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

Group revenue improved to $438.9 million from $411.3 million with the 7% year-on-year increase attributable to growth in each of the three reporting segments of Fixed Communications (+7%), Mobile Communications (+8%) and Energy & Water (+6%).

Group earnings before interest, tax, depreciation and amortisation (EBITDA) improved to $35.8 million from $25.4 million with the 41% year-on-year increase following growth of 53% in the same metric the year before. As with revenue, EBITDA growth was achieved by each of Fixed Communications (+51%), Mobile Communications (+21%) and Energy & Water (+42%)

Group net profit after tax (NPAT) improved to $20.0 million from $11.7 million with the 71% increase attributable to the aforementioned improvement in EBITDA, which along with a $2.0 million reduction in net financing costs offset a $1.1 million increase in depreciation & amortisation.

Basic earnings per share (EPS) improved to 5.20 cents from 3.03 cents with the increase attributable to the significant increase in NPAT.

Group operating cashflow before interest and tax (OCFBIT) of $63.7 million significantly exceeded the $34.0 million recorded in the previous year, and was once again greater than EBITDA for the period due to the impact of non-cash items in the P&L and further reductions in net working capital. Operating cashflow of $62.3 million was similarly strong after factoring in tax payments of $1.7 million and net financing inflows of $0.3 million.

The Group's strong financial performance for the year permitted the Board to pay a capital return to shareholders of 5.0 cents per share on 10 June 2016 as well as approving increases to each of the interim and final dividends for the year. An interim dividend of 1.0 cent (fully-franked) was paid on 14 April 2016 and a final dividend of 1.5 cents (fully-franked) has been declared, payable on 29 September 2016. Interim and final dividends for the previous year were 0.5 cent and 1.0 cent respectively.

The Group once again concluded the year with cash-on-hand and no borrowings. The Group's year-end Net Cash balance of $41.1 million was an increase of $26.3 million over the previous year-end balance of $14.8 million notwithstanding distributions paid to shareholders during the year in the form of dividends ($7.7 million) and capital return ($19.4 million).

Segment results

$ million	FY16		FY15		Change	
Fixed Communications	192.8		180.6		12.1	
Mobile Communications	166.7		154.0		12.6	
Energy & Water	82.0		77.3		4.7	
Eliminations & Interest Rec'd	(2.4)		(0.7)		(1.8)	
Total Revenue	438.9		411.3		27.7	
Fixed Communications	20.1	10.4%	13.3	7.4%	6.8	3.1%
Mobile Communications	16.1	9.7%	13.3	8.7%	2.8	1.0%
Energy & Water	5.0	6.1%	3.5	4.6%	1.5	1.6%
Unallocated Corporate Services	(5.4)	(1.2%)[2]	(4.8)	(1.2%)[2]	(0.7)	(0.1%)
Total EBITDA	35.8	8.2%	25.4	6.2%	10.4	2.0%
Depreciation & Amortisation	(7.4)		(6.3)		(1.1)	
EBIT	28.4	6.5%	19.1	4.6%	9.3	1.8%
Financing costs	0.1		(1.9)		2.0	
Income tax expense	(8.5)	*29.8%*[1]	(5.4)	*31.5%*[1]	(3.1)	
Net profit after tax	20.0	4.6%	11.7	2.8%	8.3	1.7%

[1] Effective tax rate.

[2] The unallocated corporate services EBITDA percentage is calculated as a percentage of the Group's total revenue.

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

Revenue

Revenue increased by $27.7 million compared to the prior corresponding period driven primarily by:

- Fixed Communications revenue was up (+$12.1 million) primarily due to a significantly higher number of customer connections and related services being performed for nbn under the Field Service Delivery (FSD), Network Augmentation & Restoration Activities (NARA) and Operations and Maintenance (OMMA) ticket-of-work type contracts. In addition, the New Developments contract with nbn saw an increase in volume and construction-type work commenced during the year under the new Multi-technology Integrated Master Agreement (MIMA) with nbn. This was offset by the winding-up of the Duct Infrastructure & Associated Services (DIAS) contract with Telstra. In aggregate, revenue from nbn grew by $45.8 million to $184.9 million for the year, whereas revenue from Telstra declined by $33.6 million to $7.9 million.
- Mobile Communications revenue was up (+$12.6 million) due to a $24.7 million increase in revenue from core wireless site acquisition & design services and construction activities, from $95.4 million to $120.1 million. This was offset by a $6.8 million decline in fixed-line work to $42.0 million and a $5.3 million decline in low profitability “other” works to only $4.6 million.
- Energy and Water revenue was up (+$4.7 million) primarily due to a $11.7 million increase in revenue from core metering services, from $45.0 million to $56.7 million, partly due to the commencement of smart meter installations for AGL Active Stream. This was offset by a $5.5 million decline in in-home services revenue to $16.1 million and a $1.5 million reduction in revenue from customer care and other.

Earnings before interest, tax, depreciation and amortisation

The Group’s EBITDA of $35.8 million for the year was favourable to the prior year by $10.4 million.

- Fixed Communications achieved an EBITDA of $20.1 million for FY16 which represents an improvement of $6.8 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 3.1 percentage point increase in margin on the back of scale efficiencies, improved productivity, a more favourable mix of work and one-off benefits arising from the successful close-out of certain contracts and trials.
- Mobile Communications recorded EBITDA of $16.1 million for FY16. This represents an improvement of $2.8 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.0 percentage point increase in margin on the back of a more favourable mix of work.

- Energy & Water reported an EBITDA of $5.0 million for FY16, an increase of $1.5 million over the prior year. The higher EBITDA resulted from the increase in revenue detailed above coupled with a 1.5 percentage point increase in margin on the back of a more favourable mix of work.

Net financing costs

- The Group earned interest income of $0.7 million for the year, which was offset by interest expense and other financing costs of $0.6 million for a net financing benefit of $0.1 million. This was a $2.0 million improvement over the previous year's net financing cost of $1.9 million.

Tax

- An income tax expense of $8.5 million was recorded for the period. Whilst income tax expense was $3.1 million higher than the prior period, the increase was in line with higher profit before tax and the effective tax rate for the year of 29.8% was in line with expectations and marginally lower than the previous year's 31.5%.

Depreciation and amortisation

- A depreciation and amortisation charge of $7.4 million was recorded for the period. This was $1.1 million higher than the charge in the prior year.

Cashflow

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

- Net cashflow from operations was $62.3 million compared to $32.3 million in the prior period. The $30.0 million improvement can be attributed to:
    - Service Stream operations generated $63.7 million in operating cashflow before interest and tax (OCFBIT) for the year compared to $34.0 million in the prior period. Whilst both periods produced greater OCFBIT than EBITDA, the superior profit-to-cash conversion in FY16 was due to the impact of non-cash items in the P&L and a significant reduction in net working capital of $26.5 million;
    - Net cash inflows associated with financing for the year was $0.3 million which compares to net financing outflows of $1.6 million for the previous year. The year-on-year improvement is due to the extent of average Net Cash that the Group held over the course of the year; and
    - Tax payments totaling $1.7 million were made during the year, compared to no tax payments in the prior period.
- Net investing cash outflows for the year increased by $4.6 million to $8.3 million due to:
    - $5.7 million increase in capital expenditure as part of a strategic investment in technology as operations have grown; and
    - $1.1 million increase in proceeds from the sale of assets.
- Net financing outflows, excluding repayment of borrowings, for the year increased by $24.2 million to $27.7 million due to:
    - $19.4 million expended in relation to a 5.0 cents per share return of capital to shareholders;
    - $7.7 million paid in dividends, an increase of $5.8 million over the previous year; and
    - $0.5 million expended in the current year to acquire shares in Service Stream Limited which will contribute to satisfying the Group's forecasted obligations under share-based incentive schemes.

Financial position

The financial position of the Group declined slightly during the year with Net Assets reducing by $4.0 million to $185.4 million. Whilst the Group produced a record NPAT of $20.0 million for the year, the level of Net Assets was impacted by the 5.0 cps capital return (-$19.4 million) and higher dividends (-$7.7 million). At 30 June 2016 Current Assets exceeded Current Liabilities by $67.0 million (30 June 2015: $74.5 million).

<u>Debt and financing facilities</u>

- The Group ended the year with Net Cash of $41.1 million, an increase of $26.3 million over the $14.8 million balance at the prior period end. There were borrowings of Nil at both balance dates.
- Bank guarantee utilisation at year-end of $13.6 million was marginally higher than the prior year-end's $10.9 million.
- The Group's finance facilities at 30 June 2016 comprised cash advance lines totaling $35.0 million (drawn: Nil), bank guarantee facilities totaling $20.0 million (drawn: $13.6 million) and overdraft facilities totaling $5.0 million (drawn: Nil).

- The Group was in compliance with, and had substantial headroom on each of the financial covenants that applied during the year under the Syndicated Facilities Agreement with its bankers Australia & New Zealand Banking Group and HSBC Bank Australia Limited.
- The Group has executed binding term sheets with its existing bankers for a refinance of its banking facilities for a term of three years to 30 September 2019.

Other Balance Sheet

Other key balance sheet movements during the year included:

- Working capital at 30 June 2016 was a net asset position of $27.5 million and reflected a $26.5 million decrease from the prior year's closing balance of $54.0 million.
- Trade and other receivables of $39.3 million was $5.3 million higher than the prior year-end.
- Inventories reduced from $7.6 million to $5.9 million.
- Accrued revenue of $59.0 million was down significantly on the prior year-end by $18.8 million.
- Trade and other payables of $60.7 million increased by $6.0 million.
- Provisions of $15.6 million increased from the prior year-end balance of $10.1 million.
- Property, plant and equipment at 30 June 2016 was $6.2 million compared to $8.1 million at 30 June 2015 and reflects the annual depreciation charge (-$3.8 million) and book-value of asset disposals (-$0.5 million) substantially exceeding additions for the year (+$2.4 million).
- Intangibles of $124.3 million increased by $3.6 million over the prior period-end with software additions (+$7.2 million) exceeding the amortisation charge for the year (-$3.6 million).

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 FY16 improved over the prior year, delivering an EBITDA of $20.1 million on revenue of $192.8 million (10.4% margin), compared with EBITDA of $13.3 million on revenue of $180.6 million (7.4% margin) in the prior year.
- During the year, Fixed Communications commenced delivering services to nbn under a new four-year Operations and Maintenance Master Agreement (OMMA) and a new five-year Multi-technology Integrated Master Agreement (MIMA) as well as continuing to provide services to nbn under existing New Developments, Field Service Delivery (FSD) and Network Augmentation & Restoration Activities (NARA) contracts.
- During the year, services ceased being provided to Telstra under the Duct Infrastructure & Associated Services (DIAS) contract and relevant operations were demobilised.

Mobile Communications

Mobile Communications provides program management and turnkey services for infrastructure projects across Australia, principally in the telecommunications sector. Service capability includes 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 FY16 also saw improvement with EBITDA of $16.1 million on revenue of $166.7 million (9.7% margin) compared with EBITDA of $13.3 million on revenue of $154.0 million (8.7% margin) in the prior year.
- During the year, Mobile Communications was successful in securing new contracts with Nokia Solutions and Networks Australia Pty Ltd for design and construction services on the Optus wireless network, as well as works commencing under new contracts with the NSW Telco Authority, PIPE Networks (part of the TPG Group) and Axicom (previously known as Crown Castle Australia).

Energy & Water

Energy & Water provides a range of specialist metering, in-home and new energy services to electricity, gas, and water networks across Australia; and through the Customer Care business, provides contact centre services and workforce management support for key contracts.

- Energy & Water's financial performance in FY16 also saw improvement with EBITDA of $5.0 million on revenue of $82.0 million (6.1% margin) compared with EBITDA of $3.5 million on revenue of $77.3 million (4.6% margin) in the prior year.
- During the year, Energy and Water commenced delivering services to Active Stream (a wholly-owned subsidiary of AGL Energy Limited) under a new three-year metering field services contract, and by year-end had installed 41,000 new electricity smart meters for AGL retail customers.
- During the year Energy & Water completed 2,354 residential solar PV installations at an average size of 4.1kw (total installed capacity 9.7 megawatts) as well as 91 commercial solar PV installations with an average size of 17.6kw (total capacity 1.6 megawatts). This compares to the prior year's 2,678 residential solar PV installations at an average size of 3.7kw (total installed capacity 9.9 megawatts) and commercial solar PV work with an aggregate installed capacity of 0.4 megawatts.

Overall Group strategy, prospects and risks

The financial performance of the Group further improved during the year, and the Group delivered on its strategic plan in line with the Board's expectation.

The Board is particularly pleased with Fixed Communications securing new cornerstone contracts (OMMA & MIMA) with nbn, Mobile Communications securing contracts with new customers to improve its revenue diversification, Energy & Water successfully mobilising its new metering services contract with Active Stream, and the significant improvements that the Group has made in working capital management and cash generation.

The Board believes that the Group is well placed under the leadership of Managing Director, Leigh Mackender, to continue to take advantage of growth opportunities as they present, and to maximise 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 particularly in the areas of its proven competence such as new estates and customer connections.
- In Mobile Communications, increasing demand for mobile data and advances in technology 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 and Telstra 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 its major customers, and implement strategies to actively pursue the diversification of income streams both within and separate to those customers by developing and offering a broad range of services and geographic coverage.
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 maximise the variability of the business' cost-base and structures through the use of subcontractors wherever possible. Processes are therefore established and maintained to attract, mobilise and retain key subcontractor resources to ensure that they are available at the right time and right place to match customer's forecasts of volume as they change over time. In FY16, Fixed Communications secured the OMMA contract with nbn which, due to the annuity-style revenues arising from customer connection associated with the mass roll-out of a new high-speed telecommunications network, should provide greater certainty of customer demand going forward.

Contract management	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. In recent time, it has become evident that large customers are trying to impose higher liability regimes onto contractors such as Service Stream, and that emerging risks around data security and privacy are gaining greater contractual attention. Management and the Board therefore remain focused on ensuring that appropriate contract management disciplines are effectively embedded in the organisation to manage contract risk and to maximise contract entitlements. In that context, a now well-established Group Commercial function is in place, reporting directly to the Managing Director. A revised New Business / Bid Management Framework has already been developed and implemented, and contract management disciplines are progressively being enhanced across the Group.
Renewal of customer contracts	Whilst the Group has been successful in renewing and extending all of the major customer contracts that have recently expired, the renewal of contracts remains a risk that Management and the Board continues to actively monitor and manage. Service Stream operates in a limited number of market segments in which there are relatively few competitors. Management and the Board are therefore particularly conscious of the risks related to the loss of business to competitors either through their leverage of potentially more cost-effective business platforms or as a consequence of their potential adoption of loss-leading strategies to maintain market share. Only a small number of contracts with key customers are due to expire during FY17, and Management is confident that the majority of them will be either extended or renewed where there is ongoing work.
Retention of key personnel and sourcing of subcontractors	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 participation in talent management programs. Access to an appropriately skilled and resourced pool of subcontractors across Australia is also critical to Service Stream's ability to successfully undertake and complete work for its customers. Throughout FY16, Management has been particularly focused on mobilising a large pool of subcontractors to undertake an increased volume of customer connection work for nbn, and to support the recently secured OMMA and MIMA contracts. Internal systems and processes have also been developed and enhanced to ensure that a sufficiently sized subcontractor workforce can be attracted and mobilised as quickly as required.
Working with potential safety hazard	In undertaking work and delivering programs for its customers, Service Stream's employees and subcontractors can operate in potentially hazardous environments and perform potentially hazardous tasks. Management and the Board remain alert to the safety risks posed to employees and subcontractors, devote significant time to monitoring the effectiveness of the Group's safety framework, and have implemented a wide range of controls to prevent injuries to employees and subcontractors. During FY16, the Group's safety performance across all major performance metrics has continued to improve with an LTIFR of 0.83 at 30 June 2016.
Digital disruption	Technology is changing and evolving at a rapid pace, and it is possible that such advances may cause disruptions to certain elements of the markets in which Service Stream operates, or to services that Service Steam provides. Management and the Board spend time each year during a planning cycle to update the Group Strategic Plan covering a four-year horizon. This planning process includes a detailed assessment of relevant external factors, including digital or technological disruption, which may have a bearing on the Group's current markets and service offerings. Management and the Board aim, wherever possible, to anticipate likely future changes and to position the Company to take advantage of the changing landscape.
Information management	Service Stream's operational agility, overall cost effectiveness and ability to convert works to cash in a timely manner are becoming increasingly reliant on the appropriate management of data and information. Management and the Board remain alert to ensuring that sufficient funds are made available to maintain fit-for-purpose system applications and infrastructure, and that IT investments are appropriately prioritised and undertaken effectively.

In FY16, several enhancements and system changes were implemented and a major project was commenced to upgrade the Group's enterprise-wide project management, financial and supply chain systems. Management continues to assess the Group's application suite and to consider if and when further enhancements are required.

Dividends

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

	Final 2016	Interim 2016	Final 2015
Per share (cents)	1.50	1.00	1.00
Total amount ($'000)	5,394	3,862	3,856
Franked	100%	100%	100%
Payment date	29 September 2016	14 April 2016	8 October 2015

Significant changes in the state of affairs

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

Matters subsequent to the end of financial year

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

Environmental regulation

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

Shares under performance rights

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

Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
FY14 LTIP Tranche	Ordinary	$0.00	September 2016	3,987,543
FY15 LTIP Tranche	Ordinary	$0.00	September 2017	2,284,032
FY16 LTIP Tranche	Ordinary	$0.00	September 2018	1,690,324
FY16 ESBIP Tranche	Ordinary	$0.00	17 August 2016	5,150,000
				13,111,899

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

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

Directors' meetings

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

	Board meetings	Meetings of Committees			Term of Directorship
		Audit and Risk	Remuneration and Nomination	Sustainability, Safety, Health & Environment	
NO OF MEETINGS HELD	15	4	4	4	
No of meetings attended by					
B Gallagher	15	4*	4*	4	6 years
P Dempsey	15	4	4	4*	6 years
G Adcock [1]	2^	1^	1^	0	1 month
R Murphy [2]	10	2	2	1	8 months
D Page	15	4	4	1*	6 years
S Wilks [3]	8	2	2	3	11 years
L Mackender	15	4*	4#	4	2 years

* Attended as a Standing Invitee.

^ Attended May 2016 meetings as a guest.

Attended as a guest for relevant agenda items.

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

2. R Murphy was appointed to the position of Non-Executive Director on 18 November 2015.

3. S Wilks resigned from his position as Non-Executive Director on 31 December 2015.

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 26 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 26 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 20 of the annual financial report.

Rounding of amounts

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

Corporate governance statement

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

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at http://www.servicestream.com.au/investors/corporate-governance. The corporate governance statement is accurate and up to date as at 17 August 2016 and has been approved by the Board.

Remuneration report

1 Introduction and scope

The Service Stream Limited 2016 remuneration report sets out information about the remuneration of Service Stream Limited's key management personnel (KMP) for the financial year ended 30 June 2016 (FY16). The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

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

Non-Executive Directors	
Brett Gallagher	Chairman
Peter Dempsey	Non-Executive Director
Greg Adcock	Non-Executive Director (since 1 June 2016)
Raelene Murphy	Non-Executive Director (since 18 November 2015)
Deborah Page	Non-Executive Director
Stephe Wilks	Non-Executive Director (until 31 December 2015)
Executive Director	
Leigh Mackender	Managing Director
Senior Executives	
Robert Grant	Chief Financial Officer
Paul McCann	Executive General Manager, Energy and Water
Max Saloyedoff	Executive General Manager, Mobile Communications
Kevin Smith	Executive General Manager, Fixed Communications

2 Role of the Remuneration and Nomination Committee

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

To assist in performing its duties and making recommendations to the Board, the RNC periodically seeks independent advice from external consultants on various remuneration-related matters. In such cases, the RNC follows protocols around the engagement and use of external remuneration consultants to ensure compliance with the relevant executive remuneration legislation. All remuneration recommendations are provided by the external consultant directly to the RNC.

During FY16, the RNC engaged Korn Ferry (previously Hay Group) to provide benchmarking data for salaried roles across the Group. Recommendations for salary adjustments arising from the benchmarking data were considered by the RNC and submitted to the Board for approval where appropriate. Korn Ferry was paid $48,000 for these services.

3 Executive remuneration policy and framework

Remuneration policy and principles

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

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

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

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

Overview of remuneration components

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

Fixed remuneration	Incentive remuneration
FY16: 60% - 65% of total remuneration	FY16: 35% - 40% of total remuneration
> Fixed salary set by reference to appropriate benchmark information and individual performance > Includes superannuation and salary-sacrificed non-monetary benefits	> Fixed number of performance rights issued under an Executive Share-based Incentive Plan (ESBIP) > Performance hurdle linked to annual EPS growth > No cash bonuses

4 Linking performance to executive remuneration

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

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

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

Key Indicators	2012	2013	2014	2015	2016
Revenue ($'000)	592,216	526,593	389,574	411,270	438,940
EBITDA [1] ($'000)	38,041	(13,392)	16,560	25,389	35,818
Net profit/(loss) after tax ($'000)	18,716	(107,054)	2,309	11,720	19,983
Earnings per share (cents)	6.60	(37.77)	0.76	3.03	5.20
Dividends per share [2] (cents)	2.00	1.00	-	1.50	2.50
Share price 30 June (cents)	35.0	13.5	18.6	29.7	78.5

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

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

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

5 Managing Director and Senior Executive remuneration

Fixed remuneration

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

Incentive remuneration

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

What is the ESBIP and who participates?

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

The Managing Director and each of the Senior Executives listed in section 1 of this remuneration report are participants in the ESBIP. The Board does not propose to offer ESBIP participation to any additional employees.

How does the ESBIP operate?

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

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

What is the performance period?

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

What are the performance hurdles?

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

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

Why was this performance condition chosen?

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

Summary of grants under ESBIP and LTIP

Name	Balance as at 1 July 2015 Number	Granted as compensation Number	Vested Number	Forfeited Number	Balance as at 30 June 2016 Number	Fair value when granted [2] $	Value of shares issued $
L Mackender							
FY13 LTIP	164,438	-	(82,219)	(82,219)	-	39,465	25,003
FY14 LTIP[1]	430,556	-	-	-	430,556	77,500	n/a
FY15 ESBIP	1,000,000	-	(1,000,000)	-	-	194,000	304,200
FY16 ESBIP[1]	-	1,000,000	-	-	1,000,000	284,000	n/a
Total	**1,594,994**	**1,000,000**	**(1,082,219)**	**(82,219)**	**1,430,556**		
R Grant							
FY13 LTIP	522,297	-	(261,149)	(261,149)	-	125,351	79,415
FY14 LTIP[1]	1,241,389	-	-	-	1,241,389	223,450	n/a
FY15 ESBIP	700,000	-	(700,000)	-	-	135,800	212,940
FY16 ESBIP[1]	-	700,000	-	-	700,000	198,800	n/a
Total	**2,463,686**	**700,000**	**(961,149)**	**(261,149)**	**1,941,389**		
P McCann							
FY15 ESBIP	650,000	-	(650,000)	-	-	126,100	197,730
FY16 ESBIP[1]	-	650,000	-	-	650,000	184,600	n/a
Total	**650,000**	**650,000**	**(650,000)**	**-**	**650,000**		
M Saloyedoff							
FY13 LTIP	102,690	-	(51,345)	(51,345)	-	24,646	15,614
FY14 LTIP[1]	409,722	-	-	-	409,722	73,750	n/a
FY15 ESBIP	650,000	-	(650,000)	-	-	126,100	197,730
FY16 ESBIP[1]	-	650,000	-	-	650,000	184,600	n/a
Total	**1,162,412**	**650,000**	**(701,345)**	**(51,345)**	**1,059,722**		
K Smith							
FY13 LTIP	104,047	-	(52,024)	(52,024)	-	24,971	15,820
FY14 LTIP[1]	245,720	-	-	-	245,720	44,230	n/a
FY15 ESBIP	650,000	-	(650,000)	-	-	126,100	197,730
FY16 ESBIP[1]	-	650,000	-	-	650,000	184,600	n/a
Total	**999,767**	**650,000**	**(702,024)**	**(52,024)**	**895,720**		

	Grant dates	Vesting dates
FY13 LTIP	30 November 2012	26 August 2015
FY14 LTIP	31 July 2014	September 2016
FY15 ESBIP	28 February 2015	12 August 2015
FY16 ESBIP	11 September 2015	17 August 2016

1. The number of rights relating to FY14 LTIP and FY16 ESBIP tranches will be issued to the participants after the release of financial statement, to the extent that the vesting criteria has been satisfied.

[2.] The grant date fair value of all rights on issue to KMP have been expensed as at 30 June 2016 in line with each of the tranche's performance periods. As such, the maximum value of deferred shares yet to vest (which would be determined as the grant date fair value of rights yet to be expensed) as required to be disclosed is nil.

Performance outcomes

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

Plan	Grant date	Vesting date	Fair value of each performance right at grant date	% of performance hurdles achieved	% of rights vested
FY13 LTIP [1]	30 November 2012	26 August 2015	24.0 cents	50%	50%
FY14 LTIP [2]	31 July 2014	September 2016	18.0 cents	To be determined	To be determined
FY16 ESBIP [3]	31 August 2015	17 August 2016	28.4 cents	100%	100%

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

[2.] Measurement of the Relative TSR for year three and the three-year period will not be completed until after the release of FY16 results.

[3.] Both the service and performance criteria have been assessed as met. The relevant number of shares will be delivered to the participants after the release of the FY16 results.

Service agreements

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

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

Executive remuneration table

		Short-term employee benefits		Post-employment benefits	Long-term employee benefits	Share- based payments			
	Year	Salary and fees	Non-monetary	Super	LSL	Performance rights	Total	Fixed	At Risk
L Mackender	2016	465,193	-	19,308	14,082	320,393	818,976	61%	39%
	2015	456,217	-	18,783	29,700	223,738	728,438	69%	31%
R Grant	2016	437,559	-	19,308	18,649	303,729	779,245	61%	39%
	2015	419,901	-	28,008	9,146	221,196	678,251	67%	33%
P McCann	2016	239,551	27,864	19,308	7,385	184,600	478,708	61%	39%
	2015	215,417	4,840	16,713	12,718	126,100	375,788	66%	34%
M Saloyedoff	2016	328,521	-	19,308	9,828	219,232	576,889	62%	38%
	2015	336,353	-	18,783	9,164	157,992	522,292	70%	30%
K Smith	2016	317,293	-	19,308	13,890	205,370	555,861	63%	37%
	2015	295,625	-	18,783	22,249	142,844	479,501	70%	30%
Total	**2016**	**1,788,117**	**27,864**	**96,540**	**63,834**	**1,233,324**	**3,209,679**	**62%**	**38%**
	2015	1,723,513	4,840	101,070	82,977	871,870	2,784,270	69%	31%

6 Non-Executive remuneration

Overview

Aggregate fees approved by shareholders

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

Promote independence and objectivity

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

Regular reviews of remuneration

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

Non-Executive Directors' remuneration

	Year	Board and Committee fees	Super	Total
B Gallagher [1]	2016	113,014	10,736	123,750
	2015	154,795	14,597	169,392
P Dempsey	2016	89,041	8,459	97,500
	2015	94,629	8,990	103,619
G Adcock [2]	2016	17,500	-	17,500
R Murphy [3]	2016	65,830	-	65,830
D Page	2016	93,607	8,893	102,500
	2015	99,412	9,444	108,856
S Wilks [4]	2016	47,500	-	47,500
	2015	103,746	-	103,746
Total	**2016**	**426,492**	**28,088**	**454,580**
	2015	452,582	33,031	485,613

1. B Gallagher was Executive Director until February 2015. His remuneration for the year ended 30 June 2015 included a higher duties allowance of $53,381.
2. G Adcock was appointed to the position of Non-Executive Director on 1 June 2016.
3. R Murphy was appointed to the position of Non-Executive Director on 18 November 2015 and her remuneration is paid to Wealth For Toil Pty Ltd, a company in which Mrs Murphy has a beneficial interest.
4. S Wilks held the position of Non-Executive Director until 31 December 2015. Up until this date his remuneration was paid to High Expectations Pty Ltd, a company in which Mr Wilks has a beneficial interest.

7 Shareholdings of key management personnel

	Balance as at 1 July	Received on vesting of performance rights	(Disposed)/ acquired during the year	Balance as at date of appointment	Balance as at date of resignation	Impact of share consolidation	Balance as at 30 June
	No.	No.	No.	No.	No.	No.	No.
2016							
Non-Executives							
B Gallagher	10,390,679	-	-	-	-	(708,644)	9,682,035
P Dempsey	1,073,637	-	200,000	-	-	(86,862)	1,186,775
G Adcock	-	-	-	-	-	-	-
R Murphy	-	-	-	-	-	-	-
D Page	332,928	-	58,000	-	-	(26,660)	364,268
S Wilks [1]	710,911	-	-	-	(710,911)	-	-
Executives							
L Mackender	137,163	1,082,219	-	-	-	(83,161)	1,136,221
R Grant	684,209	961,149	-	-	-	(112,212)	1,533,146
P McCann	-	650,000	3,060	-	-	(44,538)	608,522
M Saloyedoff	-	701,345	(695,000)	-	-	(432)	5,913
K Smith	114,786	702,024	3,060	-	-	(55,913)	763,957
2015							
Non-Executives							
B Gallagher	10,390,679	-	-	-	-	-	10,390,679
P Dempsey	673,637	-	400,000	-	-	-	1,073,637
D Page	152,928	-	180,000	-	-	-	332,928
S Wilks	590,911	-	120,000	-	-	-	710,911
Executives							
L Mackender	92,637	44,526	-	-	-	-	137,163
R Grant	540,855	143,354	-	-	-	-	684,209
K Smith	84,968	29,818	-	-	-	-	114,786

[1.] During the period, S Wilks resigned from his position of Non-Executive Director.

8 Voting and comments made at the Company's 2015 Annual General Meeting

The Company received 99% of “yes” votes on its Remuneration Report for the 2015 financial year. The Company did not receive any specific feedback at the AGM on its remuneration practices.

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

On behalf of the Directors

Brett Gallagher
Chairman
17 August 2016

Leigh Mackender
Managing Director
17 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. 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
17 August 2016

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

Report on the audit of the financial report

Our opinion

In our opinion:

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

a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its financial performance for the year then ended; and

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

What we have audited:

The Group's financial report comprises:

- the consolidated balance sheet as at 30 June 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- notes to the consolidated financial statements; and
- the Directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

Overview

Service Stream Limited is an Australian company listed on the ASX. Service Stream Limited provides a wide range of specialist services to develop and operate Australia's essential communications, energy and water networks.

Materiality

For the purposes of our audit, we used a threshold for overall Group materiality of $895,000, which is based on 2.5% of the Group's EBITDA for the year ended 30 June 2016.

Audit scope

We conducted an audit of Service Stream Limited and its subsidiaries (together the Group).

Key Audit Matters

- The appropriateness of goodwill carrying value (Energy & Water)
- Revenue recognition
- Recoverability of accrued revenue.

Materiality

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

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial report as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial report as a whole.

Overall materiality	We determined an overall Group materiality of $895,000. We applied this threshold in:
	• planning and performing the audit;
	• evaluating the effect of:
	  ○ identified misstatements on the audit;
	  ○ uncorrected misstatements, if any, on the financial report; and
	• forming our opinion in the auditor's report.

How we determined it	Based on 2.5% of the Group's EBITDA for the year ended 30 June 2016.
Rationale for the materiality benchmark applied	We selected EBITDA as the primary benchmark because in our view, it is a key metric upon which the Group's performance is assessed. We determined 2.5% based on our professional judgement, noting that it is within the range of commonly accepted EBITDA related benchmarks.

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Group financial report. In particular, we considered where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and consideration of future events that are inherently uncertain. One of the key areas in this respect is the Group's annual goodwill impairment assessment. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to perform sufficient work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, the Group's accounting processes and controls, and the industry in which the Group operates. This included specialists and experts in IT, tax and valuations.

The Group operates across Australia in its key segments being Fixed Communications, Mobile Communications and Energy & Water, and has a corporate accounting function based in Melbourne. Our work is performed predominantly in Melbourne. We also visit the Group's significant warehouse locations annually based on assessed risk.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. In the table below we have described the key audit matters we identified and have included a summary of the principal audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
The appropriateness of goodwill carrying value (Energy & Water) *Refer to note 11 in the financial report* Goodwill is allocated to the Group's three segments. We focused on the goodwill associated with Energy & Water ($42 million) because the carrying value is material and the level of headroom between the recoverable amount and the carrying value is limited ($4 million). Assessing the carrying value of goodwill requires making estimates of uncertain future cash flows. For example, key customer volumes are not contracted and can fluctuate significantly. Because the headroom is limited, the impairment outcome is highly sensitive to reasonably possible changes to the assumptions. The recoverable amount is estimated based on the Board approved business plan for Energy & Water. The significant assumptions include the discount rate and the EBITDA growth rates which support the forecast cash flows.	We evaluated management's cash flow forecasts for the Energy & Water business and the process by which they were developed at an individual customer level. We compared the previous year's forecasts for 2016 with the actual results for 2016 to assess the accuracy of forecasting. We found that actual 2016 performance was materially consistent with the forecast performance. We checked that the four year forecast used in the valuation model was consistent with the Board approved plan for the Energy & Water business and that the key assumptions were subject to oversight from the Directors. We assessed the assumptions and methodology used for the impairment test, in particular, those assumptions relating to the discount rate and EBITDA growth rates. To do this we: • evaluated the appropriateness of the discount rate adopted. Assisted by our valuation experts, we developed an acceptable range of discount rates based on market data and industry research. We found that the discount rate used by the Group was at the midpoint of the acceptable range

Key audit matter	How our audit addressed the key audit matter
	• evaluated the underlying cash flow assumptions at an individual customer level with reference to current year results and expected project pipelines and considered external industry information and market data • checked the calculations in the valuation model for mathematical accuracy • considered the sensitivity of the calculations by varying key assumptions and applying other values within a reasonably possible range for the Energy & Water business, for example, by increasing the discount rate and by reducing certain growth assumptions. As indicated in note 11 of the financial report, the impairment assessment remains sensitive to a range of assumptions, in particular to the retention of material contracts and projected growth in the markets that Energy & Water operates within.
Revenue recognition *Refer to notes 3, 30(e) and 30(f) in the financial report* The Group has two distinct categories of revenue, being revenue from contracts to provide services and revenue from construction contracts. Revenue from contracts to provide services involves a high volume of transactions and is recognised as the services are delivered. Revenue recognition in relation to construction contracts is complex because it is based on management estimates of: • the stage of completion of the contract activity; • total contract revenue and costs; • the probability of customer approval of variations and claims; and • project completion dates. We believe this is a key audit matter because of its significance to profit, the high volume of revenue transactions associated with services revenue and the judgement required in recognising revenue from construction contracts.	For revenue from contracts to provide services, we: • tested a sample of transactions by sighting evidence of completed subcontractor claims and/or work orders and compared the revenue amount recognised to the contracted rate with the customer for the type of service. For revenue from construction contracts, we: • assessed management's estimates of total contract revenue and contract costs and recalculated the stage of completion based on actual costs incurred to date for a sample of transactions • checked start and end dates of projects to supporting evidence for a sample of revenue recognised on a time basis • performed retrospective analysis of incomplete projects at year end. We compared estimated project completion dates with actual completion dates post year end to assess the allocation of revenue between periods. For both categories of revenue, our procedures included, amongst others, data analysis of the expected flows of revenue transactions and performing testing over transactions that deviated from our expectations.

Key audit matter	How our audit addressed the key audit matter
Recoverability of accrued revenue *Refer to note 9 in the financial report* Several of the Group's customers require payment claims to be submitted and approved prior to invoices being issued. This process can extend the time that revenue is held as accrued as claims typically include high volumes of data. Payment claims on customers may be rejected for a variety of reasons, for example, the claim's adherence to contractual specifications. Rejected claims are commonly revised, resubmitted and subsequently approved for payment. However, there is a risk that not all claims will be recovered in full, particularly those that have significantly aged since the original services were provided. We therefore focused on the recoverability of aged accrued revenue because judgement is required to evaluate whether any allowance should be made to reflect the commercial risk that some claims may not be recovered in full.	We evaluated the aging of accrued revenue to identify areas of higher risk. Whilst each segment includes aged accrued revenue balances, the Fixed Communications segment has the most significant balances and was where we directed the majority of our audit effort. We performed the following procedures, amongst others, in relation to the recoverability of accrued revenue: • assessed the reliability of accrued revenue aging reports by testing that the aging profile was accurate • evaluated the consistency of management's approach to estimating recoverability of accrued revenue with that used in prior periods • confirmed that provisions were established to reflect those categories of aged accrued revenue items that had an increased risk of non-recoverability • assessed key assumptions such as the long term average claim rejection rate which we compared to actual experience, including recent trends. We also performed sample testing over individual accrued revenue balances to check the Group's entitlement to the accrued revenue balances.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2016, including the Directors' Report and ASX Additional Information, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 18 of the Directors' report for the year ended 30 June 2016.

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
17 August 2016

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 2016 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 19 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 20.

Note 30 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Brett Gallagher
Chairman
17 August 2016

Leigh Mackender
Managing Director
17 August 2016

Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue from continuing operations			
Revenue from the rendering of services	3	**437,872**	410,888
Other income	4	**1,068**	382
		438,940	411,270
Expenses			
Employee salaries and benefits		**(115,836)**	(105,352)
Subcontractor fees		**(157,582)**	(163,963)
Site and construction costs		**(76,903)**	(67,616)
Raw materials and consumables used		**(16,562)**	(14,941)
Consulting and temporary staff fees		**(4,061)**	(4,682)
Company administration and insurance expenses		**(3,540)**	(4,082)
Occupancy expenses		**(7,168)**	(6,067)
Technology and communication services		**(9,415)**	(8,315)
Motor vehicle expenses		**(7,648)**	(7,014)
Depreciation and amortisation	6	**(7,410)**	(6,325)
Interest expense and other finance costs	5	**(639)**	(2,079)
Other expenses		**(3,703)**	(3,718)
Profit before tax		**28,473**	17,116
Income tax expense	7	**(8,490)**	(5,396)
Profit for the year		**19,983**	11,720
Other comprehensive income			
Item that may be reclassified to profit or loss			
Cash flow hedges		**-**	22
Total comprehensive income for the year		**19,983**	11,742
Profit attributable to the equity holders of the parent		**19,983**	11,720
Total comprehensive income attributable to equity holders of the parent		**19,983**	11,742
Earnings per share			
Basic (cents per share)	16	**5.20**	3.03
Diluted (per share)	16	**5.07**	3.02

Notes to the financial statements are included on pages 33 to 63

Consolidated balance sheet
as at 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	21	**41,086**	14,756
Trade and other receivables	8	**39,337**	34,084
Inventories		**5,858**	7,598
Accrued revenue	9	**59,022**	77,845
Other	12	**2,427**	3,246
Total current assets		**147,730**	137,529
Non-current assets			
Property, plant and equipment	10	**6,244**	8,089
Intangible assets	11	**124,318**	120,759
Total non-current assets		**130,562**	128,848
Total assets		**278,292**	266,377
LIABILITIES			
Current liabilities			
Trade and other payables	13	**60,718**	54,710
Current tax liabilities		**6,792**	-
Provisions	14	**12,174**	7,256
Lease incentives		**1,023**	1,092
Total current liabilities		**80,707**	63,058
Non-current liabilities			
Provisions	14	**3,444**	2,858
Deferred tax liability	7	**6,994**	8,265
Lease incentives		**1,796**	2,874
Total non-current liabilities		**12,234**	13,997
Total liabilities		**92,941**	77,055
Net assets		**185,351**	189,322
EQUITY			
Capital and reserves			
Contributed equity	15	**228,001**	246,207
Reserves		**6,191**	4,221
Accumulated losses		**(48,841)**	(61,106)
Total equity		**185,351**	189,322

Notes to the financial statements are included on pages 33 to 63

Consolidated statement of changes in equity
for the financial year ended 30 June 2016

	Contributed equity	Employee equity-settled benefits reserve	Hedging reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2014	247,647	2,910	(22)	(70,900)	179,635
Profit for the period	-	-	-	11,720	11,720
Other comprehensive income	-	-	22	-	22
Total comprehensive income for the year	-	-	22	11,720	11,742
Equity-settled share-based payments, inclusive of tax adjustments	-	1,411	-	-	1,411
Acquisition of treasury shares	(1,540)	-	-	-	(1,540)
Issue of treasury shares to employees	100	(100)	-	-	-
Dividends paid	-	-	-	(1,926)	(1,926)
Balance at 30 June 2015	246,207	4,221	-	(61,106)	189,322
Profit for the period	-	-	-	19,983	19,983
Total comprehensive income for the year	-	-	-	19,983	19,983
Equity-settled share-based payments, inclusive of tax adjustments	-	3,693	-	-	3,693
Acquisition of treasury shares	(540)	-	-	-	(540)
Issue of treasury shares to employees	1,723	(1,723)	-	-	-
Return of capital	(19,389)	-	-	-	(19,389)
Dividends paid	-	-	-	(7,718)	(7,718)
Balance at 30 June 2016	**228,001**	**6,191**	**-**	**(48,841)**	**185,351**

Notes to the financial statements are included on pages 33 to 63

Consolidated statement of cash flows
for the financial year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**518,764**	469,008
Payments to suppliers and employees (including GST)		**(455,091)**	(435,053)
Cash generated from operations before interest and tax		**63,673**	33,955
Interest received		**668**	131
Interest and facility costs paid		**(355)**	(1,775)
Income taxes paid		**(1,656)**	-
Net cash provided by operating activities	21	**62,330**	32,311
Cash flows from investing activities			
Payments for plant and equipment		**(2,373)**	(1,297)
Proceeds from sale of plant and equipment		**508**	178
Payments for intangible assets		**(7,173)**	(2,560)
Proceeds from sale of intangible assets		**725**	-
Net cash used in investing activities		**(8,313)**	(3,679)
Cash flows from financing activities			
Repayment of borrowings		**-**	(17,000)
Dividends paid		**(7,718)**	(1,926)
Return of capital		**(19,429)**	-
Purchase of shares		**(540)**	(1,540)
Net cash used by financing activities		**(27,687)**	(20,466)
Net increase in cash and cash equivalents		**26,330**	8,166
Cash and cash equivalents at the beginning of the financial year		**14,756**	6,590
Cash and cash equivalents at end of the financial year	21	**41,086**	14,756

Notes to the financial statements are included on pages 33 to 63

Notes to the financial statements
for the financial year ended 30 June 2016

1 General information

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

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

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

2 Segment information

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

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

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

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 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, in-home and new energy services to electricity, gas, and water networks across Australia; and through the Customer Care business, provides contact centre services and workforce management support for key contracts.

Information regarding these segments is presented below:

(b) Segment revenues and results

	Segment revenue		Segment EBITDA	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fixed Communications	**192,760**	180,645	**20,122**	13,309
Mobile Communications	**166,666**	154,022	**16,112**	13,323
Energy & Water	**81,956**	77,264	**5,030**	3,538
Total of all segments	**441,382**	411,931	**41,264**	30,170
Eliminations	**(3,145)**	(792)		
Unallocated			**(5,446)**	(4,781)
EBITDA [1]			**35,818**	25,389
Interest revenue	**703**	131		
Net financing costs			**65**	(1,948)
Depreciation and amortisation			**(7,410)**	(6,325)
Total revenue	**438,940**	411,270		
Profit before tax			**28,473**	17,116
Income tax expense			**(8,490)**	(5,396)
Profit for the year			**19,983**	11,720

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

2 Segment information (continued)

(c) Segment assets and liabilities

	Segment assets		Segment liabilities	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fixed Communications	**48,784**	77,185	**26,845**	17,879
Mobile Communications	**116,722**	111,597	**40,477**	29,497
Energy & Water	**59,573**	53,209	**9,302**	10,434
Total of all segments	**225,079**	241,991	**76,624**	57,810
Unallocated	**53,213**	24,386	**16,317**	19,245
Consolidated	**278,292**	266,377	**92,941**	77,055

(d) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fixed Communications	**1,262**	1,036	**1,431**	248
Mobile Communications	**936**	1,247	**623**	1,098
Energy & Water	**1,577**	314	**846**	1,314
Total of all segments	**3,775**	2,597	**2,900**	2,660
Unallocated	**3,635**	3,728	**6,646**	1,197
Consolidated	**7,410**	6,325	**9,546**	3,857

(e) Information about major customers

In the current reporting period there were two customers (2015: two customers) which each contributed more than 10% of the Group's revenue. The relevant revenue by segment is shown below:

Largest customer	2016: Fixed and Mobile Communications $186.5 million (2015: Fixed and Mobile Communications $161.2 million).
Second largest customer	2016: Fixed and Mobile Communications $133.6 million (2015: Fixed Communications $140.6 million).

No other single customer contributed 10% or more of the Group's total revenue in 2016 and 2015.

3 Revenue from the rendering of services

	2016 $'000	2015 $'000
Revenue from operations	**437,169**	410,757
Interest revenue	**703**	131
	437,872	410,888

4 Other income

	2016 $'000	2015 $'000
Gain on disposal of plant, equipment and intangible assets	**811**	119
R&D tax incentives	**257**	263
	1,068	382

5 Finance costs

	2016 $'000	2015 $'000
Interest on bank overdrafts and loans	**14**	675
Other interest expense	**401**	675
Total interest expense	**415**	1,350
Facility costs	**224**	729
Interest expense and other finance costs	**639**	2,079

6 Other expense items

(a) Depreciation and amortisation expense

	Note	2016 $'000	2015 $'000
Depreciation of non-current assets	10	**3,805**	3,887
Amortisation of intangible assets	11	**3,605**	2,438
		7,410	6,325

(b) Operating lease rental expenses

Minimum lease payments	**6,645**	5,367
	6,645	5,367

(c) Employee benefit expense

Post-employment benefits plans	**8,431**	7,655
Equity-settled share-based payments	**2,385**	1,273
	10,816	8,928

7 Income tax expense

(a) Income tax recognised in profit or loss

	2016 $'000	2015 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	**18,330**	2,984
Adjustments for current tax of prior periods	**-**	63
Deferred tax	**(9,840)**	2,348
Income tax expense	**8,490**	5,396

7 Income tax expense (continued)

(b) Reconciliation of income tax expense to tax payable

	2016 $'000	2015 $'000
Profit from continuing operations	**28,473**	17,116
Tax at the Australian tax rate of 30%	**8,542**	5,135
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Share-based plans	**-**	241
R&D tax incentives	**(77)**	(79)
Other	**25**	36
Adjustments for current tax of prior periods	**-**	63
Income tax expense as per statement of comprehensive income	**8,490**	5,396
Movement through deferred tax (note: 7c)	**9,840**	(2,348)
R&D tax expenditure claimed as an offset below	**-**	812
Adjustments for current tax of prior periods	**-**	(64)
Tax payable prior to the utilisation of losses and offsets	**18,330**	3,796
Current period R&D offsets	**-**	(1,083)
Prior period R&D offsets	**(1,903)**	(2,713)
Prior period tax losses	**(7,980)**	-
Tax losses and offsets utilised	**(9,883)**	(3,796)
Net income tax payable	**8,447**	-
Effective tax rate	***29.82%***	*31.52%*

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

(c) Deferred tax balances

Deferred tax balances arise from the following:

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

7 Income tax expense (continued)

(c) Deferred tax balances (continued)

2015	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	12,836	-	-	(2,713)	-	10,123
Trade and other receivables	190	(159)	-	-	-	31
Accrued revenue	(20,556)	(1,967)	-	-	-	(22,523)
Trade, other payables and provisions	1,756	(86)	-	-	-	1,670
Share issue costs	389	(180)	-	-		209
Employee benefits	3,298	171	-	-	139	3,608
Property, plant and equipment	(1,454)	(160)	42	-	-	(1,572)
Other	156	33	-	-	-	189
	(3,385)	(2,348)	42	(2,713)	139	(8,265)

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

(d) Tax consolidation

Relevance of tax consolidation to the Group

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Service Stream Limited is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 19. 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.

(e) Significant estimates

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

8 Current trade and other receivables

	Trade receivables	Allowance for doubtful debt	Total	Trade receivables	Allowance for doubtful debt	Total
	2016 $'000	2016 $'000	2016 $'000	2015 $'000	2015 $'000	2015 $'000
Current	38,177	(137)	**38,040**	30,133	-	30,133
1 month	1,284	(86)	**1,198**	2,884	-	2,884
2 months	22	(22)	**-**	458	-	458
3 months	23	(23)	**-**	68	-	68
Over 3 months	52	(52)	**-**	159	(107)	52
	39,558	(320)	**39,238**	33,702	(107)	33,595
Other receivables			**99**			489
			39,337			34,084

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.

9 Accrued revenue

	2016 $'000	2015 $'000
Accrued revenue	**59,022**	77,845
	59,022	77,845

The accrued revenue balance represents revenue which has yet to be invoiced to customers at year-end, due to either the invoicing process not being finalised or work not yet reaching a stage where it can be invoiced. Many of the Group's customers require payment claims to be submitted and approved prior to invoices being issued. Although this extends the time revenue is held as accrued, historically it does result in a 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 30(e) revenue recognition and 30(f) construction contracts.

10 Plant and equipment

	Leasehold improvements	Plant and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000
Year Ended 30 June 2016				
Opening net book value	4,335	3,062	692	8,089
Additions	902	1,337	134	2,373
Disposals [1]	(9)	(259)	(145)	(413)
Depreciation charge	(1,300)	(2,352)	(153)	(3,805)
Closing net book value	**3,928**	**1,788**	**528**	**6,244**
At 30 June 2016				
Cost	11,825	16,162	2,700	30,687
Accumulated depreciation	(7,897)	(14,374)	(2,172)	(24,443)
Net book value	**3,928**	**1,788**	**528**	**6,244**
Year Ended 30 June 2015				
Opening net book value	5,304	4,910	524	10,738
Additions	357	518	422	1,297
Disposals [1]	-	(35)	(24)	(59)
Depreciation charge	(1,326)	(2,331)	(230)	(3,887)
Closing net book value	4,335	3,062	692	8,089
At 30 June 2015				
Cost	11,445	19,665	4,943	36,053
Accumulated depreciation	(7,110)	(16,603)	(4,251)	(27,964)
Net book value	4,335	3,062	692	8,089

[1] Disposals are net of accumulated depreciation.

11 Intangible Assets

	Software $'000	Goodwill $'000	Total $'000
Year Ended 30 June 2016			
Opening net book value	5,197	115,562	120,759
Additions	7,173	-	7,173
Disposals [1]	(9)	-	(9)
Amortisation charge	(3,605)	-	(3,605)
Closing net book value	**8,756**	**115,562**	**124,318**
At 30 June 2016			
Cost [2]	25,021	115,562	140,583
Accumulated amortisation	(16,265)	-	(16,265)
Net book value	**8,756**	**115,562**	**124,318**
Year Ended 30 June 2015			
Opening net book value	5,075	115,562	120,637
Additions	2,560	-	2,560
Amortisation charge	(2,438)	-	(2,438)
Closing net book value	**5,197**	**115,562**	**120,759**
At 30 June 2015			
Cost [2]	23,202	115,562	138,764
Accumulated amortisation	(18,005)	-	(18,005)
Net book value	**5,197**	**115,562**	**120,759**

1. Disposals are net of accumulated amortisation.
2. The cost of goodwill represents net carrying value at balance date.

(a) Impairment tests for goodwill

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

	2016 $'000	2015 $'000
Fixed Communications	**17,987**	17,987
Mobile Communications	**55,529**	55,529
Energy and Water	**42,046**	42,046
	115,562	115,562

(b) Significant estimates

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial forecasts approved by management covering a four-year period. For key assumptions used in the value-in-use calculations refer to note 11(c).

(c) 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 forecasts covering a four-year period. These forecasts are based on historical performance combined with management's expectations of future performance based on prevailing and anticipated market factors.

11 Intangible Assets (continued)

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

Cash flows beyond the next four-year period have been extrapolated where relevant using a 0% per annum real growth rate. A pre-tax discount rate of 12.9% (FY15: 12.9%) has been applied in order to discount expected future cash flows into present-day values.

Forecast compound average annual revenue growth over the four-year period is 5.6% for Fixed Communications, 4.6% for Mobile Communications and 7.5% for Energy and Water.

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

(i) Fixed Communications

The critical cash flow assumption in Fixed Communications is that Service Stream continues to undertake significant work with nbn on the national broadband roll-out. This assumes existing contracts are extended, new contracts are awarded and margins remain stable as the national broadband infrastructure is constructed and then maintained.

(ii) Mobile Communications

The critical cash flow assumption for Mobile Communications is that contracts and margins with Service Stream's major customers are maintained into future years, along with the major telecommunications providers continuing to develop and augment their existing infrastructure; as well as growth in adjacent roads and other infrastructure work which leverages existing competencies of the business.

(iii) Energy & Water

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

The meter reading contracts relate to existing contracts and work schedules and the cash flows are relatively predictable, subject to the Company retaining these contracts, which has been assumed. Across the Company's portfolio, volumes in the forecast have been assumed to be relatively consistent with current levels, with moderate operational efficiencies assumed.

AMI revenues relate to contracts with existing customers however volumes are not contracted and growth is difficult to predict. The Company is however optimistic of increasing activity in AMI as "Power of Choice" commences in December 2017. It is anticipated that this initiative will encourage customer retention and acquisition strategies by electricity retailers and is expected to drive an increase in tariff offerings and associated products. EBITDA related to meter replacement represents 37% of the forecast EBITDA for Energy and Water in FY17, 36% in FY18, 38% in FY19 and 34% in FY20.

The in-home services cash flows relate to current contracts and projected future growth in the residential and commercial solar PV and battery storage markets. Cashflows relate primarily to existing contracts however volumes are not contracted and can fluctuate significantly. Market forecasts for growth in the new energy sector are expected to continue to be strong. EBITDA from in-home services represent 21% of the forecast EBITDA for Energy and Water in FY17, 28% in FY18, 32% in FY19 and 39% in FY20.

The EBITDA growth in the Energy and Water segment for FY16 was 42% reflecting contract wins and a favourable outlook for the markets that Energy and Water operates within. However, due to limited headroom for this segment, should any of the existing material contracts not be retained, or if the projected increases in meter replacement or in-home services be delayed or not occur, it is likely that an impairment will arise.

(d) Impact of possible changes in key assumptions

Energy and Water

The recoverable amount of the Energy and Water cash generating unit (CGU) is estimated to be $50.3m (FY15: $46.7m). This exceeds the carrying amount of the CGU by $4.3m (FY15: $3.9m).

The annual growth in EBITDA underlying the cash flows used in the value-in-use calculations of the Energy and Water CGU over the 4-year forecast period is:

FY17	FY18	FY19	FY20
27.3%	4.6%	13.8%	0.2%

The EBITDA growth in FY17 is driven by the full-year impact of new contracts commencing in FY16. It also assumes new contracts commencing in FY17.

11 Intangible Assets (continued)

(d) Impact of possible changes in key assumptions (continued)

If the overall cash flows used in the value-in-use calculations had been 8.5% lower than management's estimates, the recoverable amount of the CGU would equal its carrying amount.

If the pre-tax discount rate applied to the cash flow projections of the Energy and Water CGU was 14.1% instead of 12.9%, the recoverable amount of the CGU would equal its carrying amount.

12 Other assets

	2016 $'000	2015 $'000
Work in progress	**516**	197
Prepayments	**1,572**	2,494
Financing facility establishment costs	**68**	243
Other	**271**	312
	2,427	3,246

13 Trade and other payables

	2016 $'000	2015 $'000
Current		
Trade creditors[1]	**13,580**	17,178
Sundry creditors and accruals	**36,401**	31,327
Goods and services tax payable	**2,893**	1,844
Income in advance	**7,844**	4,361
	60,718	54,710

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

14 Provisions

	2016 $'000	2015 $'000
Current		
Employee benefits[1]	**6,536**	6,238
Provision for contractual obligations[2]	**5,638**	1,018
	12,174	7,256
Non-current		
Employee benefits[1]	**3,444**	2,858
	3,444	2,858
	15,618	10,114

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

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

14 Provisions (continued)

(a) Movement in provision

	Provision for contractual obligations	
	2016 $'000	2015 $'000
Carrying amount at start of year	**1,018**	259
Charged / (credited) to profit or loss		
Additional provisions recognised	**5,150**	759
Unused amounts reversed	**(530)**	-
Carrying amount at end of year	**5,638**	1,018

(b) Significant estimates

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

15 Contributed equity

	Number of shares		Share capital	
	2016 No.'000	2015 No.'000	2016 $'000	2015 $'000
Fully paid ordinary shares	**360,039**	386,390	**228,258**	247,647
Treasury shares	**(426)**	(5,436)	**(257)**	(1,440)
	359,613	380,954	**228,001**	246,207

(a) Fully paid ordinary shares

	Number of shares	Share capital
	'000	$'000
Balance at 1 July 2014	386,390	247,647
Balance at 30 June 2015	386,390	247,647
Return of capital and share consolidation	(26,351)	(19,297)
Transaction costs relating to capital return	-	(92)
Balance at 30 June 2016	**360,039**	**228,258**

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

(b) Employee share schemes

Information relating to the employee share schemes is set out in note 24.

(c) Treasury shares

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

15 Contributed equity (continued)

(c) Treasury shares (continued)

	Number of shares '000	Share capital $'000
Balance at 1 July 2014	-	-
Acquisition of treasury shares (average price: $0.26 per share)	(5,888)	(1,540)
Shares issued under employee share schemes	452	100
Balance at 30 June 2015	(5,436)	(1,440)
Acquisition of treasury shares (average price: $0.42 per share)	(1,293)	(540)
Shares issued under employee share schemes	6,272	1,723
Share consolidation	31	-
Balance at 30 June 2016	**(426)**	**(257)**

16 Earnings per share

	2016 Cents per share	2015 Cents per share
Basic earnings per share:		
Total basic earnings per share	**5.20**	3.03
Diluted earnings per share:		
Total diluted earnings per share	**5.07**	3.02

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:

	2016 $'000	2015 $'000
Profit for the year attributable to owners of the Company	**19,983**	11,720
Earnings used in the calculation of basic EPS	**19,983**	11,720

	2016 No.'000	2015 No.'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**384,590**	386,390
Shares deemed to be issued for no consideration in respect of employee share schemes	**9,721**	2,263
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**394,311**	388,653

17 Dividends

Recognised amounts	2016 Cents per share	2015 Cents per share	2016 $'000	2015 $'000
Fully paid ordinary shares				
Interim dividend	**1.00**	0.50	**3,862**	1,926
	1.00	0.50	**3,862**	1,926

Unrecognised amounts	2016 Cents per share	2015 Cents per share	2016 $'000	2015 $'000
Fully paid ordinary shares				
Final dividend	**1.50**	1.00	**5,394**	3,856 [1]
	1.50	1.00	**5,394**	3,856

[1] The 2015 final fully-franked dividend was paid on 8 October 2015.

An interim dividend of 1.00 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 14 April 2016. In addition, on 17 August 2016, the Directors declared a fully-franked final dividend of 1.50 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2016, to be paid to shareholders on 29 September 2016. This dividend has not been included as a liability in these consolidated financial statements. The dividend will be paid to all shareholders on the Register of Members on 14 September 2016 with the exception of treasury shares and the total dividend estimated to be paid is $5,394,000.

	Company	
	2016 $'000	2015 $'000
Adjusted franking account balance as at 30 June	**3**	1,654

18 Operating lease arrangements

(a) 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 four years with the renewal options ranging from one to five years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals.

(b) Non-cancellable operating lease commitments

	2016 $'000	2015 $'000
Not longer than 1 year	**7,131**	6,242
Longer than 1 year and not longer than 5 years	**13,804**	10,458
	20,935	16,700

19 Subsidiaries

Details of the Company's subsidiaries at 30 June 2016 are as follows:

Name of entity	Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Parent entity			
Service Stream Limited (i)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (ii) (iv)	Australia	100	100
Service Stream Communications Pty Ltd (ii) (iii) (iv)	Australia	100	100
Total Communications Infrastructure Pty Ltd (ii) (iii) (iv)	Australia	100	100
Service Stream Solutions Pty Ltd (ii) (iii) (iv)	Australia	100	100
Radhaz Consulting Pty Ltd (ii) (iv)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (ii) (iii) (iv)	Australia	100	100
AMRS (Aust) Pty Ltd (ii) (iii) (iv)	Australia	100	100
Service Stream Nominees Pty Ltd (ii) (iii)	Australia	100	100
Service Stream Operations Pty Ltd (ii) (iii) (v)	Australia	100	100

(i) Service Stream Limited is the head entity within the tax-consolidated Group.
(ii) These companies are members of the tax-consolidated Group.
(iii) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
(iv) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Service Stream Limited pursuant to ASIC Class Order 98/1418 and are relieved of the requirement to prepare and lodge an audited financial and Directors' report.
(v) This company was previously SEQUD Pty Ltd and officially changed its name to Service Stream Operations Pty Ltd in June 2016.

20 Deed of cross guarantee

The parties to a deed of cross guarantees for the Group as listed in note 19 represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Service Stream Limited, they also represent the 'extended closed group'. A separate consolidated statement of comprehensive income and consolidated balance sheet of the parties to the deed of cross guarantees have not been disclosed separately as it is not materially different to those of the Group.

21 Notes to the statement of cash flow

(a) Reconciliation of cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank	**21,086**	14,756
Term deposits	**20,000**	-
	41,086	14,756

21 Notes to the statement of cash flow (continued)

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

Profit for the year	**19,983**	11,720
Gain on sale of non-current assets	**(811)**	(119)
Depreciation and amortisation	**7,410**	6,325
Equity-settled share-based payments	**2,385**	1,273
Increase in tax balances	**6,870**	5,019
Movement in working capital:		
(Increase) / decrease in trade and other receivables	**(5,253)**	4,669
Decrease / (increase) in accrued income	**18,822**	(6,239)
Decrease / (increase) in other assets	**819**	(826)
Decrease / (increase) in inventories	**1,740**	(707)
Increase in trade and other payables	**6,008**	9,779
Increase in provisions	**5,504**	2,396
Decrease in lease incentives	**(1,147)**	(979)
Net cash inflow from operating activities	**62,330**	32,311

22 Financial instruments

(a) Overview

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

(b) Categories of financial instruments

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	**41,086**	14,756
Trade and other receivables	**39,337**	34,084
	80,423	48,840
Financial liabilities		
Trade and other payables	**60,718**	54,710
	60,718	54,710

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

(c) Market risk - Interest rate risk management

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

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

Based upon a 100 basis point decrease in prevailing market interest rates as applied to the Group's cash balance at 30 June 2016, the Group's sensitivity to interest rate risk would be equivalent to a $410,862 per annum unfavourable impact to profit before tax (2015: $147,562 unfavourable).

22 Financial instruments (continued)

(d) Credit risk management

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

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

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

(e) Liquidity risk management

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

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

Included in note 22(e)(ii) are details of the borrowing facilities available to the Group at 30 June 2016.

(i) Liquidity and interest rate risk tables

The following tables detail the Group's maturity profile for 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.

	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
2016							
Financial liabilities							
Trade and other payables	-	(60,718)	(60,718)	(60,718)	-	-	-
		(60,718)	**(60,718)**	**(60,718)**	**-**	**-**	**-**
2015							
Financial liabilities							
Trade and other payables	-	(54,710)	(54,710)	(54,710)	-		-
		(54,710)	(54,710)	(54,710)	-	-	-

(ii) Financing facilities

	Bank guarantees	Bank overdraft	Cash advance
	$'000	$'000	$'000
Amount used	13,587	-	-
Amount unused	6,413	5,000	35,000
Balance at 30 June 2016	**20,000**	**5,000**	**35,000**
Amount used	10,908	-	-
Amount unused	9,092	5,000	35,000
Balance at 30 June 2015	20,000	5,000	35,000

22 Financial instruments (continued)

(e) Liquidity risk management (continued)

The Group's financing facilities are due to expire on 30 September 2016. Since balance date, the Group has executed binding term sheets from its two existing financiers for extension of its financing facilities for a period of three years to 30 September 2019. Each 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 a total limit of $60 million.

Financial guarantees provided in the normal course of business are shown above. Based upon current expectations as at 30 June 2016, the Group considers that it is more likely than not that such amounts will not be payable under these arrangements.

23 Capital risk management

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

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

24 Share-based payments

(a) Long Term Incentive Plan (LTIP)

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

In accordance with the provision of the ESOP, certain employees in senior management roles were invited to participate in the LTIP which entitles them to receive a number of performance rights in respect of the year ending 30 June 2016 (FY16). Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long term incentive participation rate, which is expressed as a percentage of the participant's total fixed remuneration (TFR), and the volume-weighted average market price of the Company's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

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

A The participant must be an employee at the vesting date;

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

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

LTIP tranche	FY14 [1]	FY15 [2]	FY16 [3]
Performance period	3 years	3 years	3 years
Vesting date	September 2016	September 2017	September 2018

[1] The FY14 LTIP targets, from base of 2.55 cps are: Year 1: 2.81 cps, Year 2: 3.09 cps, Year 3: 3.40 cps.

[2] The FY15 LTIP targets, from base of 0.76 cps are: Year 1: 0.84 cps, Year 2: 3.33 cps, Year 3: 5.72 cps.

[3] The FY16 LTIP targets, from base of 3.03 cps are: Year 1: 3.33 cps, Year 2: 5.72 cps, Year 3: not yet determined.

24 Share-based payments (continued)

(a) 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

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

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

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

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

Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY14 LTIP	3,987,543	31 July 2014	Relative TSR hurdle - 16.0 cps EPS hurdle - 20.0 cps	September 2016	1 July 2013
FY15 LTIP	2,284,032	28 February 2015	Relative TSR hurdle - 13.8 cps EPS hurdle - 18.5 cps	September 2017	1 July 2014
FY16 LTIP	1,690,324	11 September 2015	Relative TSR hurdle - 21.7 cps EPS hurdle - 26.8 cps	September 2018	1 July 2015

Fair value of performance rights

The FY16 LTIP performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a Monte-Carlo simulation. The FY16 LTIP performance rights with the EPS hurdle vesting condition have been valued using a Binomial tree methodology. Both valuation methodologies are underpinned by a 'risk-neutral' probability framework with lognormal share prices. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk-neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Key inputs into the model

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

Tranche	Share price at grant date	Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY14 LTIP	$0.202	2.2 years	55%	2.61%	0.00%	September 2016
FY15 LTIP	$0.207	2.63 years	60% to 70%	2.53%	4.80%	September 2017
FY16 LTIP	$0.302	2.89 years	55%	1.94%	6.00%	September 2018

24 Share-based payments (continued)

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

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:

	2016		2015	
	Number of rights	Grant date weighted avg FV $	Number of rights	Grant date weighted avg FV $
Balance at start of the financial year	**8,020,030**	**0.186**	7,630,544	0.198
Granted during the year	**1,966,199**	**0.243**	2,635,968	0.162
Vested during the year	**(786,247)**	**0.240**	(451,869)	0.205
Forfeited during the year	**(1,238,083)**	**0.229**	(1,794,613)	0.196
Balance at end of the financial year	**7,961,899**	**0.188**	8,020,030	0.186

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 FY14 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 FY16 financial statements.

As at 30 June 2016, 3,987,543 performance rights granted under the FY14 Tranche remain unforfeited and subject to vesting criteria.

The balance of performance rights outstanding at the end of the year have a remaining contractual life of two years (FY16 Tranche) and one year (FY15 Tranche).

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

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

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

The FY16 ESBIP performance rights are subject to service and performance criteria being:

A The participant must be an employee at the later of the date on which the Company releases its results for the financial year ending 30 June 2016 or otherwise determines that the vesting conditions have been satisfied; and

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

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

ESBIP tranche	FY16
Performance period	1 year
Vesting date	17 August 2016
Aggregate period end date	30 June 2018
EPS base (cents per share)	3.03

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.

24 Share-based payments (continued)

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

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

Series	Number	Grant date	Grant date fair value	Vesting date	Performance period start date
FY16 ESBIP	5,150,000	31 August 2015	28.4 cps	17 August 2016	1 July 2015

Fair value of ESBIP performance rights

The FY16 ESBIP performance rights with the EPS hurdle vesting condition have been valued by an independent expert using a Binomial tree methodology. This methodology is underpinned by a 'risk-neutral' probability framework with lognormal share prices. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk-neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Key inputs into the ESBIP valuation model

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

Series	Share price at grant date	Expected life	Volatility	Risk-free interest rate	Dividend yield	Vesting date
FY16 ESBIP	$0.312	0.89 years	55%	1.94%	6.00%	17 August 2016

Movements in the ESBIP performance rights during the year

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

	2016		2015	
	Number of rights	Grant date weighted avg FV	Number of rights	Grant date weighted avg FV
Balance at beginning of the financial year	**4,650,000**	**0.194**	4,650,000	0.194
Granted during the year	**5,150,000**	**0.284**	-	-
Vested during the year	**(4,650,000)**	**0.194**	-	-
Balance at end of the financial year	**5,150,000**	**0.284**	4,650,000	0.194

Included in the balance are rights which have reached their vesting date and both the service and performance criterias have been met (number of rights 5,150,000). The relevant number of shares will be delivered to the participants after the release of the FY16 financial statements.

25 Related party transactions

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

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

(a) Transactions with key management personnel

(i) Key management personnel compensation

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

	2016 $	2015 $
Short-term employee benefits	**2,242,473**	2,180,935
Post-employment benefits	**124,628**	134,101
Other long-term benefits	**63,834**	82,977
Share-based payments[1]	**1,233,324**	871,870
	3,664,259	3,269,883

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

25 Related party transactions (continued)

(a) Transactions with key management personnel (continued)

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

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

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 $3,100 per year) (2015: approximately $16,800 per year).

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

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

- The Company recognised tax balances in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to / from the Company 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 $100,502,111 are receivable from subsidiaries (2015: $117,581,852).

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 the consolidated financial statements of the Group.

26 Remuneration of auditors

	2016 $	2015 $
Audit or review of the financial report	**288,000**	280,000
Review of income tax return	**15,000**	25,000
Employee share trust advice	**-**	14,280
Tax advice and other services	**129,000**	46,524
	432,000	365,804

The auditor of Service Stream Limited is PricewaterhouseCoopers.

27 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.

28 Events after the reporting period

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

29 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 30 for a summary of the significant accounting policies relating to the Group.

29 Parent entity information (continued)

(a) Financial position

	2016 $'000	2015 $'000
Current assets	**203**	200
Non-current assets	**162,468**	174,753
Total assets	**162,671**	174,953
Current liabilities	**7,094**	577
Non-current liabilities	**-**	668
Total liabilities	**7,094**	1,245
Net assets	**155,577**	173,708
Issued capital	**211,621**	229,569
Reserves – equity-settled employee benefits	**5,933**	4,221
Accumulated losses	**(61,977)**	(60,082)
Equity	**155,577**	173,708

(b) Financial performance

	2016 $'000	2015 $'000
Profit / (loss) for the year	**5,870**	(1,193)
Other comprehensive income	**-**	-
Total comprehensive profit / (loss)	**5,870**	(1,193)

(c) Guarantees entered into by the parent entity

The parent entity is party to the Group's financing facilities as a security provider under the Security Trust Deed. In addition, there are cross guarantees given by the parent entity as described in notes 19 and 20.

30 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.

(a) Basis of preparation

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

The financial statements were authorised for issue by the Directors on 17 August 2016.

Compliance with IFRS

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

New and amended standards adopted by the Group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2015:

- AASB 2014-1 Amendments to Australian Accounting Standards (including Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).

The group also elected to adopt the following two amendments early:

- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle, and

30 Significant accounting policies (continued)

(a) Basis of preparation (continued)

- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101.

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

Early adoption of standards

The Group has not elected to early adopt the Standards and Interpretations issued but not yet effective. Refer to note 30(y).

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 31.

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

(b) Basis of consolidation

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

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

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

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

(c) Goodwill

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

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

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

30 Significant accounting policies (continued)

(d) Segment reporting

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

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

Revenue from operations

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

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 30(f).

Interest revenue

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

(f) Construction contracts

Under AASB 111 *Construction Contracts*, where a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period. This is normally measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Where this is the case, stage of completion is measured on a 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 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 statement of financial position, as a liability, 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.

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.

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

(g) Leases

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

30 Significant accounting policies (continued)

(h) Employee benefits

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

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

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

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

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

(i) Share-based payments

Equity-settled share-based payments to executives and Directors are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of the equity instruments are set out in note 24.

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

(j) Taxation

Current tax

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

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

Deferred tax

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

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

30 Significant accounting policies (continued)

(j) Taxation (continued)

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 7(d).

R&D tax incentive

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

(k) Plant and equipment

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

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

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

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

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

(l) Intangible assets

Costs 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. Any costs associated with maintaining software and systems are recognised as an expense as incurred.

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

The amount initially recognised includes external direct costs of materials and service and direct payroll and other 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.

30 Significant accounting policies (continued)

(l) Intangible assets (continued)

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

(m) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

(n) Inventories

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

(o) 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.

(p) Financial instruments

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

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

(i) Financial assets

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

30 Significant accounting policies (continued)

(p) Financial instruments (continued)

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

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

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

(ii) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee liabilities

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

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

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

Financial liabilities

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

Other financial liabilities

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

30 Significant accounting policies (continued)

(p) Financial instruments (continued)

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.

(q) Trade receivables

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

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

(r) Trade and other payables

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

(s) Goods and Services Tax (GST)

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

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

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.

(t) Cash and cash equivalents

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

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

(u) Contributed equity

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

30 Significant accounting policies (continued)

(u) Contributed equity (continued)

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

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

(v) 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.

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

(x) Rounding of amounts

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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 2018).

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

- AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2018).

  The AASB has issued a new standard for the recognition of revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption and it replaces AASB 118 which covers contracts for good and services and AASB 111 which covers construction contracts. Management is currently in the process of evaluating the impact of applying the new standard on the Group's financial statements and will continue with more detailed assessments of the effect of the new rules over the next twelve months.

30 Significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

- AASB 16 *Leases* (effective 1 January 2019).

  AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financial leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The new standard will be effective from 1 January 2019. Management is currently in the process of evaluating the impact of applying the new standard on the Group's financial statements and will continue with more detailed assessments of the effect of the new rules over the next twelve months.

31 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies as described in note 30.

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

- Estimation of current tax payable and deferred tax balances - note 7(e)
- Testing of goodwill for impairment - note 11(b)
- Estimation of provision for contractual obligations - note 14(b)
- Recognition of revenue on construction contracts - note 30(f)

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

ASX Additional Information for the financial year ended 30 June 2016

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 19 August 2016

Category (size of holding)	Holders
1-1,000	212
1,001-5,000	1,005
5,001-10,000	663
10,001-100,000	1,515
100,001+	249
	3,644

B. There are 3,644 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 142.

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 19 August 2016 are:

Shareholder	Ordinary	%
Thorney International Pty Ltd (1)	68,412,476	18.73
Thorney Opportunities Ltd (1)	29,903,931	8.19

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

E. Voting Rights

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

Ordinary shares

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

Options

These securities have no voting rights.

F. Net Tangible Assets

The net tangible assets per security is $0.1695 (2015:$0.1774).

G. 20 Largest Shareholders as at 19 August 2016 - 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	88,712,356	24.29
UBS Nominees Pty Ltd	36,764,717	10.07
Citcorp Nominees Pty Ltd	19,645,642	5.38
Rubi Holdings Pty Ltd	15,000,000	4.11
National Nominees Limited	13,500,820	3.70
Gandel Springwest Pty Ltd	10,581,732	2.90
JBL-G Pty Ltd	9,682,035	2.65
RBC Investor Services Australia Pty Ltd	8,991,843	2.46
J P Morgan Nominees Australia Limited	6,716,230	1.84
Berkeley Services Pty Ltd	5,398,617	1.48
Mr Darren Ronald Patterson	5,191,547	1.42
Howes Creek Pty Ltd	4,800,741	1.31
Dr Roger Graham Brooke & Mrs Sally Ann Brooke	3,931,047	1.08
Researched Investments Pty Ltd	3,027,954	0.83
Bond Street Custodians Limited	2,692,968	0.74
ABN Ambro Clearing Sydney Nominees Pty Ltd	2,159,175	0.59
Grant Family Nominees Pty Ltd	2,074,387	0.57
Ecapital Nominees Pty Ltd	2,000,000	0.55
Cranley Nominees Pty Ltd	1,929,756	0.53
Brispot Nominees Pty Ltd	1,646,571	0.45
	244,448,138	**66.94**

Corporate Directory

Directors

Brett Gallagher
Leigh Mackender
Peter Dempsey
Greg Adcock
Raelene Murphy
Deborah Page AM

Company Secretary

Vicki Letcher

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HSBC Bank Australia Limited

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Auditors

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