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# Service Stream Limited

ABN 46 072 369 870

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## Appendix 4D (rule 4.2A) Half-Year Ended 31 December 2016

(Previous corresponding period:  
Half-year ended 31 December 2015)

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### Results For Announcement to the Market

Half-Year To		31 Dec 16 \$'000	% change	31 Dec 15 \$'000
Revenue from ordinary activities	Up	240,772	10.9%	217,057
Profit from ordinary activities after tax attributable to members	Up	13,034	47.9%	8,810
Net profit attributable to members	Up	13,034	47.9%	8,810

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Dividends	amount per share (cents)	franked amount per share (cents)	tax rate for franking credit
Interim FY17 dividend per share to be paid 13 April 2017	1.5	1.5	30%
<b>Interim dividend dates</b>			
Ex-dividend date	15 March 2017		
Record date	16 March 2017		
Payment date	13 April 2017		

The Company's Dividend Reinvestment Plan (DRP) will not operate in respect of the FY17 interim dividend.

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Net Tangible Asset Backing	31 Dec 16 \$	30 Jun 16 \$	31 Dec 15 \$
Consolidated net tangible assets per share	0.1776	0.1695	0.1882

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

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## **Service Stream Limited**

ABN 46 072 369 870

Interim financial report for the half-year ended

31 December 2016

**Service Stream Limited**  
**Interim financial report**  
**for the half-year ended 31 December 2016**

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# Service Stream Limited

## Directors' report

The Directors of Service Stream Limited (the "Company") and its subsidiaries (the "Group") submit the interim financial report for the half-year ended 31 December 2016.

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

Brett Gallagher (Chairman)  
Leigh Mackender (Managing Director)  
Peter Dempsey  
Greg Adcock  
Raelene Murphy  
Deborah Page AM

### Review of Operations

For a detailed review of operations for the half-year ended 31 December 2016 refer to the commentary contained in the media release attached to the Appendix 4D. A summary of the results for the half-year (compared to the prior corresponding period) include:

Half-Year to 31 December	2016 (\$ million)	2015 (\$ million)	Change (\$ million)	Change %
Revenue	240.8	217.1	▲ 23.7	10.9%
EBITDA	21.1	15.7	▲ 5.4	34.5%
EBIT	18.6	12.7	▲ 5.9	46.4%
NPAT	13.0	8.8	▲ 4.2	47.9%
EPS (cents)	3.58	2.28	▲ 1.30	57.1%
DPS (cents)	1.50	1.00	▲ 0.50	50.0%
Cashflow from Operations	17.4	30.8	▼ 13.4	(43.5%)
Net Cash	44.1	41.1 <sup>1</sup>	▲ 3.0	7.4%

<sup>1</sup> as at 30 June 2016

### Auditor's Independence Declaration

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

### Rounding off of Amounts

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

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

On behalf of the Directors,



Brett Gallagher  
Chairman  
15 February 2017



Leigh Mackender  
Managing Director  
15 February 2017



## Auditor's Independence Declaration

As lead auditor for the review of Service Stream Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
15 February 2017

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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Service Stream Limited (the company), which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Service Stream Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Service Stream Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### ***Independence***

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

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### *Conclusion*

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A blue ink signature of a PricewaterhouseCoopers representative, written in a cursive style.

PricewaterhouseCoopers

A blue ink signature of Andrew Cronin, written in a cursive style.

Andrew Cronin  
Partner

Melbourne  
15 February 2017

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# Service Stream Limited

## Directors' declaration

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In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors,



Brett Gallagher  
Chairman  
15 February 2017



Leigh Mackender  
Managing Director  
15 February 2017

# Service Stream Limited

## Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

	Half-year ended	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Revenue from continuing operations</b>		
Revenue from the rendering of services	240,386	216,483
Interest revenue	322	201
Other income	64	373
	<b>240,772</b>	<b>217,057</b>
<b>Expenses</b>		
Employee salaries and benefits	(64,717)	(56,986)
Subcontractor fees	(127,866)	(118,739)
Raw materials and consumables used	(8,581)	(7,805)
Consulting and temporary staff fees	(2,660)	(2,066)
Company administration and insurance expenses	(1,582)	(1,708)
Occupancy expenses	(3,178)	(3,931)
Technology and communication services	(4,695)	(4,326)
Motor vehicle expenses	(4,088)	(3,699)
Depreciation and amortisation	(2,457)	(2,956)
Financing costs	(310)	(328)
Other expenses	(1,991)	(1,915)
<b>Profit before tax</b>	<b>18,647</b>	<b>12,598</b>
Income tax expense	(5,613)	(3,788)
<b>Profit for the half-year</b>	<b>13,034</b>	<b>8,810</b>
<b>Total comprehensive income for the half-year</b>	<b>13,034</b>	<b>8,810</b>
<b>Profit attributable to the equity holders of the parent</b>	<b>13,034</b>	<b>8,810</b>
<b>Total comprehensive income attributable to equity holders of the parent</b>	<b>13,034</b>	<b>8,810</b>
<b>Earnings per share</b>		
Basic (cents per share)	3.58	2.28
Diluted (cents per share)	3.56	2.26

Notes to the consolidated interim financial statements are included on pages 10 to 12

**Service Stream Limited**  
**Consolidated balance sheet**  
**as at 31 December 2016**

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents		44,116	41,086
Trade and other receivables		31,919	39,337
Inventories		5,848	5,858
Accrued revenue		67,005	59,022
Other		4,428	2,427
<b>Total current assets</b>		<b>153,316</b>	<b>147,730</b>
<b>Non-current assets</b>			
Property, plant and equipment		5,784	6,244
Intangible assets		127,424	124,318
<b>Total non-current assets</b>		<b>133,208</b>	<b>130,562</b>
<b>Total assets</b>		<b>286,524</b>	<b>278,292</b>
<b>Current liabilities</b>			
Trade and other payables	4	61,615	60,718
Current tax liabilities		2,389	6,792
Provisions		14,686	12,174
Lease incentives		880	1,023
<b>Total current liabilities</b>		<b>79,570</b>	<b>80,707</b>
<b>Non-current liabilities</b>			
Provisions		3,556	3,444
Deferred tax liabilities (net)		9,700	6,994
Lease incentives		1,425	1,796
<b>Total non-current liabilities</b>		<b>14,681</b>	<b>12,234</b>
<b>Total liabilities</b>		<b>94,251</b>	<b>92,941</b>
<b>Net assets</b>		<b>192,273</b>	<b>185,351</b>
<b>Equity</b>			
Contributed equity	5	233,114	228,001
Reserves		436	6,191
Accumulated losses		(41,277)	(48,841)
<b>Total equity</b>		<b>192,273</b>	<b>185,351</b>

Notes to the consolidated interim financial statements are included on pages 10 to 12

**Service Stream Limited**  
**Consolidated statement of changes in equity**  
**for the half-year ended 31 December 2016**

	Contributed equity	Employee equity- settled benefits reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2016</b>	228,001	6,191	(48,841)	185,351
Profit for the period	-	-	13,034	13,034
<b>Total comprehensive income</b>	-	-	13,034	13,034
Issue of shares (net of transaction costs)	4,890	-	-	4,890
Equity settled share based payments, inclusive of tax adjustment	-	3,209	-	3,209
Acquisition of treasury shares	(8,741)	-	-	(8,741)
Issue of treasury shares to employees	8,964	(8,964)	-	-
Dividends paid	-	-	(5,470)	(5,470)
<b>As at 31 December 2016</b>	<b>233,114</b>	<b>436</b>	<b>(41,277)</b>	<b>192,273</b>

	Contributed equity	Employee equity- settled benefits reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2015</b>	246,207	4,221	(61,106)	189,322
Profit for the period	-	-	8,810	8,810
<b>Total comprehensive income</b>	-	-	8,810	8,810
Equity settled share based payments, inclusive of tax adjustment	-	1,754	-	1,754
Acquisition of treasury shares	(363)	-	-	(363)
Issue of treasury shares to employees	1,722	(1,722)	-	-
Dividends paid	-	-	(3,856)	(3,856)
<b>As at 31 December 2015</b>	<b>247,566</b>	<b>4,253</b>	<b>(56,152)</b>	<b>195,667</b>

Notes to the consolidated interim financial statements are included on pages 10 to 12

**Service Stream Limited**  
**Consolidated statement of cash flows**  
**for the half-year ended 31 December 2016**

	Half-year ended	
	31 Dec 2016	31 Dec 2015
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (including GST)	278,649	273,201
Payments to suppliers and employees (including GST)	(254,309)	(242,493)
<b>Cash generated from operations before interest and tax</b>	<b>24,340</b>	<b>30,708</b>
Interest received	343	201
Interest and facility costs paid	(489)	(119)
Income taxes paid	(6,792)	-
<b>Net cash provided by operating activities</b>	<b>17,402</b>	<b>30,790</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(639)	(822)
Proceeds from sale of plant and equipment	52	461
Payments for intangible assets	(4,465)	(3,320)
<b>Net cash used in investing activities</b>	<b>(5,052)</b>	<b>(3,681)</b>
<b>Cash flows from financing activities</b>		
Transaction costs	(6)	-
Dividends paid	(5,470)	(3,856)
Purchase of shares	(3,844)	(363)
<b>Net cash used in financing activities</b>	<b>(9,320)</b>	<b>(4,219)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,030</b>	<b>22,890</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>41,086</b>	<b>14,756</b>
<b>Cash and cash equivalents at end of period</b>	<b>44,116</b>	<b>37,646</b>

Notes to the consolidated interim financial statements are included on pages 10 to 12

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# Service Stream Limited

## Notes to the consolidated financial statements

### 1 Significant accounting policies

#### Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Service Stream Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The Company has re-evaluated its expense classification and considers it to be more relevant to combine Site and construction costs with Subcontractor fees into a single line item in the consolidated statement of profit or loss and other comprehensive income as these expenses are of a similar nature. The prior year comparative amount of Site and construction costs for the period ended 31 December 2015 (\$39,084,000) has been restated by reclassifying these costs into Subcontractor fees.

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

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

### 2 Segment information

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

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

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

Fixed Communications	Fixed Communications provides a wide range of design, construction, maintenance and customer connection services to the owners of telecommunications network infrastructure 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.
Energy & Water	Energy & Water provides a range of specialist metering and environmental services to electricity, gas and water network across Australia; and through the Customer Care business, provides contact centre services and end-to-end customer support for key contracts.

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

Information regarding these segments is presented below:

# Service Stream Limited

## Notes to the consolidated financial statements

### 2 Segment information (continued)

	Segment Revenue		Segment EBITDA	
	Half-year ended		Half-year ended	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Fixed Communications	110,725	95,023	13,823	9,678
Mobile Communications	83,491	84,988	6,227	6,321
Energy & Water	48,582	38,193	3,238	2,315
Total of all segments	242,798	218,204	23,288	18,314
Eliminations	(2,348)	(1,348)	-	-
Unallocated			(2,196)	(2,633)
<b>Earnings before interest, tax, depreciation and amortisation</b>			<b>21,092</b>	<b>15,681</b>
Interest received/(paid)	322	201	12	(127)
Depreciation/Amortisation			(2,457)	(2,956)
<b>Total revenue</b>	<b>240,772</b>	<b>217,057</b>		
Profit before income tax expense			18,647	12,598
Income tax expense			(5,613)	(3,788)
<b>Profit for the period</b>			<b>13,034</b>	<b>8,810</b>

### 3 Dividends

A fully franked interim dividend of 1.5 cent per share was declared by the Directors on 15 February 2017, payable to shareholders on 13 April 2017. This dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is \$5,477,842.

### 4 Trade and Other Payables

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Trade creditors	11,302	13,580
Sundry creditors and accruals	33,857	36,401
Goods and services tax payable	1,767	2,893
Income in advance	14,689	7,844
<b>Total trade and other payables</b>	<b>61,615</b>	<b>60,718</b>

# Service Stream Limited

## Notes to the consolidated financial statements

### 5 Issuance, Repurchases and Repayment of Equity Securities

	31 Dec 2016		31 Dec 2015	
	No. '000	\$'000	No. '000	\$'000
(i) Contributed equity				
Balance at 1 July	359,613	228,001	380,954	246,207
Issue of shares (net of transaction costs)	5,150	4,890	-	-
(ii) Other equity securities				
Acquisition of treasury shares	(8,945)	(8,741)	(1,072)	(363)
Employee share scheme issue	9,313	8,964	6,272	1,722
Balance at 31 December	365,131	233,114	386,154	247,566

The company issued 5,150,000 ordinary shares in the current interim reporting period (2015: nil).

### 6 Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

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# Service Stream Limited

## Corporate directory

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### Directors

Brett Gallagher (Chairman)  
Leigh Mackender (Managing Director)  
Peter Dempsey  
Greg Adcock  
Raelene Murphy  
Deborah Page AM

### Company Secretaries

Nicole Goding  
Vicki Letcher

### Registered Office

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### Bankers

Australia & New Zealand Banking Group  
HSBC Bank Australia Limited

### Share Registry

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### Auditor

PricewaterhouseCoopers

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