

Appendix 4E

Preliminary Final Report

For the Year Ended 30 June 2008

Service Stream Limited

ABN 46 072 369 870

This preliminary final report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

In accordance with ASX Listing Rule 4.3C.2, this Preliminary Final Report should be read in conjunction with the most recent annual financial report, being 30 June 2007.

Current Reporting Period: Financial year ended 30 June 2008

Previous Corresponding Period: Financial year ended 30 June 2007

Appendix 4E

Preliminary Final Report

SERVICE STREAM LIMITED

DETAILS OF THE REPORTING PERIOD

ABN or equivalent company reference

ABN 46 072 369 870

Financial year ended

30 June 2008

Comparative period – 30 June 2007

The Group results are that of Service Stream Limited and its controlled entities.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

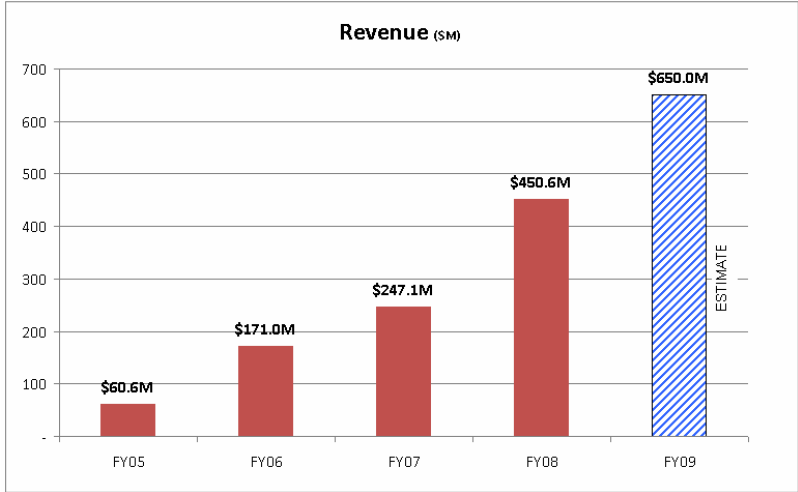
Operating revenue	Up from \$247,108,000	to \$450,587,000
Profit from ordinary activities after tax attributable to members (excluding non-operating items)	Up from \$11,235,000	to \$18,095,000
Revenues from ordinary activities	Up 82.3%	to \$450,587,000
Profit from ordinary activities after tax attributable to members	Up 61.1%	to \$18,095,000
Net profit attributable to members	Up 61.1%	to \$18,095,000
Dividends (Distributions)	Amount per security	Franked amount per security
Final dividend ⁽ⁱ⁾	\$0.040	30% (Fully franked)
Interim dividend	\$0.035	30% (Fully franked)
Previous corresponding period	\$0.045	30% (Fully franked)
<p>⁽ⁱ⁾ SSM is pleased to again provide the opportunity for all shareholders to participate in a Dividend Reinvestment Plan (DRP) and advises that the discount applicable to the final dividend will be 5% to the five day weighted average market price from the record date.</p>		
Record date for determining entitlements to dividends	26 September 2008	
<p>For a brief explanation of the figures above please refer to the Announcement on the results for the year ended 30 June 2008. The comments should be read in conjunction with the details and explanations provided herewith.</p>		
Net Tangible Assets per Share	30 June 2008	30 June 2007
Consolidated net tangible assets per share	(\$0.0701)	(\$0.1367)

Net tangible assets as at 30 June 2008 of (\$12,156,811) consists of Net Assets of \$197,408,533 less Intangible Assets of \$209,565,344.

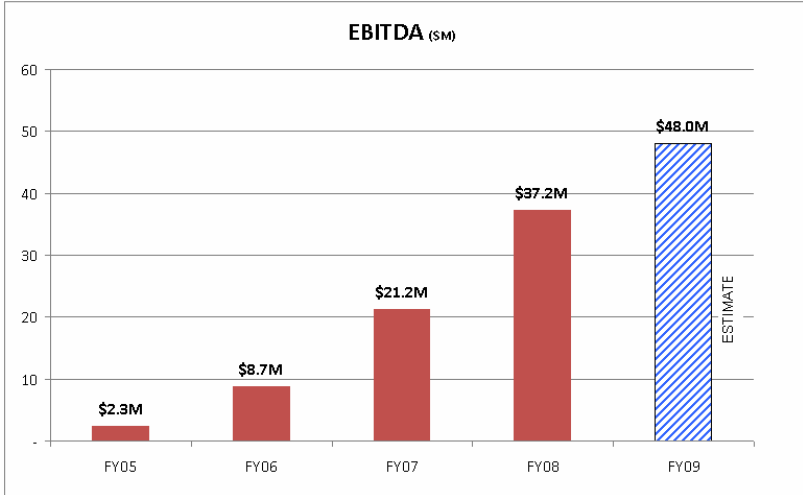
SERVICE STREAM COMPLETES ANOTHER YEAR OF STRONG GROWTH WITH A RECORD RESULT

- Revenue up 82.3% to \$450.6M (2007: \$247.1M)
- EBITDA up 75.6% to \$37.2M
- NPAT up 61.1% to \$18.1M
- Full Year Dividend maintained at 7.5 cps.
- Yield up to 7.5% from 4.0%.
- Strong growth in all areas of the business
- Group strengthened by a mix of acquisitions and new contract wins
- Interest cover of 8.5 times
- Continued diversification of Revenues into Infrastructure Services
- The Group's strategy for profitable growth continues with the careful integration of businesses and teams into a strong common culture and infrastructure
- Positive outlook for FY2009

REVENUE UP 82.3%



EBITDA UP 75.6%

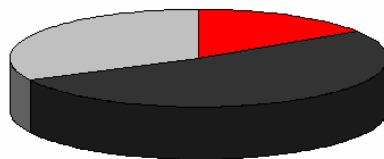


DIVERSIFICATION OF REVENUES

FY06 REVENUE \$171.0M

FY07 REVENUE \$247.1M

FY08 REVENUE \$450.6M



Record earnings in 08 and strong 09 outlook

Highlights

- Operating revenue up 82.3% to \$450.6M
- EBITDA up 75.6% to \$37.2M
- Reported NPAT up 61.1% to \$18.1M
- \$1B Telstra AAS contract performing to budget
- Annualised revenues approaching \$650M
- \$2B work-in-hand contracted for next 4 years
- All business units performing profitably
- Material organic growth opportunities in core infrastructure business streams
- Strong balance sheet and capacity to fund growth
- Full year DPS maintained at 7.5 cents
- Positive FY09 outlook

Results Commentary

Service Stream Limited (ASX Code: SSM) confirmed its position as a leading diversified infrastructure services company with the release today of its results for the 2008 financial period.

The Company reported significant revenue and net earnings growth, while at the same time positioning itself for a strong operating performance in the 2009 financial period and beyond.

The Company delivered an exceptional performance with operating revenue, EBITDA and NPAT for the period increasing to \$450.6M (+82.3%), \$37.2M (+75.6%) and \$18.1M (+61.1%) respectively. All divisions performed in line with expectations with key highlights being the performance of the Company's Field Services and Infrastructure Services business streams, where EBITDA performance was up 101.5% and 132.4% respectively to \$22.98M and \$16.8M before corporate overheads.

The Company rewarded shareholders with a full year dividend maintained at \$0.075 per share fully franked at 30%.

The period reflected one of significant investment in growing the business through both strategic acquisitions and the funding of organic contract growth. The Company outlaid \$43.20M cash on acquisitions together with \$39.30M on working capital and capital expenditure associated with the \$1B Access and Associated Services (AAS) contract awarded from Telstra Limited in August 2007.

The four year AAS contract expanded the Company's service and maintenance activity with Telstra Limited by nearly 400%, and involved the addition of 17 new offices and nearly 800 technicians nationally over the six month period from November 2007 to April 2008.

Commenting on the results Service Stream CEO and Managing Director Mr Patrick Flannigan said:

"The past year reflected one of significant achievement for the Group on a number of levels. We continued our commitment to reward shareholders through growth in net earnings and solid dividends, while at the same time enhancing the Company's capabilities in the provision of infrastructure services to multiple utility sectors."

"We continued our diversification into the electricity, gas and water sectors with the strategic acquisitions of Australia's largest utility metering services company AMRS (Aust) and utility infrastructure construction group McCourt Dando. Our utilities services (ex telecommunications) based revenues now stand at \$150M annually, and we expect to grow this line of business to \$400M to \$500M over the next three years."

“The period also saw the transition of our Field Services division into a truly national player following the successful awarding of the \$1B AAS contract with Telstra in August 2007. I am delighted to report that following a six month implementation phase the contract is now performing in line with both the client and our expectations.”

The Company remained focused during the period on the delivery of complete turnkey solutions to clients on large infrastructure build and asset service and maintenance programs. The average term on the Company's \$2B contracted work-in-hand stands at approximately four years.

The Company remains conservatively geared at 8.5 times interest cover and 2.5 times EBITDA / Net Debt, and has extensive capacity within its existing banking facilities to fund organic and acquisition growth activity.

Divisional Performance

Field Services

The Field Services division performed strongly with EBIT contribution (before corporate overheads) up 89.6% to \$19.74M on operating revenues of \$232.9M (+99.9%). The result benefited from the first-time inclusion of revenues and earnings from AMRS as well as an increase in revenues associated with the AAS contract and first time inclusion of revenues from the Telstra Payphones contract.

The awarding in August 2007 and subsequent commissioning of the AAS contract has seen Service Stream increase its service and maintenance activity with Telstra by approximately 400% to \$300M annually. The four year (2 year + 2 one-year options) contract commenced in early February 2008 and progressively geared toward full capacity by FY08 end. This contract replaces the Company's existing contracts with Telstra that covered installation and maintenance and specialist services valued at \$60M per annum.

The new contract represents Service Stream's move to national supplier status with Telstra and involves a significant increase in contracted volumes across metropolitan and regional Australia. Service Stream now provides access and associated services to Telstra across nine regions (equivalent to 50% of the country). In each of the regions, Service Stream provides specialist services, installation and maintenance services, broadband cable installation and maintenance services, and access services.

The division's installs and maintenance activity continued to grow with 1.4 million tickets of work delivered during the period (+16.7%), and highlights the Company's ability to deliver quality work in a timely manner into an increasing larger market share.

Field Services continued to grow its capabilities during the period with the acquisition of metering service company AMRS (announced February 2008), delivering expanded capabilities in reading, maintaining, installing and exchanging meters in the water, gas and electricity sectors. AMRS contributed \$39.3M to group revenues during the period, with EBIT contribution in line with pre-acquisition expectations. AMRS provides over 27 million data reads per annum to utility customers and completes more than 100,000 home visits per day.

The Field Services division continued to be supported by the Resourcing Solutions and Milcom Training business. Together these businesses enhance Service Stream's reputation as a leading provider of quality staff and training products by growing new relationships outside of its traditional base, as well as consolidating existing customer arrangements.

Contact Centre Solutions

The Company's Contact Centre Solutions (CSS) division performed in line with budget, recording increases in both revenue and EBIT (before corporate overheads) to \$71.4M (+22.8%) and \$4.1M (10.6%) respectively.

The division's contact centre currently operates at around 85% of rated (seat) capacity and continues to look for new business opportunities in telecommunications, financial services and in government. The division handles in excess of 1.5M customer interactions per month across a wide range of services and multi-faceted customer activities.

Last year the Company moved outside its traditional telecommunications focus with the awarding of the four year National Do Not Call Register (DNCR) contract from the Federal Government in March 2007. By FY08 end the DNCR had achieved residential 2.5 million registrations and had been responsible for washing 1.5 billion telephone numbers from registered market participants wanting to facilitate outbound telephone marketing programs.

Infrastructure Services

Infrastructure Services contributed revenue and EBIT (before corporate overheads) of \$145.7M (+104.9%) and \$13.4M (+76.8%) for the period. Divisional performance benefited from the first time inclusion of earnings from McCourt Dando (effective July 2007) and South East Qld Under-road Drillers (SEQUD) (effective February 2008), a full twelve months contribution from General Purpose Group (GPG) (acquired January 2007), as well as an improved performance from Total Communications Infrastructure (TCI) in the second half of the period.

The addition of acquisitions made during the period extends the Group's capabilities in trenching and drilling, particularly in the water and electricity sectors. Together with existing specialist end-to-end services including fixed line & wireless infrastructure design and build (provided through TCI, GPG and Fibercom), the division is now well positioned to support customers on infrastructure design and build programs across multiple sectors – telecommunications, electricity, water and gas.

The Company's wireless infrastructure business TCI performed strongly in the second-half of the period. TCI benefited from the increasing level of activity by carriers expanding and building their 3G capabilities. This activity will continue and increase in the coming years with the advent of LTE and the growth in data over wireless.

Performance Summary	Period to:	30 June 2008	30 June 2007	Movement
				+/-
Revenue (\$'000)		450,587	247,108	82.3%
EBITDA (\$'000)		37,246	21,211	75.6%
PBT (\$'000)		25,947	16,598	56.3%
NPAT (\$'000)		18,095	11,235	61.1%
EPS – diluted (cents)		10.42	9.57	8.9%
DPS – total (cents)		7.50	7.50	-%
Dividend Yield (%)		7.5%	4.0%	87.5%

Outlook

Service Stream remains well positioned during what is a challenging operating environment for companies globally. The Company has maintained a consistent strategy in servicing large asset owners on the deployment and management of essential network infrastructure, with the majority of its current turnover related to non-discretionary client spending.

Mr Flannigan commented on the outlook saying: "We have commenced the 2009 financial period strongly with all business units performing in line with or above expectations. This year's results will also benefit from a full twelve months contribution from AAS."

"We expect to maintain a strong bias toward client operating expenditure on network infrastructure, and are very well positioned to benefit from the projected growth in capital expenditure spending in the telecommunication and power sectors from 2009 and beyond."

Service Stream has consistently strived to reward shareholders, having delivered 43.6% annual compound growth in EPS since listing on the ASX in 2004. The Company expects to achieve its current EBITDA guidance for the FY09 period of \$48M.

Service Stream Limited

ABN 46 072 369 870

Financial report for the financial year ended 30
June 2008

Annual financial report for the financial year ended 30 June 2008

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Corporate governance statement

This statement summarises the main corporate governance practices of Service Stream Limited.

The Board of Directors of Service Stream Limited (“the Company”) is committed to high standards of corporate governance and supports the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council in March 2003.

ASX Listing Rule 4.10 requires the Company to disclose the extent to which it has followed these best practice recommendations. This statement outlines the key corporate governance practices of the Company as they relate to the recommendations of the ASX Corporate Governance Council.

The Board recognises that some practices are more relevant to larger companies. The Board has adopted practices that it believes will maximise long-term shareholder value given the Company’s specific circumstances.

1. Roles of the Board and management

The Board of Directors guide and monitor the business and affairs of the Company on behalf of shareholders, by whom the Directors are elected and to whom they are accountable.

The Board’s focus is on setting the strategic direction for the Company and overseeing its long-term performance. It monitors financial performance, legal compliance and ethical standards. The Board is also involved in assessing business risk, providing broad policy guidelines and setting objectives for, and monitoring the performance of, the Managing Director and the senior management team.

The agenda for meetings is prepared in conjunction with the Chairman and the Managing Director. Standing items include safety, financial and operational reports. Submissions are circulated in advance.

The responsibility for the day-to-day operation and administration of the economic entity is delegated by the Board to the Managing Director who is accountable to the Board. The Managing Director is supported by a senior management team who meet regularly (usually at least weekly) to review progress and initiate or coordinate the development and implementation of the Company’s strategies, plans, standards, policies and programs.

2. Structure of the Board

Currently, the Board is composed of an independent non-executive chairman, one independent non-executive director, two non-executive directors and three executive directors. The Board believes that, at present, this structure combines the skills, experience and efficiency of operation best suited to governing the Company.

The Board regards a director as independent if he or she is free from any material interest in, or other material relationship with, the Company, other than as a director, which could reasonably be perceived to materially interfere with the director’s ability to exercise independent judgement with respect to the matter being considered. Independence and materiality are considered by the Board in the context of all of the relevant circumstances.

The Board has a policy of separating the role of Chairman and Chief Executive.

The Board acknowledges the recommendation of the ASX Corporate Governance Council that the Board should comprise a majority of independent directors. However, the Board believes that the wealth of knowledge and expertise of the current non-executive directors make the composition appropriate at present.

The Board believes that all of its directors exercise due care and skill with respect to the matters that they consider, and bring independent judgement to bear in decision making.

The Board has adopted a retirement age for directors of 72 years although this may be varied with approval of shareholders on a year-to-year basis beyond the age of 72 years.

Under current practice, there is a minimum of 11 scheduled Board meetings per year. Other meetings are convened as required to consider specific or urgent matters.

Committees

The Board of Directors, as part of its responsibility to oversee the strategic direction of the Company, has established guidelines and will use committees to ensure that its business operates ethically and fairly and to ensure that the assets of the Company are properly protected.

The Audit and Governance Committee was established in 2005.

In 2006 the Board established a Remuneration and Nomination Committee, and in 2007 an Investment and Strategy Committee and an Environment and Safety Committee were also established.

The Board's formal charter states that, as appropriate, the Company shall establish a Risk Management Committee. During the year ended 30 June 2008 the full Board had the responsibility for the functions and responsibilities of the Risk Management Committee.

Appointment of directors

At present, all directors consider the composition of the Board and the nomination and appointment of new directors. Given the size of the Company and its requirements, the Board has considered this to be a satisfactory arrangement to date.

In appointing directors, the Board aims to obtain a balanced mix of qualifications, age, skill and experience desirable to achieving the most favourable outcome for the Company in the context of its future requirements. The conditions relating to a director's appointment are provided to the director in writing prior to appointment. Apart from the Managing Director, all directors are subject to re-election by rotation at least every three years in accordance with the Company's constitution. Shareholders are encouraged to participate in the re-election of directors.

Each director has the right of access to all relevant Company information and to the Company's executives. In addition, the Company's policy is to allow directors to obtain independent professional advice, at the Company's expense, on matters arising in the course of their Board duties. Directors must obtain the Chairman's approval prior to seeking advice, which cannot be unreasonably withheld. A copy of the advice received by the director is made available to all other members of the Board.

The other information with respect to the structure of the Board noted in The ASX Guide to Reporting on Principle 2 has been provided in the Director's Report as the Board believes this a more appropriate place to disclose such information.

3. Ethical business practices

The Company is committed to being a socially responsible corporate citizen, using honest and fair business practices of the highest standard.

The Company has a formal Code of Conduct actively promoting ethical and responsible decision-making. This is supported by the Company's 'Whistle Blower Protection' policy. The Company maintains that the Board and the senior management team, through their own actions, promote and foster an ethical corporate culture. To this end, the Board promotes open and honest disclosure and discussion, together with consideration and respect for the interests of all legitimate stakeholders, at all Board and management meetings.

In addition, the Board and the senior management of the Company regularly consider relevant matters including conflicts of interest, corporate opportunities, confidentiality, fair dealing, complaints handling, protection and proper use of the Company's assets, compliance with laws and regulations, and reporting unlawful and unethical behaviour.

In accordance with the Corporations Act 2001 and the Company's Board Charter, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the relevant item is considered.

The Board has ultimate responsibility for resolving all matters concerning ethical and responsible decision-making.

These procedures are designed to ensure that the integrity of the Company is maintained and that investor confidence is enhanced.

Dealing in Company shares by directors, officers and employees

The Constitution permits directors to acquire shares in the Company and the Board encourages directors, officers and employees to own shares in the Company to further link their interests with the interests of all shareholders. However, all directors, officers and employees are prohibited from buying or selling shares within one month prior to, and the day of, an announcement by the Company of its full year and half year results (unless approval is obtained from the Chairman to deal in the Company's shares during these periods) or when the individual is in possession of price sensitive information.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of Australian Securities Exchange Limited ("ASX"), directors advise the ASX of any transactions conducted by them in shares in the Company.

4. Safeguard integrity

The Board established an Audit and Governance Committee to assist the Board in fulfilling its responsibilities relating to the accounting, reporting and compliance obligations of the Company, to examine matters of financial and regulatory significance and monitor corporate risk assessment processes. This committee also reviews audit scopes, assesses the performance of and fees paid to the external auditors, liaises with the external auditors to ensure that the annual audit and half-year statutory review are conducted in an effective manner and considers whether non-audit services provided by the external auditors are consistent with maintaining the external auditors' independence.

The Audit and Governance Committee of the Company is composed of non-executive directors. The Board considers that this structure maintains integrity and has been operationally effective for a Company at its present size and Board composition. The Independent Chairman and an Independent Non-executive Director are members of the Audit and Governance Committee.

The external auditors were appointed as auditors for the Company in November 2006. Prior to this they had been auditors for Service Stream Holdings Pty Ltd since 1 July 1992. The lead external audit engagement partner has led this engagement from 2005. The external audit firm has a policy of rotating off the engagement of the lead external audit engagement partner every five years.

The Managing Director, the Chief Financial Officer and the Company's senior management state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

The other information with respect to safeguarding the integrity of financial reporting noted in The ASX Guide to Reporting on Principle 4 has been provided in the Directors' Report as the Board believes this is a more appropriate place at which to disclose such information.

5. Timely and balanced disclosure of material matters

The Company's aim is to ensure timely, balanced and continuous disclosure to the market of all material matters concerning the Company in accordance with the Corporations Act and the ASX continuous disclosure regime. The Board believes that all shareholders and investors should have equal access to the Company's information.

The policies and procedures designed to ensure compliance with the Corporations Act and the ASX continuous disclosure requirements and to ensure accountability at a senior management level for that compliance are as follows:

- the Company must notify the market, via the ASX continuous disclosure regime, of any price sensitive information;
- the directors and the Company Secretary are designated as disclosure officers who are responsible for reviewing potential disclosures and deciding what information should be disclosed;
- only a disclosure officer may authorise communication with external parties on behalf of the Company thereby safeguarding confidentiality of corporate information;
- the onus is on all executives to inform a disclosure officer of all potential disclosures as soon as they become aware of the information. The senior management team is responsible for ensuring staff understand and comply with this policy; and
- ASX and media releases must be approved by a director who is a disclosure officer.

6. Rights of shareholders

The shareholders of the Company are responsible for voting on the election of directors at the Annual General Meeting in accordance with the Company's constitution. The Annual General Meeting also provides shareholders with the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders. The Company's policy is to encourage effective shareholder participation at general meetings.

The Company requests that the engagement partner of the firm of external auditors attends the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors' Report.

The Company has a policy of effective communication with shareholders through:

- the Annual Report which is distributed to all shareholders;
- disclosures made to the ASX;
- notices and explanatory memoranda in relation to resolutions to be put to a vote; and
- Annual General Meetings at which shareholders are given an opportunity to participate.

7. Risk management

The Company has in place procedures designed to safeguard the Company's assets and interests and ensure the integrity of its reporting. These include accounting, financial reporting, internal control and internal audit, safety and health, property and environmental procedures. Policies also specify who may authorise transactions and segregate duties amongst those carrying them out.

At present, the identification, assessment, monitoring and management of business risks and these internal control procedures are considered by the senior management team of the Company on an ongoing basis as part of their regular (usually at least weekly) meetings.

The Managing Director and ultimately the Board have the responsibility for ensuring that the risk mitigation actions and internal controls recommended at these meetings are implemented.

8. Encourage enhanced performance

The Board of the Company and the senior management team monitor the performance of the Company utilising monthly management accounts. The monthly management accounts are compared with monthly budgets and the performance of the Company in previous corresponding periods. The Company's budgets include key performance indicators against which the monthly performance of the Company is measured. The monitoring of the Company's performance by the Board and management assists in identifying the areas where additional attention is required.

The Board undertakes to objectively assess its performance and that of its committees and individual members. During the year ending 30 June 2008, the Board conducted performance reviews on all directors. Similarly, the Board and the Managing Director evaluate the performance of the senior management team throughout each year and on a formal basis once per year.

The Board believes that the shareholders of the Company ultimately assess the performance of the Board, its committees, individual directors and senior management based on the financial performance of the Company in the context of the commercial, legal and ethical framework within which the Company operates.

9. Fair and responsible remuneration

The Remuneration and Nomination Committee reviews senior executive remuneration structures, reviews senior management succession plans and monitors directors' remuneration levels to ensure they are in line with current standards. The Remuneration and Nomination Committee then provides a recommendation to the Board which, in turn, has ultimate responsibility for fair and responsible remuneration.

The Board engages appropriately qualified consultants to provide it with advice and recommendations.

Executive directors receive salaries and employee benefits. They do not receive additional fees for their services as directors. Discussions are undertaken between non-executive and executive directors with regard to setting appropriate levels of remuneration. No executive director or other executive participates in any decision relating to their own remuneration.

Non-executive directors are remunerated by way of fees, statutory superannuation and reasonable retirement benefits. Discussions are undertaken between executive and non-executive directors with regard to setting appropriate levels of remuneration. Non-executive directors do not participate in any decision relating to their own remuneration.

Additional information with respect to remuneration noted in The ASX Guide to Reporting on Principle 9 has been provided in the Directors' Report as the Board believes this is a more appropriate place to disclose such information.

10. Stakeholder interests

The Company is aware of its legal and other obligations to all legitimate stakeholders. The Board believes that appropriate recognition of these interests will enhance shareholder value in the long term.

In terms of a formal Code of Conduct, the Board refers to its earlier statements in Section 3 of this Corporate Governance Statement under the heading Ethical Business Practices.

Directors' report

The directors of Service Stream Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
John Llewellyn (Lyn) Davies <i>Chairman</i>	<p>Mr Lyn Davies joined the Service Stream Group on 25 August 2005 as Chairman. He is a member of the Company's Audit and Governance Committee and is Chairman of the Remuneration and Nomination Committee.</p> <p>Mr Davies is also Chairman of Citywide Service Solutions Pty Ltd and Star Services International Pty Ltd, and is a Director of Mackay Consolidated Industries Pty Limited and ParaQuad Victoria.</p> <p>Mr Davies has acted as an advisor on commercial matters to boards in a wide range of industries and he brings highly developed commercial and corporate governance skills to the Board.</p> <p>His previous business experience includes more than 20 years at executive director level with Elders IXL Limited, Wattie Limited and Goodman Fielder Limited. His qualifications include a Diploma of Agriculture and a Diploma from the Australian Institute of Company Directors.</p> <p>Mr Davies is a Company Director and a Business Consultant. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Life Member of the Australian Institute of Agricultural Science and Technology.</p>
Patrick Flannigan <i>Managing Director and Chief Executive Officer</i>	<p>Mr Flannigan joined the Service Stream Group in January 2004. He was appointed Managing Director and Chief Executive Officer on 3 September 2004. He is an ex officio member of all board committees. Mr Flannigan is a director of all subsidiary companies except for Total Communications Infrastructure (Pte) Ltd. Mr Flannigan has more than 20 years of commercial experience across a broad range of industries.</p> <p>Before joining Service Stream he was co-founder and Non-Executive Chairman of Integrated Maintenance Services, a successful maintenance services company specialising in the provision of services to the manufacturing, aviation and construction industries. Prior to this he spent 11 years with Skilled Engineering Ltd in various roles including General Manager.</p> <p>Mr Flannigan's wide experience incorporates project management, customer service, financial management and industrial relations. This is complemented by in-depth knowledge of the customer premises equipment and maintenance services industry in Australia.</p> <p>Mr Flannigan has led Service Stream through its rapid growth over the past four years and has been instrumental in the identification and successful negotiation of Service Stream's acquisitions.</p> <p>With a business degree from Victoria University, he is a Director of the Australian Grand Prix Corporation, Director and Chairman of the Finance Committee for Western Chances, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.</p>

Michael Doery
*Executive Director,
Chief Operating
Officer and Chief
Financial Officer*

Mr Doery joined the Service Stream Group in July 2004 and was appointed as an Executive Director and Chief Financial Officer. In addition, he was recently appointed as Chief Operating Officer. This more closely recognises Mr Doery's current involvement in the business on a day to day basis while, at the same time, laying the structured foundations for growth going forward. He is an ex officio member of the Audit and Governance Committee, the Environment and Safety Committee and the Investment and Strategy Committee. Mr Doery is a director of all subsidiary companies except for Total Communications Infrastructure (Pte) Ltd.

Mr Doery has a Bachelor of Financial Administration from the University of New England and is a Fellow of the Institute of Chartered Accountants in Australia with 24 years experience at KPMG, including 14 years as a partner.

Mr Doery's focus has been in the telecommunications, IT and services sectors with significant exposure to the areas of customer service, outsourcing and infrastructure projects. He has a wealth of experience in capital raisings, mergers and acquisitions, risk management, change management, corporate governance and general management. Mr Doery has also been involved in developing and managing corporate strategic, financial and operational activities.

Mr Doery has been instrumental in the management and integration of Service Stream's acquisitions. He played a key role in the highly successful merger in December 2006.

Mr Doery is also currently actively involved at director level with various charities including the Australian Drug Foundation.

Rodney Stanton
Executive Director

Mr Stanton joined the Service Stream Group as Executive Director when Total Communications Infrastructure Limited merged with Service Stream Limited in December 2006. He maintains responsibility for the performance of TCI as Managing Director. Mr Stanton is also a director of Total Communications Infrastructure Pty Ltd and Total Communications Infrastructure (Singapore) Pte Ltd.

Mr Stanton commenced with TCI in September 1998 managing national wireless deployment projects for carriers including Optus and Vodafone. He progressed through to General Manager and ultimately Chief Executive Officer following the public listing of TCI in December 2004. His experience as a civil engineer, together with 20 years of project management experience, has ensured the successful development and growth of the company, which is recognised as an industry leader. While Mr Stanton's primary focus has been on the wireless telecommunications industry he is now extending this expertise into other sectors within the broader Service Stream business.

Prior to joining TCI, Mr Stanton spent 12 years with Lend Lease in their construction division. During this time he acquired extensive business and project management experience, managing large-scale industrial and commercial projects within the Sydney region.

Mr Stanton holds a degree in Civil Engineering from the University of Sydney.

Adrian Field
*Non-Executive
Director*

Mr Field was a co-founding Director of Service Stream Group, he was appointed a Non-Executive Director in January 2004.

He is a member of the Investment and Strategy Committee and former Chairman of the Environment and Safety Committee. He is actively involved in the business development strategy of Service Stream.

Mr Field has extensive experience in the telecommunications, electrical and construction industries with over 20 years in the areas of business ownership, general management, operations management, sales and account management with Skilled Communications Services Pty Ltd and Communications Services Australia Pty Ltd.

Mr Field is a Director and a major shareholder of Star Services International Pty Ltd, a company he founded in 2007. Star Services operates in the industrial and retail packaging industry.

Previously, Mr Field undertook a successful business venture within the banking industry as co-founder of Direct Cash Pty Ltd culminating in its sale to Cashcard.

Russell Small
*Non-Executive
Director*

Mr Small was a co-founding Director of Service Stream Group, he was appointed a Non-Executive Director in January 2004.

He is Chairman of the Company's Audit and Governance Committee and the Investment and Strategy Committee and a member of the Remuneration and Nomination Committee and Environment and Safety Committee.

Mr Small has extensive experience in the telecommunications industry with over 20 years in the areas of business ownership, general management, operations management, sales and account management with Fujitsu, Honeywell, Skilled Communications Services Pty Ltd and Communications Services Australia Pty Ltd.

Previously, Mr Small undertook a successful business venture within the banking industry as co-founder of Direct Cash Pty Ltd culminating in its sale to Cashcard.

Mr Small holds a Diploma of Business Studies (Valuations).

Aside from his corporate responsibilities, Mr Small is Chairman of the Australian National Water Polo League and a Director of Australian Water Polo Inc.

Stephe Wilks
*Non-Executive
Director*

Mr Wilks joined the Service Stream Group as Non-Executive Director when Total Communications Infrastructure Limited merged with Service Stream Limited in December 2006. Prior to the merger he had been a Director of TCI for two years. He is Chairman of the Environment and Safety Committee and has been appointed as a member of the Audit and Governance Committee.

Mr Wilks has over 20 years' hands on experience in the telecommunications industry both within Australia and overseas.

He is on the advisory board of the Network Insight Group and consults to a number of companies, offering advice in relation to the telecommunications, media and technology industries.

Mr Wilks is currently a Director of People Telecom Limited, Longreach Group Limited, Tel.Pacific Limited, Mooter Media Limited and 3Q Holdings Limited.

Mr Wilks has previously held senior executive positions with BT Asia Pacific, Optus, Hong Kong Telecom, Nextgen Networks and Personal Broadband Australia. He was also a consulting director with investment bank, NM Rothschild.

He holds degrees in science and laws from Macquarie University and a Master of Laws from the University of Sydney.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

<u>Name</u>	<u>Company</u>	<u>Period of directorship</u>
Mr A Field (i)	Service Stream Holdings Pty Ltd (STR)	12 January 2004 to 20 December 2006
Mr R Small (i)	Service Stream Holdings Pty Ltd (STR)	12 January 2004 to 20 December 2006
Mr PJ Flannigan (i)	Service Stream Holdings Pty Ltd (STR)	3 September 2004 to 20 December 2006
Mr M Doery (i)	Service Stream Holdings Pty Ltd (STR)	27 July 2004 to 20 December 2006
Mr JL Davies (i)	Service Stream Holdings Pty Ltd (STR)	25 August 2005 to 20 December 2006
Mr S. Wilks	People Telecom Limited (PEO)	15 February 2006 to Present
Mr M. Doery	Bill Express Limited (BXP)	16 October 2006 to 30 June 2008
Mr S. Wilks	Longreach Group Limited (LRG)	21 November 2006 to Present
Mr S. Wilks	Tel.Pacific Limited (TPC)	2 April 2007 to Present
Mr S. Wilks	Mooter Media Limited (MMZ)	8 November 2007 to Present
Mr S. Wilks	3Q Holdings Limited (TQH)	14 February 2008 to Present

(i) Directorship held prior to the merger of Service Stream Holdings Pty Ltd (STR) and Total Communications Pty Ltd (TCI) on 20 December 2006.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Service Stream Limited		
	Fully paid ordinary shares	Share options	Convertible notes
	Number	Number	Number
JL Davies	256,891	-	-
PJ Flannigan	1,003,052	4,200,000	-
M Doery	1,203,052	3,800,000	-
R Stanton	460,000	2,000,000	-
A Field	5,618,082	-	-
R Small	5,573,147	-	-
S Wilks	-	-	-

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on page 15 to 20

Share options granted to directors and senior management

During and since the end of the financial year an aggregate 80,000 share options were granted to the following directors and senior management of the company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Option Series	Number of ordinary shares under option
J Gramc	40,000	Service Stream Limited	Series 17	40,000
J Gramc	40,000	Service Stream Limited	Series 18	40,000

Company Secretary

Mr Stephen Campbell joined Service Stream Group in January 2005 and was appointed Company Secretary on 20 December 2006. As Group Financial Controller and Company Secretary, he is responsible for the corporate administration, accounting and corporate governance practices and investor relations of the group.

With over 20 years' experience in various senior roles within the accounting profession and, more recently in commerce, with listed organisations as well as large proprietary companies, Mr Campbell has worked extensively across a broad range of industries including manufacturing, distribution, property, gaming and financial services. He has also been involved with capital raisings, due diligence reports, acquisitions and prospectus forecasts.

Mr Campbell has a Bachelor of Business in Accounting (B.Bus), a Master of Business Administration (Advanced) and a Graduate Diploma in Applied Corporate Governance. He is also a Chartered Accountant (CA) and a Chartered Secretary (ACIS).

Principal activities

Service Stream Group continues to service all aspects of the telecommunications industry providing specialist end-to-end services including fixed line & wireless infrastructure design, maintenance, deployment and management; contact centre activities and logistics. During the year, the Group added to its capabilities in the utilities sector in the reading, maintaining, installing and exchanging of meters in the water, gas and electricity sectors and further extended its capabilities in trenching and drilling activities particularly in water and power.

Review of operations

Service Stream delivered another year of impressive growth in revenues and earnings, and continues to meet its earning targets.

2008 saw the Group further enhance the range of services offered to infrastructure based industries by expanding capabilities in reading, maintaining, installing and exchanging meters (in the water, gas and electricity sectors) and further expanding its capabilities in trenching and drilling activities.

Total revenue increased by 82.3% from last year to \$450.6 million for the current period.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$37.2 million (up 75.6%), whilst Net Profit After Tax (NPAT) was 61.1% higher at \$18.1 million.

Revenues from our Field Services activities (\$232.9 million, up from \$116.5 million) continued to grow throughout the year with the introduction of the AAS and Payphones Contracts. Installs and maintenance continues to expand its revenue base with 1.4 million tickets of work delivered during the year (1.2 million tickets last year). This further highlights our ability to deliver quality work in a timely manner into an increasing larger market share. The Payphones contract won in May 2007 has performed above both management and client expectations. In 2008 the group enhanced the range of services offered to infrastructure based industries with the acquisition of, Australia's largest provider of metering service, AMRS.

Resourcing Solutions together with Milcom Training enhanced its reputation as a leading provider of quality staff and training products by growing new relationships outside of its traditional base, and consolidating the existing customers.

Our Contact Centre Solutions business expanded on the growth experienced last year with a further increase in revenue of 22.8% to \$71.4 million for 2007-08. Growth in new markets and other service offerings outside the traditional telecommunication sector with expanded activities after winning the Federal Government's Do Not Call Register as well as new clients in the financial services sector contributed significantly to the overall performance of the business.

Infrastructure Services expanded its capability during the year with the acquisition of the McCourt Dando Group, Alinta's sub-metering assets, and South East Qld Under-road Drillers. Infrastructure Services now accounts for \$145.7M of total revenue (32.3%) and this division provides Service Stream with a competitive advantage in complete service offerings to major customers.

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent events

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The consolidated entity is not required to hold any Environmental Protection Authority licenses.

Dividends

In respect of the financial year ended 30 June 2007, as detailed in the directors' report for the financial year, a final dividend of 4.5 cents per share franked at 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 19 October 2007.

In respect of the financial year ended 30 June 2008, an interim dividend of 3.5 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 10 April 2008.

In respect of the financial year ended 30 June 2008, the directors recommend the payment of a final dividend of 4.0 cents per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 26 September 2008 (to be paid on 17 October 2008).

Share under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Options series	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Service Stream Limited	Series 2	3,352,000	Ordinary	\$0.6250	31 October 2009
Service Stream Limited	Series 3	924,000	Ordinary	\$0.9375	31 October 2009
Service Stream Limited	Series 4	924,000	Ordinary	\$1.2500	31 October 2009
Service Stream Limited	Series 5	96,000	Ordinary	\$0.6250	1 January 2010
Service Stream Limited	Series 6	32,000	Ordinary	\$0.9375	1 January 2010
Service Stream Limited	Series 7	32,000	Ordinary	\$1.2500	1 January 2010
Service Stream Limited	Series 9	80,000	Ordinary	\$0.6500	7 March 2010
Service Stream Limited	Series 10	200,000	Ordinary	\$0.9750	31 October 2009
Service Stream Limited	Series 11	20,000	Ordinary	\$0.6250	31 October 2009
Service Stream Limited	Series 12	2,020,000	Ordinary	\$0.9900	1 November 2011
Service Stream Limited	Series 13	2,020,000	Ordinary	\$1.0800	1 November 2011
Service Stream Limited	Series 14	2,020,000	Ordinary	\$1.2000	1 November 2011
Service Stream Limited	Series 15	500,000	Ordinary	\$1.1250	31 October 2011
Service Stream Limited	Series 16	730,000	Ordinary	\$1.6800	31 October 2011
Service Stream Limited	Series 17	40,000	Ordinary	\$1.0100	1 March 2012
Service Stream Limited	Series 18	40,000	Ordinary	\$1.7600	1 March 2013

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Options series	Number of shares under option	Class of shares	Amount paid per share	Amount unpaid on shares
Service Stream Limited	Series 1	6,800,000	Ordinary	\$0.6250	\$nil

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr S Campbell, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since 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 incurred as such an officer or auditor.

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). During the financial year, 14 board meetings, 4 audit and governance committee, 7 remuneration and nomination committee, 2 environment and safety committee and 3 investment and strategy committee meetings were held.

	Board of Directors		Audit and Governance Committee		Remuneration and Nomination Committee		Environment and Safety Committee		Investment and Strategy Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JL Davies	14	14	4	4	7	7	-	-	-	-
PJ Flannigan	14	14	-	-	-	-	-	-	-	-
M Doery	14	14	-	-	-	-	-	-	-	-
R Stanton	14	14	-	-	-	-	-	-	-	-
A Field	14	14	-	-	-	-	2	2	3	3
R Small	14	13	4	4	7	7	2	2	3	3
S Wilks	14	14	4	4	-	-	2	2	3	3

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 34 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 auditors' behalf) is 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 34 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit 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 21 of the annual report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Service Stream Limited's directors and its senior management for the financial year ended 30 June 2008. The prescribed details of each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Mr JL Davies (Chairman)
Mr PJ Flannigan (Managing Director & Chief Executive Officer)
Mr M Doery (Chief Operating Officer & Chief Financial Officer)
Mr R Stanton (Executive Director)
Mr A Field (Non-Executive Director)
Mr R Small (Non-Executive Director)
Mr S Wilks (Non-Executive Director)

The following key management personnel held their current position for the whole of the financial year and since the end of the financial year:

Mr PJ Flannigan (Managing Director & Chief Executive Officer)
Mr M Doery (Chief Operating Officer & Chief Financial Officer)
Mr R Stanton (Managing Director - TCI)
Mr S Ellich (Executive General Manager – Service Stream Communications and Infrastructure Services)
Mr J Gramc (Executive General Manager – Service Stream Solutions)
Mr J Ryan (Executive General Manager – Development (Telstra))

The term 'senior management' is used in this remuneration report to refer to the key management personnel and group executives.

Remuneration policy

The board, through the Remuneration and Nomination Committee, reviews the remuneration packages of all directors and key management personnel on an annual basis. Remuneration packages are reviewed and determined with due regard to current market rates, and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the company.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the board seeks the advice of external advisers in connection with the structure of remuneration packages.

Service Stream's Remuneration Framework is based on the concept of Total Employee Reward ("TER"). This encompasses the three components of:

1. fixed remuneration;
2. variable remuneration (at risk remuneration); and
3. reward and recognition or non financial reward.

Fixed Remuneration

Service Stream's principal remuneration strategy is to align Fixed Remuneration with the medians of comparable industry positions. Fixed remuneration will be expressed as Total Fixed Remuneration ("TFR"). TFR includes salary and superannuation entitlements, and is used as a basis for remuneration review; leave payments on termination and redundancy payments.

Benefits such as mobile phones, incentive payments, work vehicles etc. are excluded from this figure. Salary Sacrifice choices that an employee may choose to make out of pre-tax salary do not impact overall TFR.

The range of remuneration for each position will be determined by market data, which the Job Evaluation has determined the role to fit within. From time to time, where a need arises, other more specific market data may be used for certain positions. Service Stream does not incorporate cost of living differentials into its remuneration policy.

Variable Remuneration

Variable Remuneration is comprised of Short Term Incentive Plans and Long Term Incentive Plans.

Short Term Incentive Plan (“STIP”)

Employees invited to participate in the STIP have the opportunity to earn an annual lump sum incentive payment through the achievement of annual goals established with their manager and approved by the Salary and Reward Committee or Remuneration and Nomination Committee as appropriate at the beginning of each financial year.

The annual goals that are established are considered outside the normal scope of the employee's duties and/or requiring performance significantly above the average. The Short Term Incentive Plan performance goals are tied directly to annual objectives of Service Stream, which are linked directly to the overall group strategy. All eligible employees' STIP is comprised of four set performance goals:

1. group financial goals;
2. company financial goals;
3. business unit goals; and,
4. individual goals.

Long Term Incentive Payments (“LTIP”)

From time to time employees in senior management roles may be invited, with approval from the Board, to participate in a Long Term Incentive Plan. The LTIP utilises the facility known as the Service Stream Executive Option Plan (“EOP”). The Salary and Reward Committee administer the LTIP and EOP. The size of individual options grants is recommended by the CEO and reviewed by the Remuneration Committee, which will then, if appropriate, make recommendations to the Board for approval.

Reward and Recognition or Non Financial Reward

High Performance Recognition

From time to time an employee or team of employees, may work beyond the call of duty to meet a challenging objective, or may substantially exceed expectations. Service Stream encourages recognition and reward for such behaviours.

Service Stream may choose to recognise high performance in a number of ways.

Discretionary Bonuses

A discretionary bonus may be payable where performance has been well above and beyond the expectations of an employee's usual position and has a significant positive financial impact on Service Stream. A business case needs to be prepared showing a clear connection between the employee's contribution, the financial results achieved and the proposed bonus.

The Remuneration and Nomination Committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance, data on remuneration paid by comparable companies and where appropriate, the remuneration committee may receive expert independent advice regarding remuneration levels required to attract and compensate directors and executives, given the nature of their work and responsibilities

Relationship between remuneration policy and company performance

As announced on 29 January 2008 the Company's senior executives have recognised the changing nature of the company's corporate development and have moved towards a rewards system that is more clearly aligned to the interests of shareholders. The new employment contracts for M Doery and PJ Flannigan provide for the following key specific performance related elements:

- base remuneration including non-monetary and post-employment benefits
- payment of a short term bonus if the agreed STIP based on annual targets, as determined by the Remuneration and Nomination Committee, are met
- the issue of ordinary shares and share options issued if the agreed LTIP, as determined by the Remuneration and Nomination Committee on an annual basis, are met. As outlined below these measures are in alignment with the growth in shareholder wealth.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance bonus based on targets in relation to financial performance, occupational health & safety and business development, and the second being the issue of shares and options to directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to be effective in increasing the Group's shareholder wealth.

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to a number of indices including the following:

	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Revenue	450,581	247,108	170,983	60,576
Net profit before tax	25,947	16,598	6,260	1,111
Net profit after tax	18,095	11,235	4,352	1,042

	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Share price at end of year ³	1.000	1.880	0.925	0.525
Interim dividend ¹	3.50cps	3.00cps	0.75cps	-
Final dividend ^{1 2}	4.00cps	4.50cps	1.12cps	-
Basic earnings per share ³	10.98cps	10.66 cps	6.97 cps	1.48 cps
Diluted earnings per share ³	10.42cps	9.57 cps	5.81 cps	1.18 cps

¹ Franked to 100% at 30% corporate income tax rate.

² Declared after the balance date and not reflected in the financial statements.

³ On 20 December 2006 the merger between Service Stream Limited and Service Stream Holdings Limited became effective. The transaction has been accounted for as a reverse acquisition using the guidelines set out in AASB 3 'Business Combinations'. In accordance with this standard the comparative period earnings per share and share price have been recalculated using the number of ordinary shares issued by Service Stream Limited to the owners of Service Stream Holdings.

The overall level of key management personnel's compensation takes into account the performance of the Group over a number of years. Over the past four years the Group's profit from ordinary activities after income tax has grown at an average rate per annum of over 409%. During the same period average key management personnel compensation has grown by approximately 30%.

The directors felt that the share price was not as stable as was expected during the year, reaching a low of \$0.955 and a high of \$2.470. Whilst these fluctuations are a concern of the board and also executives it is felt that this is a result of the deterioration of the market as a whole in response to the worsening market conditions globally, rather than the performance of the Group. As the table above demonstrates, the Group continues to deliver strong growth in earnings with earnings per share growth of over 642% in four years.

Remuneration of directors and senior management

2008	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment		Total
	Salary & fees	Bonus	Non-monetary	Super-annuation		Shares	Options	
						\$	\$	
Non-executive directors								
J L Davies	196,875	-	-	17,719	-	129,000	-	343,594
A Field	71,875	-	-	6,469	-	-	-	78,344
R Small	134,375	-	-	12,094	-	-	-	146,469
S Wilks (ii)	89,375	-	-	8,044	-	-	-	97,419
Executives								
P J Flannigan	546,250	157,500	18,967	13,129	-	258,000	-	993,846
M Doery	486,264	133,000	22,430	13,129	-	258,000	-	912,823
R Stanton	318,220	100,000	-	31,822	-	-	-	450,042
C Boutas (i)	187,612	150,000	-	13,129	-	-	-	350,741
S Ellich	238,473	220,000	9,899	14,223	-	39,360	-	521,955
J Gramc	141,828	133,028	13,696	100,671	-	-	8,982	398,205
J Ryan	209,239	124,175	19,050	13,129	-	-	-	365,593
M Stackpool (i)	238,750	50,000	31,864	31,250	-	-	-	351,864

(i) These executives are not considered to be key management personnel but are included in the above table as they are one of the five relevant group executives with the highest remuneration for the year.

(ii) S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which S Wilks has a beneficial interest.

2007	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payment		Total
	Salary & fees	Bonus	Non-monetary	Super-annuation		Shares (iii)	Options	
						\$	\$	
Non-executive directors								
J L Davies	147,500	-	-	13,275	-	-	-	160,775
A Field	57,087	-	-	5,137	-	-	-	62,224
R Small	98,337	-	-	8,850	-	-	-	107,187
S Wilks (ii)	202,250	-	-	-	-	-	-	202,250
Executives								
P J Flannigan	320,992	157,500	57,986	62,612	-	570,000	273,719	1,442,809
M Doery	338,589	133,000	13,940	20,487	-	570,000	246,347	1,322,363
R Stanton	314,961	145,454	-	44,315	-	-	53,929	558,659
J Gramc	134,044	87,500	18,896	97,059	-	-	-	337,499
S Campbell	126,981	45,871	-	24,770	-	-	-	197,622
J Caporale	202,562	276,337	44,223	14,633	-	-	-	537,755
G Kenyon	100,689	14,678	42,322	3,665	-	-	-	161,354
A Legge	169,274	34,000	-	15,725	-	-	-	218,999

(iii) Includes a milestone project bonus of \$570,000 in shares related to the successful completion of the merger between Service Stream Holdings Pty Ltd and Service Stream Limited.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

During the year, JL Davies received share-based payments in accordance with the approval of shareholders at the Annual General Meeting held on 25 October 2007. PJ Flannigan and M Doery received share-based payments, in accordance with the shareholder approval at the Annual General Meeting on 25 October 2007, in recognition of the achievement of performance targets as set out by the Remuneration and Nomination Committee. The total number of shares issued was substantially lower than originally anticipated by the agreement. These were the final issue of shares under the terms of that employment agreement and, as detailed in the previous section, these employment agreements have now been revised to give a rewards system that is even more clearly aligned to the interests of all shareholders. In addition S Ellich received shares on the successful acquisition of McCourt Dando Group.

The bonuses stated in the above table relate to the prior financial year and are based on the achievement of performance goals set by the Remuneration and Nomination Committee at the start of the period. The performance goals are dependant on the individuals role and comprise of the four performance criteria outlined in the Variable Remuneration section of the Remuneration policy. All bonuses for key management personnel are approved by the Remuneration and Nomination Committee.

Employee share option plan

Service Stream Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity.

During the financial year, the following share-based payment arrangements were in existence.

Option series	Grant date	Expiry date	Grant date fair value	Vesting date
Series 1	04/01/07	31/12/07	-	Vests at date of grant
Series 2	04/01/07	31/10/09	-	Vests at date of grant
Series 3	04/01/07	31/10/09	0.0063	Vests at date of grant
Series 4	04/01/07	31/10/09	-	Vests at date of grant
Series 5	04/01/07	01/01/10	0.1067	Vests at date of grant
Series 6	04/01/07	01/01/10	0.0063	Vests at date of grant
Series 7	04/01/07	01/01/10	-	Vests at date of grant
Series 9	04/01/07	07/03/10	0.1235	Vests at date of grant
Series 10	04/01/07	31/10/09	0.0373	Vests at date of grant
Series 11	04/01/07	31/10/09	0.3197	Vests at date of grant
Series 12	04/01/07	01/01/11	0.2833	Vests at date of grant
Series 13	04/01/07	01/01/11	0.2355	Vests at date of grant
Series 14	04/01/07	01/01/11	0.1815	Vests at date of grant
Series 15	04/01/07	31/10/11	0.0767	Vests at date of grant
Series 16	04/01/07	31/10/11	0.1006	Vests at date of grant
Series 17	23/10/07	01/03/12	0.0823	Vests at date of grant
Series 18	23/10/07	01/03/13	0.1423	Vests at date of grant

The following grants of share-based compensation to directors and senior management relate to the current financial year:

Name	Option Series	During the financial year				%of compensation for the year consisting of options
		No. granted	No. vested	% of grant vested	% of grant forfeited	
J Gramc	Series 17	40,000	40,000	100%	n/a	0.83%
J Gramc	Series 18	40,000	40,000	100%	n/a	1.43%

During the year, the following directors and senior management exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of Service Stream Limited.

Name	No. of options exercised	No. of ordinary shares of Service Stream Limited issued	Amount paid	Amount unpaid
A Field	2,266,667	2,266,667	\$1,416,667	\$nil
R Small	2,266,667	2,266,667	\$1,416,667	\$nil

The following table summarises the value of options granted, exercised or lapsed during the year to directors and senior management:

Name	Value of options granted at the grant date (i) \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse (ii) \$
J Gramc	\$8,982	-	-
A Field	-	-	-
R Small	-	-	-

- (i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
- (ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition has been satisfied.

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



JL Davies
Chairman
Melbourne, 28 August 2008



PJ Flannigan
Managing Director
Melbourne, 28 August 2008

The Board of Directors
Service Stream Limited
Level 12, 555 Lonsdale Street
MELBOURNE VIC 3000

28 August 2008

Dear Board Members

Auditors Independence Declaration to Service Stream Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Service Stream Limited.

As lead audit partner for the audit of the financial statements of Service Stream Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



S PELUSI
Partner
Chartered Accountants

Independent Auditor's Report to the members of Service Stream Limited

Report on the Financial Report

We have audited the accompanying financial report of Service Stream Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 24 to 75.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Service Stream Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 20 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Service Stream Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



S PELUSI
Partner
Chartered Accountants
Melbourne, 28 August 2008

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

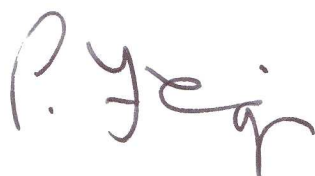
In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 27 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



JL Davies
Chairman
Melbourne, 28 August 2008



PJ Flannigan
Managing Director
Melbourne, 28 August 2008

Income statement for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	5	450,556	245,765	7,072	74,072
Other income	7(a)	31	1,343	-	-
Share of losses of joint venture arrangements accounted for using the equity method	12	(55)	-	-	-
Company administration and insurance expenses		(6,183)	(5,336)	-	(1,907)
Site and construction costs		(36,265)	(21,363)	-	(45,499)
Salaries and employee benefits		(129,892)	(66,236)	-	(10,192)
Temporary staff costs and subcontractor fees		(182,527)	(89,450)	-	(2,321)
Raw materials and finished goods used		(33,803)	(29,633)	-	-
Motor vehicles expenses		(6,373)	(2,104)	-	(583)
Consulting and directors' fees		(542)	(642)	-	(209)
Technology services		(2,928)	(1,660)	-	-
Occupancy expenses		(6,857)	(3,327)	-	(630)
Finance costs	6	(5,160)	(2,102)	-	-
Depreciation and amortisation	7(b)	(6,685)	(2,684)	-	(237)
Other expenses		(7,370)	(5,973)	-	-
Profit before tax		25,947	16,598	7,072	12,494
Income tax expense	8	(7,852)	(5,363)	-	(4,141)
Profit for the year		18,095	11,235	7,072	8,353
Attributable to the equity holders of the parent		18,095	11,235	7,072	8,353
Earnings per share					
Basic (cents per share)	24	10.98	10.66		
Diluted (cents per share)	24	10.42	9.57		

Notes to the financial statements are included on pages 29 to 75.

Balance sheet as at 30 June 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	29(a)	-	5,248	-	415
Trade and other receivables	9	92,506	57,342	-	23,546
Inventories	11	11,383	1,427	-	-
Current tax assets	8	477	-	477	-
Other	16	43,966	23,205	-	12,664
Total current assets		148,332	87,222	477	36,625
Non-current assets					
Investments accounted for using the equity method	12	490	700	-	-
Trade and other receivables	9	-	-	62,242	7,058
Other financial assets	10	-	-	105,747	105,705
Property, plant and equipment	13	20,206	5,210	-	159
Deferred tax assets	8	1,680	2,431	1,680	1,289
Goodwill	14	206,422	155,703	-	-
Other intangible assets	15	3,143	2,858	-	-
Total non-current assets		231,941	166,902	169,669	114,211
Total assets		380,273	254,124	170,146	150,836
Current liabilities					
Trade and other payables	18	69,661	61,229	-	23,157
Borrowings	19	39,096	4,654	-	-
Current tax liabilities	8	-	5,177	-	4,013
Provisions	20	9,489	8,189	-	514
Total current liabilities		118,246	79,249	-	27,684
Non-current liabilities					
Trade and other payables	18	8,672	3,571	-	-
Borrowings	19	54,357	30,803	-	-
Provisions	20	1,589	1,190	-	278
Total non-current liabilities		64,618	35,564	-	278
Total liabilities		182,864	114,813	-	27,962
Net assets		197,409	139,311	170,146	122,874
Equity					
Issued capital	21	183,903	130,755	167,144	113,996
Reserves	22	1,141	725	1,299	686
Retained earnings	23	12,365	7,831	1,703	8,192
Total equity		197,409	139,311	170,146	122,874

Notes to the financial statements are included on pages 29 to 75.

Statement of changes in equity for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Retained earnings	23				
Balance at the beginning of the year		7,831	2,753	8,192	9,520
Profit for the year		18,095	11,235	7,072	8,353
Dividends paid		(13,561)	(6,157)	(13,561)	(9,681)
Balance at end of financial year		12,365	7,831	1,703	8,192
(b) Reserves	22				
Reserves at beginning of year		725	65	686	-
Equity-settled share based payment		613	686	613	686
Exchange differences arising on translation of foreign operations (note 22)		(197)	-	-	-
Transfer to share capital		-	(26)	-	-
Balance at end of financial year		1,141	725	1,299	686
(c) Issued capital	21				
Share capital at beginning of year:		130,755	25,867	113,996	9,055
Issue of shares as partial consideration for business combinations		4,314	-	4,314	-
Issue of shares in accordance with the Scheme of arrangement		-	-	-	103,955
Net costs associated with share issues		(884)	(52)	(884)	-
Issue of share capital		40,646	103,928	40,646	-
Exercise of options		4,250	126	4,250	126
Transfer from employee equity-settled benefits reserve		-	26	-	-
Issue of shares in dividend reinvestment plan		4,822	860	4,822	860
Share capital at end of the year- 173,388,975 fully paid ordinary shares		183,903	130,755	167,144	113,996
(d) Total recognised income and expenses for the period					
Net profit for the year		18,095	11,235	7,072	8,353

Notes to the financial statements are included on pages 29 to 75.

Cash flow statement for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers		410,717	224,068	-	64,710
Payments to suppliers and employees		(429,453)	(214,583)	-	(52,543)
Dividends received		-	76	-	-
Interest received		546	173	-	381
Interest and other costs of finance paid		(4,929)	(2,048)	-	-
Income taxes paid		(9,998)	(2,479)	-	(6,352)
Net cash (used in)/provided by operating activities	29(d)	(33,117)	5,207	-	6,196
Cash flows from investing activities					
Additional interests acquired in joint venture arrangements		(42)	(700)	(42)	-
Payments for property, plant and equipment		(10,734)	(2,888)	-	(48)
Proceeds from sale of property, plant and equipment		603	349	-	-
Proceeds on sale of equity instruments		-	2,285	-	-
Payment for intangible assets		(1,555)	(3,267)	-	-
Payment for businesses	29(b)	(43,295)	(20,659)	-	(1,050)
Net cash used in investing activities		(55,023)	(24,880)	(42)	(1,098)
Cash flows from financing activities					
Proceeds from issues of shares		44,251	125	44,251	125
Payment for share issue costs		(906)	-	(906)	-
Proceeds from borrowings		169,114	65,632	-	-
Repayment of borrowings		(129,638)	(37,587)	-	-
Payment to controlled entities		-	-	(34,979)	(7,758)
Dividends paid		(8,739)	(5,297)	(8,739)	(8,820)
Net cash provided by/(used in) financing activities		74,082	22,873	(373)	(16,453)
Net (decrease)/increase in cash and cash equivalents		(14,058)	3,200	(415)	(11,355)
Cash and cash equivalents at the beginning of the financial year		5,248	2,048	415	11,770
Cash and cash equivalents at the end of the financial year	29(a)	(8,810)	5,248	-	415

Notes to the financial statements are included on pages 29 to 75.

Notes to the financial statements for the financial year ended 30 June 2008

1. General information

Service Stream Limited (the company) is a public company listed on the Australian Stock Exchange (trading under the symbol 'SSM'), incorporated and operating in Australia.

Service Stream Limited's registered office and its principal place of business are as follows:

Registered office

Level 12
555 Lonsdale Street
MELBOURNE VIC 3000
Tel: (03) 9677 8888

Principal place of business

Level 12
555 Lonsdale Street
MELBOURNE VIC 3000
Tel: (03) 9677 8888

The entity's principal activities are the provision of services to infrastructure based industries predominantly in the telecommunications and utilities sectors providing specialist end-to-end services including fixed line & wireless infrastructure design, maintenance, deployment and management; contact centre activities and logistics. During the year, the Group added capabilities in the reading, maintaining, installing and exchanging of meters in the water, gas and electricity sectors. In addition the Group extended its capabilities in trenching and drilling activities particularly in water and power.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 August 2008.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

2. Significant accounting policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

In the current year, the Group 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 annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in individual accounting policy notes set out below. The Group has also adopted the following standards as listed below which only impacted on the Group's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any cost directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are held for resale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at 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. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(c) Joint venture arrangements

Investments in jointly controlled entities where the Group is an investor but does not have joint control over the entity are accounted for as an available-for-sale financial asset or, if the Group has significant influence, by using the equity method (refer note 2(k)).

2. Significant accounting policies (continued)

(d) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Service Stream Limited and the presentation of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in other currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2. Significant accounting policies (continued)

(f) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 2(g).

Dividend and interest revenue

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount.

(g) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable 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.

(h) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimates 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 over the remaining vesting period or expensed immediately if the option vests on grant date, with corresponding adjustment to the equity-settled employee benefits reserve.

No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods and services received is recognised at the current fair value determined at each reporting date.

2. Significant accounting policies (continued)

(i) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that settled the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company /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 is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

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. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach based on the allocation specified in the tax funding arrangement. The tax funding arrangement requires 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. 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).

2. Significant accounting policies (continued)

Due to the existence of a tax funding arrangement between entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 8 to the financial statements.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(j) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. 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 balance sheet.

(k) Financial assets

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

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Further information regarding equity accounted investments is detailed in note 2(c).

Effective interest method

The effective interest method is a method of calculating the amortised costs of a financial asset 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate a shorter period.

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 costs using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 impacted.

For financial assets carried at amortised cost, the amount of the impairment 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.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an 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 the profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the event occurring after the impairment was recognised, the previously recognised impairment loss is reversed does not exceed what the amortised costs would have been had the impairment not been recognised.

2. Significant accounting policies (continued)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to each particular class of inventory, with all categories being valued on a first in first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(m) Plant and equipment

Plant and equipment, leasehold improvements, 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 provided on plant and equipment. 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 values and depreciation method are reviewed at the end of each annual accounting period, with effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on 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 the profit or loss.

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

• Leasehold improvements	2 - 10 years
• Plant and equipment	2 - 10 years
• Equipment under finance lease	2 – 7 years
• Motor vehicles	3 – 7 years

(n) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Significant accounting policies (continued)

(o) 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 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 an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(p) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably..

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Software

Software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 3 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(q) Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered 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 the asset does not generate cash flows that are independent from other assets, 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. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

Recoverable amount is the higher of the fair value less costs to sell 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (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 revalued amount, in which case the impairment loss is treated as a revaluation decrease (refer note 2(m)).

2. Significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation decrease (refer note 2(m)).

(r) Employee benefits

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of the settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(s) 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

(t) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. 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 recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

2. Significant accounting policies (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss where the financial liability is either held for trading or it is designated at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 30.

Other financial liabilities

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

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.

(u) **Standards and Interpretations issued not yet effective**

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

- | | |
|--|---|
| • AASB 101 'Presentation of Financial Statements' (revised September 2007) | Effective for annual reporting periods beginning on or after 1 January 2009 |
|--|---|

2. Significant accounting policies (continued)

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

- AASB 8 'Operating Segments' Effective for annual reporting periods beginning on or after 1 January 2009
- AASB Interpretation 12 'Service Concession Arrangements' Effective for annual reporting periods beginning on or after 1 January 2008
- AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' Effective for annual reporting periods beginning on or after 1 January 2008
- AASB Interpretation 13 'Customer Loyalty Programmes' Effective for annual reporting periods beginning on or after 1 July 2008
- AASB Interpretation 123 'Borrowing Costs' (revised) Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-1 'Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations' Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation' Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

- IFRS 3 'Business Combinations' and IAS 27 'Separate and Consolidated Financial Statements' Effective for annual reporting periods beginning on or after 1 July 2009

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates.

These estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as appropriate in the Notes to the Financial Statements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates and underlying assumptions are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Segment information

Information on business segments

Products and services within each business segment

For management purposes, the Group is organised into three main operating divisions – Contact Centre Solutions, Field Services and Infrastructure Services. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

Contact Centre Solutions	Specialist end-to-end services management; Contact centre activities and logistics services to the telecommunications industry.
Field Services	Field based jobs issued and completed within 48 hours.
Infrastructure Services	Provides turnkey and project management solutions in the construction of telecommunications and utilities infrastructure.

Segment revenues and results

	Segment revenue		Segment result	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Contact Centre Solutions	71,400	58,160	4,111	3,718
Field Services	232,880	116,507	19,740	10,412
Infrastructure Services	145,695	71,098	13,394	7,574
Total of all segments	449,975	245,765	37,245	21,704
Eliminations	-	-	-	-
Unallocated	581	-	(6,137)	(3,004)
Interest paid	-	-	(5,160)	(2,102)
Consolidated Revenue	450,556	245,765	-	-
Profit before income tax expense			25,947	16,598
Income tax expense			(7,852)	(5,363)
Profit for the period			18,095	11,235

Segment assets and liabilities

	Assets		Liabilities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Contact Centre Solutions	18,089	23,573	7,723	13,739
Field Services	105,296	43,899	24,556	17,563
Infrastructure Services	183,147	182,241	35,685	26,809
Total of all segments	306,532	249,713	67,964	58,111
Eliminations	-	-	-	-
Unallocated	73,741	4,411	114,900	56,702
Consolidated	380,273	254,124	182,864	114,813

Information on geographical segments

The company carries out its business entirely within Australia.

5. Revenue

An analysis of the Group's revenue for the year is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Revenue from the rendering of services	450,010	245,504	-	73,691
Interest revenue:				
Bank deposits	546	173	-	381
Dividends:				
Subsidiaries	-	-	7,072	-
Other entities	-	76	-	-
Other revenue	-	12	-	-
Total revenue from ordinary activities	450,556	245,765	7,072	74,072

6. Finance costs

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Interest on bank overdrafts and loans	3,798	1,836	-	-
Interest on obligations under finance leases	1,072	244	-	-
Other interest expense	290	22	-	-
	5,160	2,102	-	-

7. Profit for the year before tax

(a) Gains and losses

Profit/(loss) for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Gain on disposal of plant and equipment	31	82	-	-
Gain on disposal of investments	-	1,261	-	-
	31	1,343	-	-

(b) Other expenses

Profit for the year includes the following expenses:

Depreciation of non-current assets	5,415	1,927	-	237
Amortisation of non-current assets	1,270	757	-	-
	6,685	2,684	-	237
Operating lease rental expenses:				
Minimum lease payments	5,466	2,860	-	836
	5,466	2,860	-	836
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	6,350	4,240	-	817
Share-based payments:				
Equity settled share-based payments	613	1,825	-	1,825
	6,963	6,065	-	2,642

8. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Tax expense comprises:				
Current tax expense in respect of the current year	9,627	6,806	-	4,530
Adjustments recognised in the current year in relation to the current tax of prior years	(84)	-	-	-
	9,543	6,806	-	4,530
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(1,691)	(1,443)	-	(389)
	(1,691)	(1,443)	-	(389)
Total tax expense	7,852	5,363	-	4,141

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from ordinary activities	25,947	16,598	7,072	12,494
Income tax expense calculated at 30%	7,784	4,979	2,122	3,748
Effect of expenses that are not deductible in determining taxable profit	406	453	-	393
Items deducted for tax purposes only	(254)	(51)	-	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	-	-	(2,122)	-
Other	-	(18)	-	-
	7,936	5,363	-	4,141
Adjustments recognised in the current year in relation to the current tax of prior years	(84)	-	-	-
	7,852	5,363	-	4,141

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.

8. Income taxes (continued)

Income tax recognised directly in equity

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
The following current amounts were charged/(credited) directly to equity during the period:				
<u>Current tax</u>				
Share-issue expenses	272	52	272	-
	272	52	272	-
<u>Deferred tax</u>				
Arising on transactions with equity participants:				
Share issue expenses deductible over 5 years	(940)	-	940	-
	(940)	-	940	-
	668	52	940	-

Current tax assets and liabilities

Current tax assets

Income tax payable attributable to:

Entities in the tax-consolidated group

477	-	477	-
477	-	477	-

Current tax liabilities

Income tax payable attributable to:

Parent entity

Entities in the tax-consolidated group

-	1,487	-	1,487
-	3,690	-	2,526
-	5,177	-	4,013

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Consolidated			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
2008				
Temporary differences				
Trade and other receivables	970	(442)	-	528
Other intangible assets	53	(53)	-	-
Trade, other payables and provision	1,286	(924)	-	362
Share issue costs	122	(272)	940	790
	2,431	(1,691)	940	1,680

Presented in the balance sheet as follows:

Deferred tax (liability)	-
Deferred tax asset	1,680
	1,680

8. Income taxes (continued)

2007	Consolidated			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
Temporary differences				
Trade and other receivables	93	877	-	970
Other intangible assets	368	(315)	-	53
Trade, other payables and provision	405	881	-	1,286
Share issue costs	174	(52)	-	122
	<u>1,040</u>	<u>1,391</u>	<u>-</u>	<u>2,431</u>

Presented in the balance sheet as follows:

Deferred tax (liability)	-
Deferred tax asset	2,431
	<u>2,431</u>

2008	Company			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
Temporary differences				
Trade and other receivables	1,099	(571)	-	528
Other intangible assets	-	-	-	-
Trade, other payables and provision	190	172	-	362
Share issue costs	-	(150)	940	790
	<u>1,289</u>	<u>(549)</u>	<u>940</u>	<u>1,680</u>

Presented in the balance sheet as follows:

Deferred tax (liability)	-
Deferred tax asset	1,680
	<u>1,680</u>

8. Income taxes (continued)

2007	Company			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
Temporary differences				
Trade and other receivables	480	619	-	1,099
Other intangible assets	-	-	-	-
Trade, other payables and provisions	420	(230)	-	190
Share issue costs	-	-	-	-
	900	389	-	1,289

Presented in the balance sheet as follows:

Deferred tax (liability)	-
Deferred tax asset	1,289
	1,289

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 20 December 2006 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Service Stream Limited. The members of the tax-consolidated group are identified at note 27, including those companies that joined the tax-consolidated Group during the year.

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 entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

9. Trade and other receivables

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	88,730	57,730	-	26,143
Allowance for doubtful debts	(3,560)	(3,233)	-	(3,173)
	85,170	54,497	-	22,970
Goods and services tax recoverable	4,442	2,335	-	554
Other	2,894	510	-	22
	92,506	57,342	-	23,546
Amounts receivable from wholly-owned controlled entities	-	-	62,242	7,058
	-	-	62,242	7,058
	92,506	57,342	62,242	30,604
Disclosed in the financial statements as:				
Current trade and other receivables	92,506	57,342	-	23,546
Non-current trade and other receivables	-	-	62,242	7,058
	92,506	57,342	62,242	30,604

The ageing of trade receivables as at 30 June 2008 is detailed below:

	Consolidated				Company			
	2008		2007		2008		2007	
	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000
Not past due (i)	61,516	-	42,417	-	-	-	16,301	-
Past due 0-30 days	16,871	-	4,802	-	-	-	1,842	-
Past due 31-60 days	2,246	-	9,162	(3,173)	-	-	7,851	(3,173)
Past due 61-90 days	1,154	(6)	1,032	-	-	-	77	-
Past 90 days	6,942	(3,554)	317	(60)	-	-	72	-
	88,730	(3,560)	57,730	(3,233)	-	-	26,143	(3,173)

In the above analysis Trade receivables have been aged according to their original due date.

The movement in the allowance for doubtful debts in respect of trade receivables is detailed below:

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at the beginning of the year	(3,233)	(311)	(3,173)	(1,603)
Transfers to wholly-owned controlled entities	-	-	3,173	-
Impairment losses recognised on receivables	(388)	-	-	(1,570)
Additional amounts recognised from business combinations occurring during the year	-	(3,173)	-	-
Amounts recovered during the year	-	-	-	-
Impairment losses reversed	61	251	-	-
Balance at the end of the year	(3,560)	(3,233)	-	(3,173)

9. Trade and other receivables (continued)

The average credit period on sales of goods and rendering of services is 30 days. Interest may be charged on trade receivables. Trade receivables are continuously assessed for recoverability on an individual account by account basis and allowances applied for specific impairments. Based upon the group's historical loss experience no collective impairments have been made. All credit and recovery risk associated with trade receivables has been provided for in the balance sheet.

Before accepting any new customers, the Group performs external credit checks to assess the potential customer's credit quality and defines credit limits by customer. The majority of the trade receivables balance are with large globally recognised companies with high credit ratings. Of the trade receivables balance at the end of the year, \$39.2 million (2007: \$22.7 million) is due from Telstra Corporation Ltd, the Group's largest customer, \$8.7 million (2007: \$12.3 million) is due from Ericsson Pty Ltd, \$6.9 million (2007: \$6.5 million) is due from Singtel Optus group and \$4.1 million (2007: \$7.4 million) from Vodafone group. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivables balance are debtors with a carrying amount of \$23.7 million (2007: \$12.1 million) which are past due at the reporting date for which the Group has not provided. These trade receivables have a good debt history and are considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The credit risk for the Group is limited due to the high proportion of trade receivables that are held with large publically-listed companies.

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
10. Other financial assets				
Investments carried at cost:				
<u>Non-current</u>				
Investments in subsidiaries (note 27)	-	-	105,005	105,005
Investments in joint venture arrangements	-	-	742	700
	-	-	105,747	105,705
11. Inventories				
Finished goods:				
At cost	11,383	1,427	-	-
12. Investments accounted for using the equity method				
Investments in joint venture arrangements	490	700	-	-
Reconciliation of movement in investments accounted for using the equity method:				
Balance at 1 July	700	-	-	-
Share of loss for the year	(55)	-	-	-
	645	-	-	-
Foreign exchange currency movements	(197)	-	-	-
Additions	42	700	-	-
Balance at 30 June	490	700	-	-

12. Investments accounted for using the equity method (continued)

Name of entity	Country of incorporation	Ownership interest	
		2008 %	2007 %
Jointly controlled entities			
TotalComm Infra Services Pvt Ltd (i)	India	40	40
(i) This company is a joint venture arrangement of Total Communications Infrastructure (Singapore) Pte Ltd.			

Summarised financial information in respect of the Group's joint venture arrangements is set out below:

	Consolidated	
	2008	2007
	\$'000	\$'000
Financial position:		
Total assets	3,361	1,750
Total liabilities	(2,135)	-
Net assets	1,226	1,750
Group's share of joint venture arrangements net assets	490	700
Financial performance:		
Income	538	-
Expenses	(674)	-
Group's share of joint venture arrangements' (loss)	(55)	-

Dividends received from associates and joint ventures

During the year, the Group received no dividends (2007: Nil) from its joint venture arrangements.

Capital commitments

The Group's share of capital commitments and other expenditure commitments of associates and joint venture arrangements is disclosed in note 26.

13. Plant and equipment

	Consolidated				Total \$'000
	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Motor Vehicles at cost \$'000	
Gross carrying amount					
Balance at 1 July 2006	1,014	2,180	674	1,354	5,222
Additions	1,506	970	-	412	2,888
Disposals	(1)	-	(566)	(168)	(735)
Acquisitions through business combinations	29	495	-	525	1,049
Balance at 1 July 2007	2,548	3,645	108	2,123	8,424
Additions	2,185	3,225	4,454	871	10,735
Transfers	-	(403)	1,826	(1,423)	-
Disposals	-	(492)	(15)	(898)	(1,405)
Acquisitions through business combinations	-	4,360	6,845	3,209	14,414
Balance at 30 June 2008	4,733	10,335	13,218	3,882	32,168
Accumulated depreciation					
Balance at 1 July 2006	(508)	(765)	(182)	(300)	(1,755)
Disposals	-	-	322	146	468
Depreciation expense	(466)	(656)	(177)	(628)	(1,927)
Balance at 1 July 2007	(974)	(1,421)	(37)	(782)	(3,214)
Transfers	2	227	(976)	747	-
Disposals	-	382	4	447	833
Acquisitions through business combinations	-	(1,565)	(1,372)	(1,229)	(4,166)
Depreciation expense	(627)	(1,752)	(2,110)	(926)	(5,415)
Balance at 30 June 2008	(1,599)	(4,129)	(4,491)	(1,743)	(11,962)
Net book value					
As at 30 June 2007	1,574	2,224	71	1,341	5,210
As at 30 June 2008	3,134	6,206	8,727	2,139	20,206

13. Plant and equipment (continued)

	Company				Total \$'000
	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Motor Vehicles at cost \$'000	
Gross carrying amount					
Balance at 1 July 2006	21	1,552	-	-	1,573
Additions	-	48	-	-	48
Balance at 1 July 2007	21	1,600	-	-	1,621
Transfers to wholly-owned entities	(21)	(1,600)	-	-	(1,621)
Additions	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-
Accumulated depreciation					
Balance at 1 July 2006	(15)	(1,210)	-	-	(1,225)
Depreciation expense	(3)	(234)	-	-	(237)
Balance at 1 July 2007	(18)	(1,444)	-	-	(1,462)
Transfers to wholly-owned entities	18	1,444	-	-	1,462
Depreciation expense	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-
Net book value					
As at 30 June 2007	3	156	-	-	159
As at 30 June 2008	-	-	-	-	-

There was no depreciation charge during the period that was capitalised as part of the cost of other assets.

Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 19 to the financial statements, Service Stream Limited has granted a registered mortgage debenture over all assets and uncalled capital in favour of Westpac Banking Corporation. Each wholly-owned subsidiary of Service Stream Limited has granted a guarantee and indemnity of the obligations of Service Stream Limited to Westpac Banking Corporation.

Assets under lease are pledged as security for the associated lease liability.

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
14. Goodwill				
Gross carrying amount				
Balance at beginning of financial year	155,703	18,551	-	-
Additional amounts recognised from business combinations occurring during the period (note 28)	50,719	137,152	-	-
Balance at end of financial year	<u>206,422</u>	<u>155,703</u>	<u>-</u>	<u>-</u>
Net book value				
At the beginning of the financial year	155,703	18,551	-	-
At the end of the financial year	<u>206,422</u>	<u>155,703</u>	<u>-</u>	<u>-</u>

The recoverable amount of goodwill was assessed by reference to the cash-generating units' value in use. A discount factor of 10.5% (2007: 9.5%) was applied in the value in use model. Cash flows have been extrapolated using an average growth rate of 3% p.a.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Contact Centre Solutions, including customer contact centre operations
- Field Services, including home installations
- Infrastructure Services, including turnkey project management solutions in the construction of telecommunication infrastructure services and other industry verticals

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
15. Other intangible assets				
Software:				
Gross carrying amount				
Balance at beginning of financial year	3,615	348	-	-
Additions	1,555	3,267	-	-
Balance at end of financial year	<u>5,170</u>	<u>3,615</u>	<u>-</u>	<u>-</u>
Accumulated amortisation				
Balance at beginning of financial year	(757)	-	-	-
Amortisation expense	(1,270)	(757)	-	-
Balance at end of financial year	<u>(2,027)</u>	<u>(757)</u>	<u>-</u>	<u>-</u>
Net book value				
At the beginning of the financial year	2,858	348	-	-
At the end of the financial year	<u>3,143</u>	<u>2,858</u>	<u>-</u>	<u>-</u>

Included in the net book value above is \$591,551 (2007: Nil) relating to assets acquired under outstanding finance leases.

16. Other assets

Current

Accrued Income	42,720	22,259	-	12,501
Prepayments	1,063	803	-	121
Other	183	143	-	42
	<u>43,966</u>	<u>23,205</u>	<u>-</u>	<u>12,664</u>

17. Assets pledged as security

In accordance with all security arrangements of liabilities, as disclosed in note 19 to the financial statements, all non-current assets of the Group, except goodwill and deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets other than in the event of a default.

The Group does not hold title to the equipment under finance lease pledged as security.

18. Trade and other payables

Current

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade creditors (i)	28,055	24,202	-	14,091
Deferred purchase consideration (note 28)	10,907	12,570	-	-
Goods and services tax payable	6,783	4,502	-	1,085
Sundry creditors & accruals	22,195	19,206	-	7,981
Income in advance	1,721	749	-	-
	69,661	61,229	-	23,157

Non-current

Deferred purchase consideration (note 28)	8,672	3,571	-	-
	78,333	64,800	-	23,157

(i) No interest is charged on the trade payables for the first 30 days from the date of the invoice. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

19. Borrowings

Secured – at amortised cost

Current

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank overdrafts	8,810	-	-	-
Commercial bills (ii)	24,660	3,300	-	-
Finance lease liabilities (i) (note 26)	5,626	1,354	-	-
	39,096	4,654	-	-

Non-current

Commercial bills (ii)	42,690	28,875	-	-
Finance lease liabilities (i) (note 26)	11,667	1,928	-	-
	54,357	30,803	-	-
	93,453	35,457	-	-

Disclosed in the financial statements as:

Current borrowings	39,096	4,654	-	-
Non-current borrowings	54,357	30,803	-	-
	93,453	35,457	-	-

Summary of borrowing arrangements:

- (i) Secured by the assets leased and hire-purchased, the current value of which exceeds the value of the finance lease liability and hire purchase liability.
- (ii) Commercial bills secured have maturity dates over a 5 year period.

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
20. Provisions				
<u>Current</u>				
Employee benefits	8,389	8,189	-	514
Other	1,100	-	-	-
	<u>9,489</u>	<u>8,189</u>	<u>-</u>	<u>514</u>
<u>Non-current</u>				
Employee benefits	1,589	1,190	-	278
	<u>1,589</u>	<u>1,190</u>	<u>-</u>	<u>278</u>
	<u>11,078</u>	<u>9,379</u>	<u>-</u>	<u>792</u>

21. Issued capital

173,388,975 fully paid ordinary shares
(2007: 140,831,382)

2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
<u>183,903</u>	<u>130,755</u>	<u>167,144</u>	<u>113,996</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2008	2007
	No.	No.
	'000	'000
Consolidated		
Fully paid ordinary shares		
Balance at beginning of financial year	140,831	109,610
Issue of shares as partial consideration for business combinations	2,520	-
Issue of shares in accordance with the Scheme of arrangement	-	70,717
Reduction of share capital	-	(40,324)
Issue of shares during the year	20,500	-
Exercise of options	6,800	200
Dividend reinvestment plan	2,738	628
Balance at end of financial year	<u>173,389</u>	<u>140,831</u>
	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>
Consolidated		
Fully paid ordinary shares		
Balance at beginning of financial year	130,755	25,867
Issue of shares as partial consideration for business combinations	4,314	-
Issue of shares during the year	40,646	103,928
Net costs associated with issue of shares	(884)	(52)
Exercise of options	4,250	126
Transfer from employee equity-settled reserve	-	26
Dividend reinvestment plan	4,822	860
Balance at end of financial year	<u>183,903</u>	<u>130,755</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

21. Issued capital (continued)

Share options

As at 30 June 2008, founders and employees have 13,030,000 options over ordinary shares (of which 4,040,000 are vested but not yet exercisable), in aggregate, with 5,420,000 of those options expiring up to 31 October 2009, and the remainder expiring up to 31 March 2013.

13,030,000 share options carry no rights to dividends and no voting rights. Further details of the share-based payment scheme are contained in the Directors Report.

22. Reserves

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Equity-settled employee benefits	1,338	725	1,299	686
Foreign currency translation	(197)	-	-	-
	<u>1,141</u>	<u>725</u>	<u>1,299</u>	<u>686</u>
Employee equity-settled benefits reserve				
Balance at beginning of financial year	725	65	686	-
Share-based payment	613	686	613	686
Transfer to share capital	-	(26)	-	-
Balance at end of financial year	<u>1,338</u>	<u>725</u>	<u>1,299</u>	<u>686</u>

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 31 to the financial statements.

Foreign currency translation reserve

Balance at beginning of financial year	-	-	-	-
Translation of foreign operations	(197)	-	-	-
Balance at end of financial year	<u>(197)</u>	<u>-</u>	<u>-</u>	<u>-</u>

23. Retained earnings

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at beginning of financial year	7,831	2,753	8,192	9,520
Net profit attributable to members of the parent entity	18,095	11,235	7,072	8,353
Dividends provided for or paid (note 25)	(13,561)	(6,157)	(13,561)	(9,681)
Balance at end of financial year	<u>12,365</u>	<u>7,831</u>	<u>1,703</u>	<u>8,192</u>

24. Earnings per share

	Consolidated	
	2008 Cents per share	2007 Cents per share
Basic earnings per share:		
Total basic earnings per share	10.98	10.66
Diluted earnings per share:		
Total diluted earnings per share	10.42	9.57

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2008 \$'000	2007 \$'000
Net profit	18,095	11,235
Earnings used in the calculation of basic EPS	18,095	11,235
	2008 No.'000	2007 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	164,731	105,407

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2008 \$'000	2007 \$'000
Net profit	18,095	11,235
Interest on employee options consideration	596	408
Earnings used in the calculation of diluted EPS	18,691	11,643
	2008 No.'000	2007 No.'000
Weighted average number of ordinary shares for the purposes of basic EPS	164,731	105,407
Employee options	14,647	16,214
Weighted average number of ordinary shares used in the calculation of diluted EPS	179,378	121,621

25. Dividends

Recognised amounts

Fully paid ordinary shares

Interim dividend:

Fully franked at a 30% tax rate 3.5 6,017 3.0 4,200

Final dividend:

Fully franked at a 30% tax rate 4.5 7,544 7.2 7,892

8.0 13,561 10.2 12,092

Unrecognised amounts

Fully paid ordinary shares

Final dividend:

Fully Franked at a 30% tax rate 4.0 6,069 4.5 7,544

On 28 August 2008, the directors declared a fully franked final dividend of 4.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2008, to be paid to shareholders on 17 October 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the dividend will be paid to all shareholders on the Register of Members on 26 September 2008. The total estimated dividend to be paid is \$6,069 thousand.

	Company	
	2008 \$'000	2007 \$'000
Adjusted franking account balance as at 30 June	11,800	6,026
Impact on franking account balance of dividends not recognised	(2,608)	(3,017)
Income tax consequences of unrecognised dividends	-	-

26. Leases

Finance leases

Leasing arrangements

The Group leases a number of motor vehicles with lease terms of between 1 to 4 years.

The Group has options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not longer than 1 year	6,657	1,581	-	-	6,657	1,581	-	-
Later than 1 year and not later than 5 years	13,615	2,116	-	-	13,615	2,116	-	-
Minimum future lease payments*	20,272	3,697	-	-	20,272	3,697	-	-
Less future finance charges	(2,979)	(415)	-	-	(2,979)	(415)	-	-
Present value of minimum lease payments	17,293	3,282	-	-	17,293	3,282	-	-
Included in the financial statements as: (note 19)								
Current borrowings					5,626	1,354	-	-
Non-current borrowings					11,667	1,928	-	-
					<u>17,293</u>	<u>3,282</u>	-	-

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

26. Leases (continued)

Operating leases

Leasing arrangements

The consolidated entity leases a number of premises throughout Australia. The rental period of each individual lease agreement varies between 1 and 6 years with the renewal options ranging from 1 to 6 years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index or market rentals.

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<u>Non-cancellable operating lease commitments</u>				
Not longer than 1 year	6,015	3,013	-	559
Longer than 1 year and not longer than 5 years	9,550	7,863	-	448
Longer than 5 years	83	-	-	-
	15,648	10,876	-	1,007

27. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2008 %	2007 %
Parent entity			
Service Stream Limited (i)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (ii) (viii)	Australia	100	100
Service Stream Communications Pty Ltd (ii) (iii) (viii)	Australia	100	100
Resourcing Solutions Pty (ii) (iv) (viii)	Australia	100	100
Total Communications Infrastructure Pty Limited (ii) (iii) (viii)	Australia	100	100
Service Stream Solutions Pty Ltd (ii) (iii) (viii)	Australia	100	100
Radhaz Consulting Pty Ltd (ii) (viii)	Australia	100	100
General Purpose Group Pty Ltd (ii) (iii) (viii)	Australia	100	100
Fibercom Technology Pty Limited (ii) (iii) (viii)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (ii) (iii) (viii)	Australia	100	100
Milcom Communications Pty Ltd (ii) (iii) (viii)	Australia	100	100
Total Communications Infrastructure (Singapore) Pte Ltd (v)	Singapore	100	100
McCourt Dando Pty Ltd (vi) (viii)	Australia	100	-
McCourt Dando Civil Pty Ltd (vi) (viii)	Australia	100	-
McCourt Dando Plant Hire Pty Ltd (vi) (viii)	Australia	100	-
Metering Services Australasia Pty Ltd (iii) (viii)	Australia	100	-
MSA Plant Pty Ltd (vii) (viii)	Australia	100	-
AMRS (Aust) Pty Ltd (vii) (viii)	Australia	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) This company is a wholly owned subsidiary of Service Stream Communications Pty Ltd.
- (v) This company is a wholly owned subsidiary of Total Communications Infrastructure Pty Ltd.
- (vi) These companies are wholly owned subsidiaries of Service Stream Infrastructure Services Pty Ltd.
- (vii) These companies are wholly owned subsidiaries of Metering Services Australasia Pty Ltd.
- (viii) 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 report.

27. Subsidiaries (continued)

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are:

	Consolidated	
	2008	2007
	\$'000	\$'000
Income statement		
Revenue	450,556	245,765
Other income	31	1,343
Company administration and insurance expenses	(6,183)	(5,336)
Site and construction costs	(36,265)	(21,363)
Salaries and employee benefits	(129,892)	(66,236)
Temporary staff costs and subcontractor fees	(182,527)	(89,450)
Changes in inventory of finished goods	(33,803)	(29,633)
Motor vehicles expenses	(6,373)	(2,104)
Consulting and directors' fees	(542)	(642)
Technology services	(2,928)	(1,660)
Occupancy expenses	(6,857)	(3,327)
Finance costs	(5,160)	(2,102)
Depreciation and amortisation	(6,685)	(2,684)
Other expenses	(7,370)	(5,973)
Profit before tax	26,002	16,598
Income tax expense	(7,852)	(5,363)
Profit for the year	18,150	11,235
Balance sheet		
Current assets		
Cash and cash equivalents	-	5,248
Trade and other receivables	92,506	57,342
Inventories	11,383	1,427
Current tax assets	476	-
Other	43,966	23,205
Total current assets	148,331	87,222
Non-current assets		
Other financial assets	742	700
Trade and other receivables	-	-
Other financial assets	-	-
Property, plant and equipment	20,206	5,210
Deferred tax assets	1,680	2,431
Goodwill	206,422	155,703
Other intangible assets	3,143	2,858
Total non-current assets	232,193	166,902
Total assets	380,524	254,124

27. Subsidiaries (continued)

	Consolidated	
	2008 \$'000	2007 \$'000
Current liabilities		
Trade and other payables	69,661	61,229
Borrowings	39,096	4,654
Current tax liabilities	-	5,177
Provisions	9,489	8,189
Total current liabilities	118,246	79,249
Non-current liabilities		
Trade and other payables	8,672	3,571
Borrowings	54,357	30,803
Provisions	1,589	1,190
Total non-current liabilities	64,618	35,564
Total liabilities	182,864	114,813
Net Assets	197,660	139,311
Equity		
Issued capital	183,903	130,755
Reserves	1,337	725
Retained earnings *	12,420	7,831
Total equity	197,660	139,311
* Retained earnings		
Retained earnings as at beginning of the financial year	7,831	2,753
Net profit	18,150	11,235
Dividends provided for or paid	(13,561)	(6,157)
Retained earnings as at end of the financial year	12,420	7,831

28. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
2007				
General Purpose Group Pty Ltd	Services in Telecommunications Industry	10 Jan 2007	100%	4,365
2008				
Entities acquired:				
McCourt Dando Group	Services to Infrastructure Industry	1 July 2007	100%	7,330
Metering Services Australia Group	Services in Telecommunications Industry	1 July 2007	100%	34,241
Businesses acquired:				
Metering division of Serviceworks Management Pty Ltd	Services in Utilities Industry	1 July 2007		1,815
Business trading as South East Queensland Under-road Drillers (SEQUD)	Services in Utilities Industry	4 Feb 2008		6,321

(a) Acquisition of General Purpose Group Pty Ltd

Consideration of the acquisition of General Purpose Group Pty Ltd consists of \$1.97 million in cash and deferred cash consideration, contingent upon the business achieving certain performance targets, of \$2.32 million. This is payable in two tranches in August 2008 and August 2009.

Included in the results for the period are earnings before interest, tax and depreciation of \$0.69 million and revenues of \$8.61 million attributable to the additional business generated by General Purpose Group Pty Ltd.

This acquisition has now been finalised.

Net assets acquired	General Purpose Group Pty Ltd			Total fair value on acquisition \$'000
	Book value	Fair value adjustment	Fair value on acquisition	
	\$'000	\$'000	\$'000	
Current assets				
Cash	289	-	289	289
Receivables	1,046	-	1,046	1,046
Other	381	-	381	381
Non-current assets				
Plant and equipment	317	-	317	317
Current liabilities				
Payables	(437)	-	(437)	(437)
Borrowings	(329)	-	(329)	(329)
Other	(337)	-	(337)	(337)
	930	-	930	930
Goodwill on acquisition				3,435
Total consideration				4,365

The group has paid a premium for the acquiree as it believes the acquisition will create synergistic benefits to its existing operations.

(b) Acquisition of McCourt Dando Group

Consideration for the acquisition of McCourt Dando Pty Ltd, McCourt Dando Plant Hire Pty Ltd and McCourt Dando Civil Pty Ltd consists of \$4.83 million is cash and \$2.28 million in shares. The book value stated in the below table is as per the finalised accounts, and differs from the preliminary accounts used in preparation of the financial statements for the half-year ended 31 December 2007. Accordingly, consideration payable has also been amended.

The Group result includes a full year of results of McCourt Dando Group. Included in the results for the period are earnings before interest, tax and depreciation of \$1.76 million and revenue of \$40.07 million attributable to the additional business generated by the McCourt Dando Group.

This acquisition has now been finalised.

Net assets acquired	McCourt Dando Group			Total fair value on acquisition \$'000
	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000	
Current assets				
Cash	281	-	281	281
Receivables	8,697	-	8,697	8,697
Other	4,016	-	4,016	4,016
Non-current assets				
Plant and equipment	6,879	-	6,879	6,879
Current liabilities				
Payables	(5,251)		(5,251)	(5,251)
Borrowings	(10,110)	-	(10,110)	(10,110)
Other	(9,009)	-	(9,009)	(9,009)
	<u>(4,497)</u>	-	<u>(4,497)</u>	<u>(4,497)</u>
Goodwill on acquisition				<u>11,827</u>
Total consideration				<u>7,330</u>

The group has paid a premium for the acquiree as it believes the acquisition will create synergistic benefits to its existing operations.

(c) Acquisition of Metering Services Australasia Group

Consideration for the acquisition of Metering Services Australasia Pty Ltd, MSA Plant Pty Ltd and AMRS (Aust) Pty Ltd consists of \$18.90 million cash and additional deferred consideration payable, in the form of cash and shares, up to maximum net present value of \$15.10 million. Deferred consideration amounts are dependent upon the business achieving certain performance targets and are payable in September 2008 and September 2009.

The Group result includes a full year of the results of the Metering Services Australasia Pty Ltd. Included in the results for the period are earnings before interest, tax and depreciation of \$4.15 million and revenues of \$39.29 million attributable to the additional business generated by the Metering Services Australasia Group. This acquisition has now been finalised.

Net assets acquired	Metering Service Australasia			Total fair value on acquisition \$'000
	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000	
Current assets				
Cash	376	-	376	376
Receivables	7,883	-	7,883	7,883
Other	309	-	309	309
Non-current assets				
Plant and equipment	1,493	-	1,493	1,493
Current liabilities				
Payables	(4,511)	-	(4,511)	(4,511)
Borrowings	(1,726)	-	(1,726)	(1,726)
Other	(1,212)	-	(1,212)	(1,212)
	2,612	-	2,612	2,612
Goodwill on acquisition				31,629
Total consideration				34,241

The group has paid a premium for the acquiree as it believes the acquisition will create synergistic benefits to its existing operations.

(d) Acquisition of metering division of Serviceworks Management Pty Ltd

Consideration of the acquisition of the metering division of Serviceworks Management Pty Ltd consists of \$1.03 million in cash and \$0.75 million in shares.

The Group result includes a full year of the results of the Serviceworks metering. As a result of the acquisition of Metering Services Australasia Group, and in order to recognise additional synergies, the operations of Serviceworks Management have incorporated into Metering Services Australasia Group. Therefore, the result attributable to the additional business generated by the acquisition has been incorporated into the results of Metering Services Australia, as stated in 28(c).

This acquisition has now been finalised.

Net assets acquired	Serviceworks			Total fair value on acquisition \$'000
	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000	
Non-current assets				
Plant and equipment	125	-	125	125
Other	-	4	4	4
Current liabilities				
Other	(13)	-	(13)	(13)
	112	4	116	116
Goodwill on acquisition				1,699
Total consideration				1,815

The group has paid a premium for the acquiree as it believes the acquisition will create synergistic benefits to its existing operations.

(e) Acquisition of business trading as South East Queensland Under-road Drillers (SEQUD)

Consideration for the acquisition of the business trading as South East Queensland Under-road Drillers (SEQUD), from the Taylor Trust and the Taylor Property Trust, consists of \$3.80 million in cash, \$1.25 million in shares and deferred consideration, contingent upon the business achieving certain performance targets, of \$1.00 million payable in March 2009.

The Group result includes net profit of \$0.23 million and revenues of \$2.58 million attributable to the additional business generated by South East Queensland Under-road Drillers. Had this business combination been effected at 1 July 2007, the revenue of the consolidated entity would increase by \$4.08 million and net profit before depreciation would increase by \$0.29 million.

At 30 June 2008 the acquisition has been provisionally determined.

Net assets acquired	SEQUD			Total fair value on acquisition \$'000
	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000	
Current assets				
Other	69	-	69	69
Non-current assets				
Plant and equipment	1,753	-	1,753	1,753
Current liabilities				
Other	(46)	-	(46)	(46)
	1,776	-	1,776	1,776
Goodwill on acquisition				4,545
Total consideration				6,321

The group has paid a premium for the acquiree as it believes the acquisition will create synergistic benefits to its existing operations.

29. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	5,248	-	415
Bank overdraft	(8,810)	-	-	-
Cash and cash equivalents	<u>(8,810)</u>	<u>5,248</u>	<u>-</u>	<u>415</u>

(b) Businesses acquired

During the financial year the group acquired 4 businesses. The net cash outflow on acquisition was \$43,295,000, which includes deferred consideration on previous acquisitions. Refer to note 28 for further details on these acquisitions.

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(c) Financing facilities				
Secured bank guarantee:				
• amount used	8,115	2,358	-	-
• amount unused	1,885	1,642	-	-
	<u>10,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>

Secured bank bill and equipment finance facilities with various maturity dates through to 31 August 2010 and which may be extended by mutual agreement:

• amount used	93,453	35,457	-	-
• amount unused	55,599	22,043	-	-
	<u>149,052</u>	<u>57,500</u>	<u>-</u>	<u>-</u>

Subsequent to year end the company has renegotiated its short term finance facilities and has secured funding on more favourable terms for a period of 1 to 2 years.

29. Notes to the cash flow statement (continued)

(d) Reconciliation of profit for the period to net cash flows from operating activities

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit for the year	18,095	11,235	7,072	8,353
(Gain)/loss on sale of disposal of non-current assets	(31)	(82)	-	-
Net profit on sale of shares	-	(1,262)	-	-
Depreciation and amortisation	6,685	2,684	-	237
Share of joint venture arrangements' loss	55	-	-	-
Equity-settled share-based payment	613	686	-	686
Doubtful debts	320	(212)	-	1,569
Bad debts	-	12	-	-
(Increase)/decrease in deferred tax balances	4,775	4	(391)	(389)
Increase/(decrease) in current tax liability	(6,921)	3,109	(4,490)	705
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	(40,265)	(25,298)	9,094	3,078
Inventories	(9,945)	(504)	-	-
Other assets	972	1,162	12,664	(10,089)
Increase/(decrease) in liabilities:			-	
Trade and other payables	(1,668)	11,953	(23,157)	2,047
Provisions	(5,802)	1,478	(792)	(48)
Other liabilities	-	242	-	47
Net cash from operating activities	<u>(33,117)</u>	<u>5,207</u>	<u>-</u>	<u>6,196</u>

30. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22 and 23 respectively.

The Group operates entirely within Australia, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's activities and asset base, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

The Group's policy is to borrow centrally, using a variety of borrowings facilities, to meet anticipated funding requirements.

Gearing ratio

The Group's Risk Management Committee reviews the capital structure on a semi-annual basis. As part of this review the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio in line with the industry norm, that is determined as the proportion of net debt to equity. Based on recommendations of the committee the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of net debt or the redemption of existing debt.

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Debt (i)	84,643	35,457	-	-
Cash and cash equivalents	8,810	(5,248)	-	(415)
Net debt	93,453	30,209	-	(415)
Equity (ii)	197,409	139,311	170,146	122,874
Net debt to equity ratio	47.3%	21.7%	-	-

(i) Debt is defined as long-and short-term borrowings, as detailed in note 19.

(ii) Equity includes all capital and reserves.

(b) Categories of financial instruments

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets				
Cash and cash equivalents	-	5,248	-	415
Receivables	92,506	57,342	-	30,604
Financial liabilities				
Trade and other payables	58,754	48,659	-	23,157
Deferred purchase consideration	11,698	16,141	-	-
Bank overdraft	8,810	-	-	-
Commercial bills	67,350	32,175	-	-
Finance lease / hire purchase liabilities	17,293	3,282	-	-

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit or loss. The carrying amount reflected above represents the company's and the Group's maximum exposure to credit risk for such loans and receivables.

30. Financial instruments (continued)

(c) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Compliance with policies and exposure limits is reviewed by the directors on a continuous basis.

(d) Market risk

Market risk is the risk the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices.

The Group's activities expose it to the financial risks of changes in interest rates (refer note 30(e)). This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group has little or no exposure to fluctuations in foreign currency exchange rates as its activities are conducted entirely within Australia.

At a Group level, market risks are managed through sensitivity analysis and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Interest rate risk management

The company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The company's and the Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net profit before taxation would increase by \$166 thousand and decrease by \$166 thousand (2007 : increase by \$144 thousand and decrease by \$144 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group transacts with entities that receive satisfactory credit ratings. The information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually.

As stated in note 9, a significant portion of revenue is from the major telecommunications companies such as Telstra Corporation Ltd, Vodafone Group, Optus Group and Ericsson Pty Ltd. These are large entities with high credit-ratings and a good trading history and therefore the credit risk associated with these receivables is classified as low. The remaining Trade receivables balance consists of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 29(c) is a listing of additional undrawn facilities that the company/Group has at its disposal to further reduce liquidity risk.

Liquidity and interest rate risk tables

The following tables detail the company's and the Group's remaining contractual maturity to its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated

	Weighted average interest rate	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	5+ years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008								
Non-derivative financial liabilities								
Trade and other payables	-	(58,754)	(58,754)	(58,754)	-	-	-	-
Deferred consideration	-	(11,698)	(11,698)	(5,907)	(775)	(5,016)	-	-
Finance leases liabilities	8.3%	(17,293)	(20,273)	(3,329)	(3,329)	(3,404)	(10,211)	-
Variable interest rate instruments	8.5%	(59,660)	(64,002)	(10,981)	(2,171)	(50,850)	-	-
Fixed interest rate instruments	6.9%	(16,500)	(18,777)	(569)	(569)	(1,139)	(16,500)	-
		<u>(163,905)</u>	<u>(173,504)</u>	<u>(79,540)</u>	<u>(6,844)</u>	<u>(60,409)</u>	<u>(26,711)</u>	<u>-</u>
2007								
Non-derivative financial liabilities								
Trade and other payables	-	(48,659)	(48,659)	(48,659)	-	-	-	-
Deferred consideration	-	(16,141)	(16,141)	(2,570)	(10,000)	(3,571)	-	-
Finance lease liabilities	7.7%	(3,282)	(3,698)	(791)	(791)	(529)	(1,587)	-
Variable interest rate instruments	7.9%	(15,675)	(17,826)	(2,269)	(2,204)	(4,278)	(9,075)	-
Fixed interest rate instruments	6.9%	(16,500)	(18,777)	(569)	(569)	(1,139)	(16,500)	-
		<u>(100,257)</u>	<u>(105,101)</u>	<u>(54,858)</u>	<u>(13,564)</u>	<u>(9,517)</u>	<u>(27,162)</u>	<u>-</u>

Company

	Weighted average interest rate	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	5+ years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2008								
Non-derivative financial liabilities								
Trade and other payables	-	-	-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2007								
Non-derivative financial liabilities								
Trade and other payables	-	(23,157)	(23,157)	(23,157)	-	-	-	-
		<u>(23,157)</u>	<u>(23,157)</u>	<u>(23,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30. Financial instruments (continued)

(e) Fair value of financial instruments

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined on accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

	2008		2007	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Consolidated				
<u>Financial assets</u>				
Cash	-	-	5,248	5,248
Trade and other receivables	92,506	92,506	57,342	57,342
<u>Financial liabilities</u>				
Trade and other payables	58,754	58,754	48,659	48,659
Deferred purchase consideration	11,698	11,698	16,141	16,141
Bank overdraft	8,810	8,810	-	-
Commercial bills - variable	50,850	47,197	15,675	15,321
Commercial bills - fixed	16,500	15,477	16,500	15,617
Finance lease/hire purchase liabilities	17,293	16,224	3,282	3,055
Company				
<u>Financial assets</u>				
Cash	-	-	415	415
Trade and other receivables	62,242	62,242	30,604	30,604
<u>Financial liabilities</u>				
Trade and other payables	-	-	23,157	23,157

31. Share-based payments

Executive share option plan

Executive share options carry no rights to dividends and no voting rights. In accordance with the terms of the executive share option scheme, all options vested at the date of grant and will become exercisable at various times up to 30 September 2009. Once exercisable the options expire at various times up to 1 March 2013, as detailed in the below table.

The directors can, at their discretion, issue share options to key management personnel as part of the group's remuneration policy.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 1	6,800,000	04/01/07	31/12/07	0.6250	-
Series 2	2,320,000	04/01/07	31/10/09	0.6250	-
Series 3	640,000	04/01/07	31/10/09	0.9375	0.0063
Series 4	640,000	04/01/07	31/10/09	1.2500	-
Series 5	96,000	04/01/07	01/01/10	0.6250	0.1067
Series 6	32,000	04/01/07	01/01/10	0.9375	0.0063
Series 7	32,000	04/01/07	01/01/10	1.2500	-
Series 8	200,000	04/01/07	01/03/11	0.6250	0.1313
Series 9	80,000	04/01/07	07/03/10	0.6500	0.1235
Series 10	200,000	04/01/07	31/10/09	0.9750	0.0373
Series 11	20,000	04/01/07	31/10/09	0.6250	0.3197
Series 12	2,020,000	04/01/07	01/01/11	0.9900	0.2833
Series 13	2,020,000	04/01/07	01/01/11	1.0800	0.2355
Series 14	2,020,000	04/01/07	01/01/11	1.2000	0.1815
Series 15	500,000	04/01/07	31/10/11	1.1250	0.0767
Series 16	730,000	04/01/07	31/10/11	1.6800	0.1006
Series 17	40,000	23/10/07	01/03/12	1.0100	0.0823
Series 18	40,000	23/10/07	01/03/13	1.7600	0.1423

Option Series 1 to Series 11 were issued as a result of the merger between Service Stream Limited and Service Stream Holdings Pty Ltd. The exercise price was calculated in accordance with the scheme of arrangement.

The weighted average fair value of the share options granted during the financial year is \$0.1123 (2007:\$0.2093).

All options have vested.

Options were priced using a Black Scholes model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 2 years. To allow for the effects of early exercise, it was assumed that employees would exercise the options after vesting date when the share price was two and half times the exercise price.

Inputs into the model	Option series	
	Series 17	Series 18
Grant date share price (cents)	\$0.92	\$1.60
Exercise price	\$1.01	\$1.76
Expected volatility	20%	20%
Option life (years)	4.5	4.5
Dividend yield	6.0%	6.0%
Risk-free interest rate	5.1%	5.1%

31. Share-based payments (continued)

The following reconciles the outstanding share options granted under the executive share option plan at the beginning and end of the financial year:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	19,750,000	0.8684	-	-
Issued as part of merger	-	-	12,660,000	0.7015
Granted during the financial year	80,000	1.3850	7,290,000	1.1515
Exercised during the financial year (i)	(6,800,000)	0.6250	(200,000)	0.6250
Expired during the financial year	-	-	-	-
Balance at end of the financial year (ii)	13,030,000	0.9950	19,750,000	0.8684
Exercisable at end of the financial year	8,490,000	0.9264	13,690,000	0.7568

(i) Exercised during the financial year

The following share options granted under the executive share option plan were exercised during the financial year:

2008 Options series	Number exercised	Exercise date	Share price at exercise date \$
Series 1	1,000,000	19/09/07	\$2.15
Series 1	1,266,666	24/09/07	\$2.12
Series 1	4,533,334	01/10/07	\$2.15

2007 Options series	Number exercised	Exercise date	Share price at exercise date \$
Series 8	200,000	29/06/2007	\$1.88

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an exercise price of \$0.9950 (2007: \$0.8684) and a weighted average remaining contractual life of 904 days (2007: 894 days).

32. Key management personnel compensation

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

- J L Davies (Chairman)
- P J Flannigan (Managing Director & Chief Executive Officer)
- M Doery (Executive Director & Chief Operating Officer)
- R Stanton (Executive Director)
- A Field (Non-executive Director)
- R Small (Non-executive Director)
- S Wilks (Non-executive Director)
- S Ellich (Executive General Manager – Service Stream Communications and Infrastructure Services)
- J Gramc (Executive General Manager – Service Stream Solutions)
- J Ryan (Executive General Manager – Development (Telstra))

Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	3,384,519	3,284,973	-	950,228
Post-employment benefits	230,429	310,528	-	87,422
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	693,342	1,713,995	-	573,995
	4,108,290	5,309,496	-	1,611,645

The compensation of each member of the key management personnel of the Group is set out in the Remuneration Report.

33. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 12 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel equity holdings

Details of key management personnel compensation are disclosed in note 32 to the financial statements.

ii. Loans to key management personnel

There are no outstanding loan balances with key management personnel of the Group or to their related balances. These balances do not include loans that are in-substance options and are no-recourse to the Group.

iii. Key management personnel equity holdings

Fully paid ordinary shares of Service Stream Limited

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
2008					
JL Davies	100,000	100,000		56,891	256,891
PJ Flannigan	803,052	200,000	-	-	1,003,052
M Doery	1,003,052	200,000	-	-	1,203,052
R Stanton	460,000	-	-	-	460,000
A Field	3,671,026	-	2,266,666	(319,610)	5,618,082
R Small	3,724,442	-	2,266,666	(417,961)	5,573,147
S Wilks	-	-	-	-	-
S Elich	274,134	20,000	-	15,812	309,946
J Gramc	203,551	-	-	(99,838)	103,713
J Ryan	83,555	-	-	3,809	87,364
2007					
JL Davies	-	-	-	100,000	100,000
PJ Flannigan	-	400,000	-	403,052	803,052
M Doery	-	400,000	-	603,052	1,003,052
R Stanton	400,000	-	-	60,000	460,000
A Field	-	-	-	3,671,026	3,671,026
R Small	-	-	-	3,724,442	3,724,442
S Wilks	-	-	-	-	-
S Campbell	-	-	-	83,981	83,981
J Caporale	-	-	-	1,176,413	1,176,413
J Gramc	-	-	200,000	3,551	203,551

33. Related party disclosures (continued)

Share options of Service Stream Limited

	Balance at 1 July	Granted as remunerati on	Exercised	Net other change	Balance at 30 June	Bal vested at 30 June	Vested but not exerci- sable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2008									
JL Davies	-	-	-	-	-	-	-	-	-
PJ Flannigan	4,200,000	-	-	-	4,200,000	4,200,000	1,600,000	2,600,000	-
M Doery	3,800,000	-	-	-	3,800,000	3,800,000	1,440,000	2,360,000	-
R Stanton	2,000,000	-	-	-	2,000,000	2,000,000	1,500,000	500,000	-
A Field	2,266,667	-	(2,266,667)	-	-	-	-	-	-
R Small	2,266,667	-	(2,266,667)	-	-	-	-	-	-
S Wilks	-	-	-	-	-	-	-	-	-
S Ellich	120,000	-	-	-	120,000	120,000	-	120,000	-
J Gramc	-	80,000	-	-	80,000	80,000	-	80,000	80,000
J Ryan	160,000	-	-	-	160,000	160,000	-	160,000	-
2007									
JL Davies	-	-	-	-	-	-	-	-	-
PJ Flannigan	-	2,400,000	-	1,800,000	4,200,000	4,200,000	2,400,000	1,800,000	4,200,000
M Doery	-	2,160,000	-	1,640,000	3,800,000	3,800,000	2,160,000	1,640,000	3,800,000
R Stanton	-	2,000,000	-	-	2,000,000	2,000,000	1,500,000	500,000	2,000,000
A Field	-	-	-	2,266,667	2,266,667	2,266,667	-	2,266,667	2,266,667
R Small	-	-	-	2,266,667	2,266,667	2,266,667	-	2,266,667	2,266,667
S Wilks	-	-	-	-	-	-	-	-	-
S Campbell	-	-	-	40,000	40,000	40,000	-	40,000	40,000
J Caporale	-	-	-	-	-	-	-	-	-
J Gramc	-	-	(200,000)	200,000	-	-	-	-	-
G Kenyon	-	-	-	40,000	40,000	40,000	-	40,000	40,000
A Legge	-	-	-	-	-	-	-	-	-

All executive share options issued to key management personnel during the financial year were made in accordance with the provisions of the executive share option plan.

During the financial year, 4,533,334 options (2007: 200,000) were exercised by key management personnel at an exercise price of \$0.625 per option for 4,533,334 ordinary shares in Service Stream Limited (2007: 200,000). No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the employee share option plan and of share options granted during 2008 and 2007 financial years are contained in notes 32 and 33 to the financial statements.

iv. Other transactions with key management personnel of the Group

Consulting fees of \$225,000 (2007: \$225,000) were paid to Communication Services Australia (Holdings) Pty Ltd, in which Mr Small and Mr Field have a beneficial interest. This is in accordance with the consultancy agreement.

33. Related party disclosures (continued)

(c) Transactions with other related parties

Transactions between Service Stream Limited and its related parties

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

- Service Stream Limited recognised tax payable 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.
- Service Stream Limited received dividends of \$7,072,000 (2007: \$ Nil) from its subsidiaries.

The following balances arising from transactions between the company and its other related parties are outstanding at the reporting date:

- Loans receivable totaling \$62,242,000 are receivable from subsidiaries (2007: \$ 7,058,000)

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 subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

(d) Parent entities

The ultimate parent entity in the Group is Service Stream Limited. Service Stream Limited is incorporated in Australia.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
34. Remuneration of auditors				
Auditor of the parent entity				
Audit or review of the financial report	346,500	236,000	-	50,000
Other non-audit services				
IT systems security review	52,806	40,200	-	-
Due diligence	23,500	-	-	-
Tax advice	12,994	-	-	-
	<u>435,800</u>	<u>276,200</u>	<u>-</u>	<u>50,000</u>

The auditor of Service Stream Limited is Deloitte Touche Tohmatsu.

35. Contingent assets and liabilities

The company is involved in an arbitration process in relation to the total contract value for a major project completed during the financial year. The company believes that any claim has been adequately provided in the financial statements and no additional liability exists.

36. Subsequent events

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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.