



# 2009 Annual Financial Report



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**The Annual General Meeting  
of Service Stream will be held  
at the RACV Club  
Level 2, 501 Bourke Street  
Melbourne  
12.00pm October 30, 2009**

# **Service Stream Limited**

ABN 46 072 369 870

Financial report for the financial year ended 30  
June 2009



# 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 set out in the 2<sup>nd</sup> edition of the ASX Corporate Governance Principles and Recommendations.

The Board’s approach to corporate governance aims to achieve sound financial performance and long term prosperity, while meeting stakeholders’ expectation of sound corporate governance practices by proactively reviewing and adopting the most appropriate corporate governance arrangements.

The Company actively reviews Australian and International developments in corporate governance. The Board considers the views of shareholders, regulators such as ASIC and the ASX, and other stakeholders prior to the adoption of any new arrangements.

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 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 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 two 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 2009 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 Board undertakes to objectively assess its performance and that of its committees and individual members. During the year ending 30 June 2009, 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.

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. 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 8 has been provided in the Directors' Report as the Board believes this is a more appropriate place to disclose such information.

## Directors' report

The directors of Service Stream Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2009. 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. He is a director of all subsidiary companies except for Total Communications Infrastructure (Pte) Ltd.</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. 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>
Michael Doery <i>Acting Managing Director</i>	<p>Mr Doery joined the Service Stream Group in July 2004 and was appointed as an Executive Director and Chief Financial Officer. He was appointed as Chief Operating Officer in 2008, and was recently appointed Acting Managing Director. 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Mr Doery is also currently actively involved at director level with various charities including the Australian Drug Foundation.</p>

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 Total Communications Infrastructure Pty Ltd (TCI) as Managing Director. Mr Stanton is also a director of TCI 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 over 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 Communication 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.

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 Communication Services Australia Pty Ltd.

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

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 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.

Mr Wilks is currently Chairman of Mooter Media Limited and a Director of Tel.Pacific Limited and 3Q Holdings Limited. 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 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.

Patrick Flannigan  
*Former Managing  
Director and Chief  
Executive Officer*

Mr Flannigan joined the Service Stream Group in January 2004. He was appointed Managing Director and Chief Executive Officer on 3 September 2004. He resigned as a director on 31 July 2009. Mr Flannigan has more than 20 years of commercial experience across a broad range of industries.

He holds a business degree from Victoria University, is a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.

## **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 M. Doery	Bill Express Limited (BXP)	16 October 2006 to 30 June 2008
Mr S. Wilks	Longreach Group Limited (LRG)	21 November 2006 to 28 November 2008
Mr S. Wilks	People Telecom Limited (PEO)	15 February 2006 to 24 April 2009
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	341,771	-	-
M Doery	1,242,764	3,800,000	-
R Stanton	460,000	2,000,000	-
A Field	5,631,555	-	-
R Small	5,791,954	-	-
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 12 to 16.

## Share options granted to directors and senior management

During and since the end of the financial year no share options have been granted to directors or senior management of the company as part of their remuneration.

## 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. The Group has added capabilities in the utilities sector in the reading, maintaining, installing and exchanging of meters in the water, gas and electricity sectors and extended its capabilities in trenching and drilling activities particularly in water and power.

## Review of operations

Service Stream Limited consolidated its position as a leading diversified infrastructure services company.

The Company delivered another strong year in operating revenue growth, up by 23.9% to \$558.2M. Service Stream EBITDA and NPAT for the period were down to \$30.1M and \$11.1M respectively.

Key highlights were the performance of the Tickets of Work activities, AMRS and the overall result of Contact Centre Solutions in a difficult environment.

The Specialist Field Services segment delivered a solid result with an EBITDA contribution (before corporate overheads) of \$31.6M on operating revenues of \$479.1M.

The AAS contract became fully operational during the period which has seen the Tickets of Work division increase its revenues. Service Stream now provides access and associated services to Telstra across nine regions (equivalent to 50% of Australia). The Company also continues to maintain Telstra's payphones network nationally as well as being a principal contractor for Recoverable Works (asset relocations).

Metering service company AMRS continued to deliver its expanded capabilities in meter reading and associated services in the water, gas and electricity sectors. Business expansion to environmental services included install of solar power panels, and light bulb exchange programs.

Revenue from Infrastructure Services (TCI, McCourt Dando, Fibercom, Recoverable Works, GPG and SEQUD) was similar to the previous year. A strong profit contribution from TCI was more than offset by the under performance of McCourt Dando.

The Specialist Field Services segment (and the entire Service Stream group) continued to be supported by the Resourcing Solutions and Milcom Training businesses. 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.

The Contact Centre Solutions (CCS) segment performance was excellent with revenues of \$78.3M (up 9.7%) and relatively unchanged EBITDA of \$6.1M (before corporate overheads). The combined pressures of the Global Financial Crisis, strong competition and ongoing flow of jobs to off-shore providers made it extremely challenging to increase the revenue stream. The CCS segment handles in excess of two million customer interactions per month across a wide range of services and multi-faceted customer activities.

### **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 2008, as detailed in the directors' report for the financial year, a final dividend of 4.0 cents per share franked at 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 17 October 2008.

In respect of the financial year ended 30 June 2009, 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 9 April 2009.

The directors recommend no final dividend in respect of the financial year ended 30 June 2009.

## Shares 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.

No further share options have been issued during or since the end of the financial year.

## 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, 13 board meetings, 4 audit and governance committee, 2 remuneration and nomination committee, 2 environment and safety committee and 2 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	13	13	4	4	2	2	-	-	-	-
PJ Flannigan	13	13	-	-	-	-	-	-	-	-
M Doery	13	12 (i)	-	-	-	-	-	-	-	-
R Stanton	13	13	-	-	-	-	-	-	-	-
A Field	13	13	-	-	-	-	2	2	2	2
R Small	13	13	4	4	2	2	2	2	2	2
S Wilks	13	13	4	4	-	-	2	2	2	2

(i) Mr. Doery was travelling to attend a meeting with key customer representatives and was unable to attend one board meeting.

## 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 17 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 2009. 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 M Doery (Acting Managing Director, 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)

Mr PJ Flannigan (Managing Director & Chief Executive Officer – resigned 31 July 2009)

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 M Doery (Acting Managing Director, Chief Operating Officer & Chief Financial Officer)

Mr PJ Flannigan (Managing Director & Chief Executive Officer – resigned 31 July 2009)

Mr R Stanton (Managing Director - TCI)

Mr S Ellich (Executive General Manager – Service Stream Communications)

Mr J Gramc (Executive General Manager – Service Stream Solutions)

Mr J Ryan (Executive General Manager – Infrastructure Services)

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.

## 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

### 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 via a discretionary bonus. 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 does 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

The 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 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 target, 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 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Revenue	558,216	450,587	247,108	170,983	60,576
Net profit before tax	15,300	25,947	16,598	6,260	1,111
Net profit after tax	11,118	18,095	11,235	4,352	1,042
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Share price at end of year <sup>3</sup>	0.41	1.000	1.880	0.925	0.525
Interim dividend <sup>2</sup>	3.50cps	3.50cps	3.00cps	0.75cps	-
Final dividend <sup>1 2</sup>	-	4.00cps	4.50cps	1.12cps	-
Basic earnings per share <sup>3</sup>	6.20cps	10.98cps	10.66cps	6.97cps	1.48cps
Diluted earnings per share <sup>3</sup>	6.20cps	10.42cps	9.57cps	5.81cps	1.18cps

<sup>1</sup> Franked to 100% at 30% corporate income tax rate.

<sup>2</sup> Declared after the balance date and not reflected in the financial statements.

<sup>3</sup> 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 five years the Group's profit from ordinary activities after income tax has grown from \$1.0M to \$11.1M. During the same period average key management personnel compensation has grown by approximately 8% per annum.

The share price fluctuated during the year reaching a low of \$0.235 and a high of \$1.155. Whilst these fluctuations are a concern to the board and also executives it is believed that this is a result of the deterioration of the market as a whole, the global economic climate, along with one-off adjustments in relation to the McCourt Dando business.

### Remuneration of directors and senior management

2009	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	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
J L Davies	244,375	-	-	21,994	-	-	-	266,369
A Field	83,375	-	-	7,504	-	-	-	90,879
R Small	158,125	-	-	14,231	-	-	-	172,356
S Wilks (ii)	106,375	-	-	9,574	-	-	-	115,949
<b>Executives</b>								
P J Flannigan	874,862	227,500	18,966	13,475	-	-	-	1,135,073
M Doery	636,255	119,000	22,430	83,475	-	-	-	861,430
R Stanton	363,636	200,000	31,855	36,364	-	-	-	631,855
C Boutas (i)	286,255	100,000	-	13,642	-	-	-	399,897
S Ellich	312,197	250,000	9,889	13,642	-	-	-	585,728
J Gramc	183,575	80,000	17,721	96,310	-	-	-	377,606
J Ryan	261,845	253,000	19,050	13,694	-	-	-	547,589
C Orr (i)	249,885	91,743	26,295	30,746	-	-	-	398,669

(i) While these executives have a significant role they are not defined as "key management personnel" under the Corporations Act. They 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.

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	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
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
<b>Executives</b>								
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) While these executives have a significant role they are not defined as "key management personnel" under the Corporations Act. They 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.

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, PJ Flannigan and M Doery received bonuses stated in the above table which 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 relevant period. The performance goals are dependant on the individual's 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	-	Vesting 4 January 2007
Series 2	04/01/07	31/10/09	-	Vesting 4 January 2007
Series 3	04/01/07	31/10/09	0.0063	Vesting 4 January 2007
Series 4	04/01/07	31/10/09	-	Vesting 4 January 2007
Series 5	04/01/07	01/01/10	0.1067	Vesting 4 January 2007
Series 6	04/01/07	01/01/10	0.0063	Vesting 4 January 2007
Series 7	04/01/07	01/01/10	-	Vesting 4 January 2007
Series 9	04/01/07	07/03/10	0.1235	Vesting 4 January 2007
Series 10	04/01/07	31/10/09	0.0373	Vesting 4 January 2007
Series 11	04/01/07	31/10/09	0.3197	Vesting 4 January 2007
Series 12	04/01/07	01/01/11	0.2833	Vesting 30 September 2007
Series 13	04/01/07	01/01/11	0.2355	Vesting 30 September 2008
Series 14	04/01/07	01/01/11	0.1815	Vesting 30 September 2009
Series 15	04/01/07	31/10/11	0.0767	Vesting 4 January 2007
Series 16	04/01/07	31/10/11	0.1006	Vesting 4 January 2007
Series 17	23/10/07	01/03/12	0.0823	Vesting 23 October 2007
Series 18	23/10/07	01/03/13	0.1423	Vesting 23 October 2007

During the year, no share-based compensation or options were granted to or exercised by directors and senior management as part of their remuneration.

The vesting conditions are based upon the company achieving certain performance targets during the relative financial year.

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, 27 August 2009



**M Doery**

Acting Managing Director

Melbourne, 27 August 2009

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

27 August 2009

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 financial year ended 30 June 2009, 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*  
DELOITTE TOUCHE TOHMATSU

*SP*

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 2009, 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 or from time to time during the financial year as set out on pages 20 to 72.

### *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 2009 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 12 to 16 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Se*

S PELUSI  
Partner  
Chartered Accountants  
Melbourne, 27 August 2009

## 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, 27 August 2009



**M Doery**  
Acting Managing Director  
Melbourne, 27 August 2009



# Income statement for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	5	558,240	450,556	14,722	7,072
Other income	7(a)	(24)	31	-	-
Share of profits/(losses) of joint venture arrangements accounted for using the equity method	12	436	(55)	-	-
Company administration and insurance expenses		(7,284)	(6,183)	-	-
Site and construction costs		(34,857)	(36,265)	-	-
Salaries and employee benefits		(134,131)	(129,892)	-	-
Temporary staff and subcontractor fees		(269,076)	(182,527)	-	-
Raw materials and finished goods used		(49,633)	(33,803)	-	-
Motor vehicles expenses		(8,154)	(6,373)	-	-
Consulting and directors' fees		(597)	(542)	-	-
Technology services		(5,983)	(2,928)	-	-
Occupancy expenses		(7,902)	(6,857)	-	-
Finance costs	6	(8,203)	(5,160)	-	-
Depreciation and amortisation	7(b)	(7,426)	(6,685)	-	-
Other expenses		(10,106)	(7,370)	-	-
<b>Profit before tax</b>		<b>15,300</b>	<b>25,947</b>	<b>14,722</b>	<b>7,072</b>
Income tax expense	8	(4,182)	(7,852)	-	-
<b>Profit for the year</b>		<b>11,118</b>	<b>18,095</b>	<b>14,722</b>	<b>7,072</b>
<b>Attributable to the equity holders of the parent</b>		<b>11,118</b>	<b>18,095</b>	<b>14,722</b>	<b>7,072</b>
<b>Earnings per share</b>					
Basic (cents per share)	24	6.20	10.98		
Diluted (cents per share)	24	6.20	10.42		

Notes to the financial statements are included on pages 25 to 72.

## Balance sheet as at 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current assets</b>					
Cash and cash equivalents	29(a)	9,034	-	-	-
Trade and other receivables	9	74,711	92,506	-	-
Inventories	11	13,461	11,383	-	-
Current tax assets	8	-	477	-	477
Other	16	63,201	43,966	-	-
<b>Total current assets</b>		<b>160,407</b>	<b>148,332</b>	<b>-</b>	<b>477</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	12	1,209	490	-	-
Trade and other receivables	9	-	-	73,843	62,242
Other financial assets	10	-	-	106,352	105,747
Property, plant and equipment	13	17,649	20,206	-	-
Deferred tax assets	8	1,289	1,680	1,289	1,680
Goodwill	14	205,368	206,422	-	-
Other intangible assets	15	2,574	3,143	-	-
<b>Total non-current assets</b>		<b>228,089</b>	<b>231,941</b>	<b>181,484</b>	<b>169,669</b>
<b>Total assets</b>		<b>388,496</b>	<b>380,273</b>	<b>181,484</b>	<b>170,146</b>
<b>Current liabilities</b>					
Trade and other payables	18	64,295	69,661	38	-
Borrowings	19	6,165	39,096	-	-
Current tax liabilities	8	1,702	-	1,702	-
Provisions	20	5,886	9,489	-	-
<b>Total current liabilities</b>		<b>78,048</b>	<b>118,246</b>	<b>1,740</b>	<b>-</b>
<b>Non-current liabilities</b>					
Trade and other payables	18	-	8,672	-	-
Borrowings	19	105,423	54,357	-	-
Provisions	20	1,945	1,589	-	-
<b>Total non-current liabilities</b>		<b>107,368</b>	<b>64,618</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>185,416</b>	<b>182,864</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>203,080</b>	<b>197,409</b>	<b>179,744</b>	<b>170,146</b>
<b>Equity</b>					
Issued capital	21	191,960	183,903	175,201	167,144
Reserves	22	1,020	1,141	1,501	1,299
Retained earnings	23	10,100	12,365	3,042	1,703
<b>Total equity</b>		<b>203,080</b>	<b>197,409</b>	<b>179,744</b>	<b>170,146</b>

Notes to the financial statements are included on pages 25 to 72.

## Statement of changes in equity for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Retained earnings	23				
Balance at the beginning of the year		12,365	7,831	1,703	8,192
Profit for the year		11,118	18,095	14,722	7,072
Dividends paid		(13,383)	(13,561)	(13,383)	(13,561)
Balance at end of financial year		10,100	12,365	3,042	1,703
(b) Reserves	22				
Reserves at beginning of year		1,141	725	1,299	686
Equity-settled share based payment		202	613	202	613
Exchange differences arising on translation of foreign operations (note 22)		(323)	(197)	-	-
Balance at end of financial year		1,020	1,141	1,501	1,299
(c) Issued capital	21				
Share capital at beginning of year:		183,903	130,755	167,144	113,996
Issue of shares as partial consideration for business combinations		4,189	4,314	4,189	4,314
Net costs associated with share issues		(62)	(612)	(62)	(612)
Related income tax		(257)	(272)	(257)	(272)
Issue of share capital		212	40,646	212	40,646
Exercise of options		-	4,250	-	4,250
Issue of shares in dividend reinvestment plan		3,975	4,822	3,975	4,822
Share capital at end of the year- 186,431,746 fully paid ordinary shares		191,960	183,903	175,201	167,144
(d) Total recognised income and expenses for the period					
Net profit for the year		11,118	18,095	14,722	7,072

Notes to the financial statements are included on pages 25 to 72.

# Cash flow statement for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		553,329	410,717	-	-
Payments to suppliers and employees		(535,799)	(429,453)	-	-
Interest received		782	546	-	-
Interest and other costs of finance paid		(8,203)	(4,929)	-	-
Income taxes paid		(1,870)	(9,998)	-	-
Net cash (used in)/provided by operating activities	29(d)	8,239	(33,117)	-	-
<b>Cash flows from investing activities</b>					
Additional interests acquired in joint venture arrangements		(606)	(42)	(606)	(42)
Payments for property, plant and equipment		(5,134)	(10,734)	-	-
Proceeds from sale of property, plant and equipment		1,653	603	-	-
Payment for intangible assets		(268)	(1,555)	-	-
Payment for businesses	29(b)	(3,642)	(43,295)	-	-
Net cash used in investing activities		(7,997)	(55,023)	(606)	(42)
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		106	44,251	106	44,251
Payment for share issue costs		(37)	(906)	(37)	(906)
Proceeds from borrowings		58,841	169,114	-	-
Repayment of borrowings		(31,898)	(129,638)	-	-
Payment to and on behalf of subsidiaries		-	-	9,947	(34,979)
Dividends paid		(9,410)	(8,739)	(9,410)	(8,739)
Net cash provided by/(used in) financing activities		17,602	74,082	606	(373)
<b>Net (decrease)/increase in cash and cash equivalents</b>		17,844	(14,058)	-	(415)
<b>Cash and cash equivalents at the beginning of the financial year</b>		(8,810)	5,248	-	415
<b>Cash and cash equivalents at the end of the financial year</b>	29(a)	9,034	(8,810)	-	-

Notes to the financial statements are included on pages 25 to 72.

# Notes to the financial statements for the financial year ended 30 June 2009

## 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. In 2008 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 2009.

### 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.

### Early adoption of Accounting Standards

The directors have elected under s.334(5) of the Corporations Act 2001 to apply AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8', even though the Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2009.

## 2. Significant accounting policies (continued)

AASB 8 is a disclosure standard which has resulted in a redesignation of the Group's reportable segments (see Note 4), but has no impact on the reported results or financial position of the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance.

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 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.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### (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.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

## 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 for 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 cost 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 certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, average credit period, as well as national or local economic conditions.

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 amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost 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 and motor vehicles are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amount payable to their present value as at the date of acquisition.

Depreciation is 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. Depreciation methods 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 and 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.

## 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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 inconsistency 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:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• AASB Interpretation 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'</li> </ul>   | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> |
| <ul style="list-style-type: none"> <li>• AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'</li> </ul>     | <p>Effective for annual reporting periods Beginning on or after 1 July 2009</p>    |
| <ul style="list-style-type: none"> <li>• AASB 2008-1 'Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations'</li> </ul>   | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> |
| <ul style="list-style-type: none"> <li>• AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'</li> </ul>  | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> |
| <ul style="list-style-type: none"> <li>• AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment In a Subsidiary, Jointly Controlled Entity or Associate</li> </ul>   | <p>Effective for annual reporting periods beginning on or after 1 January 2009</p> |
| <ul style="list-style-type: none"> <li>• AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged items</li> </ul>   | <p>Effective for annual reporting periods beginning on or after 1 July 2009</p>    |
| <ul style="list-style-type: none"> <li>• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners'</li> </ul> | <p>Effective for annual reporting periods beginning on or after 1 July 2009</p>    |
| <ul style="list-style-type: none"> <li>• AASB Interpretation 18 'Transfer of Assets from Customers'</li> </ul>   | <p>Effective for annual reporting periods beginning on or after 1 July 2009</p>    |

### 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.

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### Revenue recognition

Under AASB 111 where a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance sheet date. This is a key area of judgement for Service Stream that is determined through an analysis of the contracted design documents to assess the proportion of contract costs incurred for work performed to date.

#### Litigation

The Company is currently involved in arbitration and legal dispute in relation to two major completed contracts. Latent conditions and contract variation claims have been brought to account. The Company believes that these claims have been appropriately recorded and included in the financial statements in accordance with the principles of revenue recognition above (refer also note 35).



## 4. Segment information

### Information on operating segments

#### Products and services within each operating segment

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

Contact Centre Solutions	Specialist end-to-end services management; Contact centre activities and logistics services.
Specialist Field Services	Maintenance provision of and construction of infrastructure assets relative to telecommunications and utilities sector.

### Adoption of AASB 8 'Operating Segments'

The Group has adopted AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards' arising from AASB 8 in advance of their effective dates, with effect from 1 July 2008. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (AASB 114 'Segment Reporting') required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

### Segment revenues and results

	Segment revenue		Segment result	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Contact Centre Solutions	78,309	71,400	6,120	6,168
Specialist Field Services	479,149	378,610	31,630	37,447
Total of all segments	557,458	450,010	37,750	43,615
Eliminations	-	-	-	-
Unallocated	-	-	(7,603)	(6,368)
Earnings before interest, tax, depreciation and amortisation	-	-	30,147	37,247
Interest paid	-	-	(7,421)	(4,614)
Depreciation/Amortisation	-	-	(7,426)	(6,686)
Revenue from rendering of services	557,458	450,010	-	-
Profit before income tax expense			15,300	25,947
Income tax expense			(4,182)	(7,852)
Profit for the period			11,118	18,095

### Segment assets and liabilities

	Assets		Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Contact Centre Solutions	13,314	18,089	7,400	7,723
Specialist Field Services	289,775	288,443	49,006	60,241
Total of all segments	303,089	306,532	56,406	67,964
Eliminations	-	-	-	-
Unallocated	85,407	73,741	129,010	114,900
Consolidated	388,496	380,273	185,416	182,864

#### 4. Segment information (continued)

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets, other than those disclosed in the 'other financial assets' line of the balance sheet and investments accounted for using the equity method, attributable to each segment.

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

For the purpose of monitoring segment performance by the chief operating decision maker, all liabilities apart from other financial liabilities, current and deferred tax liabilities and other liabilities are allocated to reportable segments. Liabilities jointly by reportable segments are allocated on the basis of total capital required by individual reportable segments.

##### Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Contact Centre Solutions	1,986	2,057	471	1,834
Specialist Field Services	4,507	4,314	3,994	10,212
Total of all segments	6,493	6,371	4,465	12,046
Eliminations	-	-	-	-
Unallocated	933	314	936	244
Consolidated	7,426	6,685	5,401	12,290

##### Information about major customers

Included in revenues arising from rendering of services of \$557,458 thousand are revenues of approximately \$301,698 thousand which arose from sales to the Group's largest customer.

##### Information on geographical segments

The company carries out its business entirely within Australia except for a joint venture arrangement with Total Comm Infra Services Pvt Ltd incorporated in India (refer note 12).

## 5. Revenue

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue from the rendering of services	557,458	450,010	-	-
Interest revenue	782	546	-	-
Dividends:				
Subsidiaries		-	14,722	7,072
Total revenue from ordinary activities	558,240	450,556	14,722	7,072

## 6. Finance costs

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2007 \$'000
Interest on bank overdrafts and loans	6,997	3,798	-	-
Interest on obligations under finance leases	1,206	1,072	-	-
Other interest expense	-	290	-	-
	8,203	5,160	-	-

## 7. Profit for the year before tax

### (a) Gains and losses

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gain/(loss) on disposal of plant and equipment	(24)	31	-	-
	(24)	31	-	-

### (b) Other expenses

Profit for the year includes the following expenses:

Depreciation of non-current assets	5,798	5,415	-	-
Amortisation of non-current assets	1,628	1,270	-	-
	7,426	6,685	-	-
Operating lease rental expenses:				
Minimum lease payments	5,820	5,466	-	-
	5,820	5,466	-	-
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	8,721	6,350	-	-
Share-based payments:				
Equity settled share-based payments	202	613	-	-
	8,923	6,963	-	-

## 8. Income taxes

### Income tax recognised in profit or loss

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Tax expense comprises:</b>				
Current tax expense in respect of the current year	4,433	9,627	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	(384)	(84)	-	-
	4,049	9,543	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	133	(1,691)	-	-
	133	(1,691)	-	-
Total tax expense	4,182	7,852	-	-

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	15,300	25,947	14,722	7,072
Income tax expense calculated at 30%	4,590	7,784	4,417	2,122
Effect of expenses that are not deductible in determining taxable profit	72	406	-	-
Items deducted for tax purposes only	(60)	(254)	-	-
Effect of transactions within the tax-consolidated group that are exempt from taxation	-	-	(4,417)	(2,122)
Other	(36)	-	-	-
	4,566	7,936	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	(384)	(84)	-	-
	4,182	7,852	-	-

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	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000

The following current amounts were charged/(credited) directly to equity during the period:

#### Current tax

Share-issue expenses	257	272	257	272
	257	272	257	272

#### Deferred tax

Arising on transactions with equity participants:

Share issue expenses deductible over 5 years	-	(940)	-	(940)
	-	(940)	-	(940)
	(257)	668	(257)	668

### 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	1,702	-	1,702	-
	1,702	-	1,702	-

### Deferred tax balances

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

2009	Consolidated			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
<b>Temporary differences</b>				
Trade and other receivables	528	335	-	863
Other intangible assets	-	-	-	-
Trade, other payables and provision	362	(469)	-	(107)
Share issue costs	790	-	(257)	533
	1,680	(134)	(257)	1,289

Presented in the balance sheet as follows:

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

## 8. Income taxes (continued)

2008	Consolidated			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
<b>Temporary differences</b>				
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	-	668	790
	2,431	(1,419)	668	1,680

Presented in the balance sheet as follows:

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

2009	Company			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
<b>Temporary differences</b>				
Trade and other receivables	528	335	-	863
Other intangible assets	-	-	-	-
Trade, other payables and provision	362	(469)	-	(107)
Share issue costs	790	-	(257)	533
	1,680	(134)	(257)	1,289

Presented in the balance sheet as follows:

Deferred tax (liability)	-
Deferred tax asset	1,289
	<u>1,289</u>

## 8. Income taxes (continued)

2008	Company			
	Opening balance	Charged to income	Charged to equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
<b>Temporary differences</b>				
Trade and other receivables	970	(442)	-	528
Other intangible assets	-	-	-	-
Trade, other payables and provisions	197	165	-	362
Share issue costs	122	-	668	790
	1,289	(277)	668	1,680

Presented in the balance sheet as follows:

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

### 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 in 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	74,263	88,730	-	-
Allowance for doubtful debts	(5,247)	(3,560)	-	-
	69,016	85,170	-	-
Goods and services tax recoverable	4,411	4,442	-	-
Other	1,284	2,894	-	-
	74,711	92,506	-	-
Amounts receivable from wholly-owned controlled entities	-	-	73,843	62,242
	-	-	73,843	62,242
	74,711	92,506	73,843	62,242
Disclosed in the financial statements as:				
Current trade and other receivables	74,711	92,506	-	-
Non-current trade and other receivables	-	-	73,843	62,242
	74,711	92,506	73,843	62,242

The ageing of trade receivables as at 30 June 2009 is detailed below:

	Consolidated				Company			
	2009		2008		2009		2008	
	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000	Gross \$'000	Allowance \$'000
Not past due	51,004	-	61,516	-	-	-	-	-
Past due 0-30 days	12,403	-	16,871	-	-	-	-	-
Past due 31-60 days	2,942	-	2,246	-	-	-	-	-
Past due 61-90 days	1,190	-	1,154	(6)	-	-	-	-
Past 90 days	6,724	(5,247)	6,943	(3,554)	-	-	-	-
	74,263	(5,247)	88,730	(3,560)	-	-	-	-

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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at the beginning of the year	(3,560)	(3,233)	-	(3,173)
Transfers to wholly-owned controlled entities	-	-	-	3,173
Impairment losses recognised on receivables	(1,687)	(388)	-	-
Amounts recovered during the year	-	61	-	-
Balance at the end of the year	(5,247)	(3,560)	-	-



## 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 is with large globally recognised companies with high credit ratings. Of the trade receivables balance at the end of the year, \$34.0 million (2008: \$39.2 million) is due from Telstra Corporation Ltd, \$10.8 million (2008: \$6.9 million) is due from Singtel Optus group and \$5.2 million (2008: \$4.1 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 \$18.0 million (2008: \$23.7 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 publicly-listed companies.

## 10. Other financial assets

Investments carried at cost:

### Non-current

Investments in subsidiaries (note 27)

Investments in joint venture arrangements

Consolidated		Company	
2009	2008	2009	2008
\$'000	\$'000	\$'000	\$'000
-	-	105,005	105,005
-	-	1,347	742
-	-	106,352	105,747

## 11. Inventories

### **Finished goods:**

At cost

13,461	11,383	-	-
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## 12. Investments accounted for using the equity method

Investments in joint venture arrangements

1,209	490	-	-
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Reconciliation of movement in investments accounted for using the equity method:

Balance at 1 July

Share of profit/(loss) for the year

Foreign exchange currency movements

Additions

Balance at 30 June

490	700	-	-
436	(55)	-	-
926	645	-	-
(323)	(197)	-	-
606	42	-	-
1,209	490	-	-

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

Name of entity	Country of incorporation	Ownership interest	
		2009 %	2008 %
Jointly controlled entities			
Total Comm 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	
	2009 \$'000	2008 \$'000
<b>Financial position:</b>		
Total assets	5,105	3,361
Total liabilities	(2,081)	(2,135)
Net assets	3,024	1,226
Group's share of joint venture arrangement's net assets	1,209	490
<b>Financial performance:</b>		
Income	9,690	538
Expenses	(8,599)	(674)
Group's share of joint venture arrangement's profit/(loss)	436	(55)

### **Dividends received from associates and joint ventures**

During the year, the Group received no dividends (2008: 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 nil.

### 13. Plant and equipment

	Consolidated				
	Leasehold improve- ments at cost	Plant and equipment at cost	Equipment under finance lease at cost	Motor Vehicles at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>					
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
<b>Balance at 1 July 2008</b>	<b>4,733</b>	<b>10,335</b>	<b>13,218</b>	<b>3,882</b>	<b>32,168</b>
Additions	362	877	3,634	261	5,134
Transfers	-	171	785	(956)	-
Disposals	-	(1,318)	(1,532)	(658)	(3,508)
Acquisitions through business combinations	-	-	-	-	-
<b>Balance at 30 June 2009</b>	<b>5,095</b>	<b>10,065</b>	<b>16,105</b>	<b>2,529</b>	<b>33,794</b>
<b>Accumulated depreciation</b>					
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)
<b>Balance at 1 July 2008</b>	<b>(1,599)</b>	<b>(4,129)</b>	<b>(4,491)</b>	<b>(1,743)</b>	<b>(11,962)</b>
Transfers	-	(133)	(224)	357	-
Disposals	-	485	652	478	1,615
Acquisitions through business combinations	-	-	-	-	-
Depreciation expense	(932)	(1,686)	(2,715)	(465)	(5,798)
<b>Balance at 30 June 2009</b>	<b>(2,531)</b>	<b>(5,463)</b>	<b>(6,778)</b>	<b>(1,373)</b>	<b>(16,145)</b>
<b>Net book value</b>					
As at 30 June 2008	3,134	6,206	8,727	2,139	20,206
As at 30 June 2009	2,564	4,602	9,327	1,156	17,649

### 13. Plant and equipment (continued)

	Company				
	Leasehold improve- ments at cost	Plant and equipment at cost	Equipment under finance lease at cost	Motor Vehicles at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>					
Balance at 1 July 2007	21	1,600	-	-	1,621
Transfers to wholly-owned entities	(21)	(1,600)	-	-	(1,621)
Additions	-	-	-	-	-
<b>Balance at 1 July 2008</b>	-	-	-	-	-
Transfers to wholly-owned entities	-	-	-	-	-
Additions	-	-	-	-	-
<b>Balance at 30 June 2009</b>	-	-	-	-	-
<b>Accumulated depreciation</b>					
Balance at 1 July 2007	(18)	(1,444)	-	-	(1,462)
Transfers to wholly-owned entities	18	1,444	-	-	1,462
Depreciation expense	-	-	-	-	-
<b>Balance at 1 July 2008</b>	-	-	-	-	-
Transfers to wholly-owned entities	-	-	-	-	-
Depreciation expense	-	-	-	-	-
<b>Balance at 30 June 2009</b>	-	-	-	-	-
<b>Net book value</b>					
As at 30 June 2008	-	-	-	-	-
As at 30 June 2009	-	-	-	-	-

#### 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 and Commonwealth Bank of Australia. 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.

## 14. Goodwill

### Gross carrying amount

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	206,422	155,703	-	-
Additional amounts recognised from business combinations occurring during the period	-	50,719	-	-
Reduction in deferred consideration on business combinations previously recognised (i)	(1,054)	-	-	-
Balance at end of financial year	<u>205,368</u>	<u>206,422</u>	<u>-</u>	<u>-</u>

### Net book value

At the beginning of the financial year	<u>206,422</u>	<u>155,703</u>	<u>-</u>	<u>-</u>
At the end of the financial year	<u>205,368</u>	<u>206,422</u>	<u>-</u>	<u>-</u>

(i) During the financial year, the Group determined that the deferred consideration associated with the following prior period acquisitions be reduced from the earn-out payable as calculated at the time of acquisition:

- Business trading as South East Qld Underroad Drillers (SEQUD) acquired on 4 Feb 2008
- Fibercom Technology Pty Ltd acquired on 1 Jul 2006

### 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 - \$8,719,000
- Specialist Field Services, including maintenance and construction of infrastructure assets - \$196,649,000

#### Contact Centre Solutions

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period and past experience. A discount rate of 12.0% has been applied (2008: 10.5%).

Cash flow projections during the budget for the cash-generating unit are based on the same expected gross margins during the budget period and the consumer price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a conservative 2.5% p.a. growth rate. Management believes that any possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

#### Specialist Field Services

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five year period and past experience. A discount rate of 12.0% has been applied (2008: 10.5%).

Cash flow projections during the budget for the cash-generating unit are based on the same expected gross margins during the budget period and the consumer price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a conservative 2.5% p.a. growth rate. Management believes that any possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

## 15. Other intangible assets

### Software:

#### Gross carrying amount

	Consolidated		Company
	2009	2008	2009
	\$'000	\$'000	\$'000
Balance at beginning of financial year	5,170	3,615	-
Additions	267	1,555	-
Balance at end of financial year	5,437	5,170	-

#### Accumulated amortisation

	Consolidated		Company
	2009	2008	2009
	\$'000	\$'000	\$'000
Balance at beginning of financial year	(2,027)	(757)	-
Amortisation expense	(836)	(1,270)	-
Balance at end of financial year	(2,863)	(2,027)	-

#### Net book value

	Consolidated		Company
	2009	2008	2009
	\$'000	\$'000	\$'000
At the beginning of the financial year	3,143	2,858	-
At the end of the financial year	2,574	3,143	-

Included in the net book value above is \$1,913,001 (2008: \$591,551) relating to assets acquired under outstanding finance leases.

## 16. Other assets

### Current

	Consolidated		Company
	2009	2008	2009
	\$'000	\$'000	\$'000
Accrued Income	61,503	42,720	-
Prepayments	1,555	1,063	-
Other	143	183	-
	63,201	43,966	-

## 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
	2009	2008	2009
	\$'000	\$'000	\$'000
Trade creditors (i)	23,412	28,055	-
Deferred purchase consideration	9,148	10,907	-
Goods and services tax payable	6,600	6,783	-
Sundry creditors & accruals	21,949	22,195	38
Income in advance	3,186	1,721	-
	64,295	69,661	38

### Non-current

	Consolidated		Company
	2009	2008	2009
	\$'000	\$'000	\$'000
Deferred purchase consideration	-	8,672	-
	64,295	78,333	38

- (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
	2009 \$'000	2008 \$'000	2009 \$'000
Bank overdrafts	-	8,810	-
Commercial bills (ii)	-	24,660	-
Finance lease liabilities (i) (note 26)	6,165	5,626	-
	6,165	39,096	-

#### Non-current

Commercial bills (ii)	95,000	42,690	-
Finance lease liabilities (i) (note 26)	10,423	11,667	-
	105,423	54,357	-
	111,588	93,453	-

Disclosed in the financial statements as:

Current borrowings	6,165	39,096	-
Non-current borrowings	105,423	54,357	-
	111,588	93,453	-

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 bill facilities secured have maturity dates up to a 4 year period.

## 20. Provisions

#### Current

	Consolidated		Company
	2009 \$'000	2008 \$'000	2009 \$'000
Employee benefits	5,886	8,389	-
Other	-	1,100	-
	5,886	9,489	-

#### Non-current

Employee benefits	1,945	1,589	-
	1,945	1,589	-
	7,381	11,078	-

## 21. Issued capital

186,431,746 fully paid ordinary shares  
(2008: 173,388,975)

191,960	183,903	175,201	167,144
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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.

## 21. Issued capital (continued)

	<u>2009</u> <u>No.</u> <u>'000</u>	<u>2008</u> <u>No.</u> <u>'000</u>
<b>Consolidated</b>		
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial year	173,389	140,831
Issue of shares as partial consideration for business combinations	4,520	2,520
Issue of shares in accordance with the Scheme of Arrangement	241	-
Issue of shares during the year	-	20,500
Exercise of options	-	6,800
Dividend reinvestment plan	8,282	2,738
Balance at end of financial year	<u>186,432</u>	<u>173,389</u>
	<u>2009</u>	<u>2008</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Consolidated</b>		
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial year	183,903	130,755
Issue of shares as partial consideration for business combinations	4,189	4,314
Issue of shares during the year	212	40,646
Net costs associated with issue of shares	(319)	(884)
Exercise of options	-	4,250
Dividend reinvestment plan	3,975	4,822
Balance at end of financial year	<u>191,960</u>	<u>183,903</u>

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

### Share options

As at 30 June 2009, founders and employees have 13,030,000 options over ordinary shares (of which 3,020,000 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Equity-settled employee benefits	1,540	1,338	1,501	1,299
Foreign currency translation	(520)	(197)	-	-
	<u>1,020</u>	<u>1,141</u>	<u>1,501</u>	<u>1,299</u>
<b>Employee equity-settled benefits reserve</b>				
Balance at beginning of financial year	1,338	725	1,299	686
Share-based payment from prior periods	202	613	202	613
Transfer to share capital	-	-	-	-
Balance at end of financial year	<u>1,540</u>	<u>1,338</u>	<u>1,501</u>	<u>1,299</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 disclosed in note 31 to the financial statements.

### Foreign currency translation reserve

Balance at beginning of financial year	(197)	-	-	-
Translation of foreign operations	(323)	(197)	-	-
Balance at end of financial year	<u>(520)</u>	<u>(197)</u>	<u>-</u>	<u>-</u>

Exchange differences relating to the translation from the functional currencies of the Group's joint venture operations into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

## 23. Retained earnings

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at beginning of financial year	12,365	7,831	1,703	8,192
Net profit attributable to members of the parent entity	11,118	18,095	14,722	7,072
Dividends provided for or paid (note 25)	(13,383)	(13,561)	(13,383)	(13,561)
Balance at end of financial year	<u>10,100</u>	<u>12,365</u>	<u>3,042</u>	<u>1,703</u>

## 24. Earnings per share

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>Basic earnings per share:</b>		
Total basic earnings per share	6.20	10.98
<b>Diluted earnings per share:</b>		
Total diluted earnings per share	6.20	10.42

### 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:

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit	11,118	18,095
Earnings used in the calculation of basic EPS	11,118	18,095
	<b>2009</b>	<b>2008</b>
	<b>No.'000</b>	<b>No.'000</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	179,412	164,731

### Diluted earnings per share (i)

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

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit	11,118	18,095
Interest on employee options consideration	-	596
Earnings used in the calculation of diluted EPS	11,118	18,691
	<b>2009</b>	<b>2008</b>
	<b>No.'000</b>	<b>No.'000</b>
Weighted average number of ordinary shares for the purposes of basic EPS	179,412	164,731
Employee options	-	14,647
Weighted average number of ordinary shares used in the calculation of diluted EPS	179,412	179,378

(i) Both the Diluted earnings per share and Basic earnings per share calculations are at 6.20 cents as the exercise price of options is above the value of those shares as at 30 June 2009.

## 25. Dividends

### Recognised amounts

#### Fully paid ordinary shares

Interim dividend:

Fully franked at a 30% tax rate

Final dividend:

Fully franked at a 30% tax rate

2009		2008	
Cents per share	Total \$'000	Cents per share	Total \$'000
3.5	6,283	3.5	6,017
4.0	7,100	4.5	7,544
7.5	13,383	8.0	13,561

### Unrecognised amounts

#### Fully paid ordinary shares

Final dividend:

Fully franked at a 30% tax rate

-	-	4.0	6,936
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	Company	
	2009 \$'000	2008 \$'000
Adjusted franking account balance as at 30 June	11,019	11,800
Impact on franking account balance of dividends not recognised	-	(2,973)
Income tax consequences of unrecognised dividends	-	-

## 26. Leases

### Finance leases

#### Leasing arrangements

The Group leases plant and equipment and 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 obligations 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Not longer than 1 year	7,384	6,657	-	-	7,384	6,657	-	-
Later than 1 year and not later than 5 years	11,754	13,615	-	-	11,754	13,615	-	-
Minimum future lease payments*	19,138	20,272	-	-	19,138	20,272	-	-
Less future finance charges	(2,550)	(2,979)	-	-	(2,550)	(2,979)	-	-
Present value of minimum lease payments	16,588	17,293	-	-	16,588	17,293	-	-
Included in the financial statements as: (note 19)								
Current borrowings					6,165	5,626	-	-
Non-current borrowings					10,423	11,667	-	-
					16,588	17,293	-	-

\* 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<u>Non-cancellable operating lease commitments</u>				
Not longer than 1 year	5,886	6,015	-	-
Longer than 1 year and not longer than 5 years	5,761	9,550	-	-
Longer than 5 years	47	83	-	-
	<u>11,694</u>	<u>15,648</u>	<u>-</u>	<u>-</u>

## 27. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2009 %	2008 %
<b>Parent entity</b>			
Service Stream Limited (i)	Australia		
<b>Subsidiaries</b>			
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	100
McCourt Dando Civil Pty Ltd (vi) (viii)	Australia	100	100
McCourt Dando Plant Hire Pty Ltd (vi) (viii)	Australia	100	100
Metering Services Australasia Pty Ltd (iii) (viii)	Australia	100	100
MSA Plant Pty Ltd (vii) (viii)	Australia	100	100
AMRS (Aust) Pty Ltd (vii) (viii)	Australia	100	100

- (i) Service Stream Limited is the head entity within the tax-consolidated group.
- (ii) These companies are members of the tax-consolidated group.
- (iii) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
- (iv) 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:

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income statement</b>		
Revenue	558,240	450,556
Other income	(24)	31
Company administration and insurance expenses	(7,284)	(6,183)
Site and construction costs	(34,857)	(36,265)
Salaries and employee benefits	(134,131)	(129,892)
Temporary staff costs and subcontractor fees	(269,076)	(182,527)
Changes in inventory of finished goods	(49,633)	(33,803)
Motor vehicles expenses	(8,154)	(6,373)
Consulting and directors' fees	(597)	(542)
Technology services	(5,983)	(2,928)
Occupancy expenses	(7,902)	(6,857)
Finance costs	(8,203)	(5,160)
Depreciation and amortisation	(7,426)	(6,685)
Other expenses	(10,106)	(7,370)
<b>Profit before tax</b>	<b>14,864</b>	<b>26,002</b>
Income tax expense	(4,182)	(7,852)
<b>Profit for the year</b>	<b>10,682</b>	<b>18,150</b>
<b>Balance sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,034	-
Trade and other receivables	74,711	92,506
Inventories	13,461	11,383
Current tax assets	-	476
Other	63,201	43,966
<b>Total current assets</b>	<b>160,407</b>	<b>148,331</b>
<b>Non-current assets</b>		
Other financial assets	1,347	742
Trade and other receivables	-	-
Other financial assets	-	-
Property, plant and equipment	17,649	20,206
Deferred tax assets	1,289	1,680
Goodwill	205,368	206,422
Other intangible assets	2,574	3,143
<b>Total non-current assets</b>	<b>228,227</b>	<b>232,193</b>
<b>Total assets</b>	<b>388,634</b>	<b>380,524</b>

## 27. Subsidiaries (continued)

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current liabilities</b>		
Trade and other payables	64,295	69,661
Borrowings	6,165	39,096
Current tax liabilities	1,702	-
Provisions	5,885	9,489
<b>Total current liabilities</b>	<b>78,047</b>	<b>118,246</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	8,672
Borrowings	105,423	54,357
Provisions	1,945	1,589
<b>Total non-current liabilities</b>	<b>107,368</b>	<b>64,618</b>
<b>Total liabilities</b>	<b>185,415</b>	<b>182,864</b>
<b>Net Assets</b>	<b>203,219</b>	<b>197,660</b>
<b>Equity</b>		
Issued capital	191,960	183,903
Reserves	1,540	1,337
Retained earnings *	9,719	12,420
<b>Total equity</b>	<b>203,219</b>	<b>197,660</b>
 * Retained earnings		
Retained earnings as at beginning of the financial year	12,420	7,831
Net profit	10,682	18,150
Dividends provided for or paid	(13,383)	(13,561)
Retained earnings as at end of the financial year	9,719	12,420

## 28. Acquisition of businesses

There have been no acquisitions completed for the current financial year, and terms for all prior period acquisitions have now been finalised.

The accounting for the acquisition of the business trading as South East Qld Underroad Drillers (SEQUD), which was provisional as at 30 June 2008, was finalised on 4 Feb 2009. No adjustments have been made to the provisional accounting as disclosed in the 30 June 2008 financial statements.

## 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:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	9,034	-	-	-
Bank overdraft	-	(8,810)	-	-
Cash and cash equivalents	<u>9,034</u>	<u>(8,810)</u>	<u>-</u>	<u>-</u>

### (b) Businesses acquired

No acquisitions have been completed for the current financial year, however, the net cash outflow on deferred consideration payments was \$3,642,000 (2008: \$43,295,000) which relates to prior period acquisitions.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(c) <b>Financing facilities</b>				
Secured bank guarantees:				
• amount used	12,073	8,115	-	-
• amount unused	2,927	1,885	-	-
	<u>15,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>

Secured bank bill and equipment finance facilities with various maturity dates from 31 October 2010 through to 2 July 2012 and which may be extended by mutual agreement:

• amount used	111,588	93,453	-	-
• amount unused	54,412	55,599	-	-
	<u>166,000</u>	<u>149,052</u>	<u>-</u>	<u>-</u>

## 29. Notes to the cash flow statement (continued)

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit for the year	11,118	18,095	14,722	7,072
(Gain)/loss on sale of disposal of non-current assets	24	(31)	-	-
Depreciation and amortisation	7,426	6,685	-	-
Share of joint venture arrangements' (profit)/loss	(436)	55	-	-
Equity-settled share-based payment	202	613	-	-
Company contributions to Employee Share Scheme	106	-	-	-
Doubtful debts	1,687	320	-	-
(Increase)/decrease in deferred tax balances	391	4,775	391	(391)
Increase/(decrease) in current tax liability	1,922	(6,921)	1,922	(4,490)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	14,119	(40,265)	(17,073)	9,094
Inventories	(2,078)	(9,945)	-	-
Other assets	(19,235)	972	-	12,664
Increase/(decrease) in liabilities:				
Trade and other payables	(3,760)	(1,668)	38	(23,157)
Provisions	(3,247)	(5,802)	-	(792)
Net cash from operating activities	8,239	(33,117)	-	-



### 30. Financial instruments

The Group's activities expose it to a variety of financial risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses a variety of methods to measure the extent of different types of risk to which it is exposed, including market or fair value or face value as appropriate.

The operation of a treasury activity is managed through segregation of duties, reporting requirements and structured authority levels, and is subject to ongoing internal and external audit review.

#### (a) Capital risk management

The Group manages its capital to ensure that it 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 2008.

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 Board reviews the capital structure on a regular basis. As part of this review the Board 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 net debt plus equity. Based on recommendations of the Board 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 debt or the redemption of existing debt.

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Debt (i)	111,588	84,643	-	-
Bank overdraft	-	8,810	-	-
Cash and cash equivalents	(9,034)	-	-	-
Net debt	102,554	93,453	-	-
Equity (ii)	203,080	197,409	179,744	170,146
Net debt to net debt plus equity ratio	33.6%	32.1%	-	-

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

(ii) Equity includes all capital and reserves.

### 30. Financial instruments (continued)

#### (b) Categories of financial instruments

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	9,034	-	-	-
Receivables (at amortised cost)	74,711	92,506	-	-
<b>Financial liabilities</b>				
Trade and other payables (at amortised cost)	55,147	58,754	-	-
Deferred purchase consideration	9,148	11,698	-	-
Bank overdraft	-	8,810	-	-
Commercial bills	95,000	67,350	-	-
Finance lease / hire purchase liabilities	16,587	17,293	-	-

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.

#### (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 forecasts 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 decrease by \$513,000 and increase by \$513,000 (2008 : decrease by \$466,000 and increase by \$466,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### 30. Financial instruments (continued)

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in 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 of 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, and Singtel Optus Group. 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) Foreign exchange risk

The Group operates predominantly within Australia however does have exposure to foreign exchange risk arising from currency movements to the Indian Rupee only from joint venture operations.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency, and from net investments in foreign operations. Management of foreign exchange risk is focused on minimising the volatility of Group financial results to adverse exchange rate movements by protecting the cash flows of the business and reducing large investment exposures to such exchange rate movements.

#### (h) 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.

### 30. Financial instruments (continued)

#### 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

#### 2009

##### Non-derivative financial liabilities

Trade and other payables		(56,104)	(56,104)	(56,104)	-	-	-	-
Deferred consideration		(9,148)	(9,148)	(9,148)	-	-	-	-
Finance lease liabilities	7.6%	(16,587)	(19,138)	(4,307)	(3,077)	(2,939)	(8,815)	-
Variable interest rate instruments	5.9%	(78,500)	(83,132)	(2,316)	(2,316)	(78,500)	-	-
Fixed interest rate instruments	8.1%	(16,500)	(19,173)	(668)	(668)	(1,337)	(16,500)	-
		(176,839)	(186,695)	(72,543)	(6,061)	(82,776)	(25,315)	-

#### 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 lease 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)	-
		(163,905)	(173,504)	(79,540)	(6,844)	(60,409)	(26,711)	-

#### 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

#### 2009

##### Non-derivative financial liabilities

Trade and other payables	-	(38)	(38)	(38)	-	-	-	-
		(38)	(38)	(38)	-	-	-	-

#### 2008

##### Non-derivative financial liabilities

Trade and other payables	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-

### 30. Financial instruments (continued)

(i) **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 in 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.

	<b>2009</b>		<b>2008</b>	
	<b>Carrying amount \$'000</b>	<b>Fair value \$'000</b>	<b>Carrying amount \$'000</b>	<b>Fair value \$'000</b>
<b>Consolidated</b>				
<u>Financial assets</u>				
Cash	9,034	9,034	-	-
Trade and other receivables	74,711	74,711	92,506	92,506
<u>Financial liabilities</u>				
Trade and other payables	55,147	55,147	58,754	58,754
Deferred purchase consideration	9,148	9,148	11,698	11,698
Bank overdraft	-	-	8,810	8,810
Commercial bills - variable	78,500	78,500	50,850	50,850
Commercial bills - fixed	16,500	15,831	16,500	15,477
Finance lease/hire purchase liabilities	16,587	15,552	17,293	16,224
<b>Company</b>				
<u>Financial assets</u>				
Cash	-	-	-	-
Trade and other receivables	73,843	73,843	62,242	62,242
<u>Financial liabilities</u>				
Trade and other payables	-	-	-	-

## 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.

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 behavioural 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.

### 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:

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	13,030,000	0.9950	19,750,000	0.8684
Granted during the financial year	-	-	80,000	1.3850
Exercised during the financial year (i)	-	-	(6,800,000)	0.6250
Expired during the financial year	-	-	-	-
Balance at end of the financial year (ii)	13,030,000	0.9950	13,030,000	0.9950
Exercisable at end of the financial year	10,010,000	0.9497	8,490,000	0.9264

#### (i) Exercised during the financial year

No share options granted under the executive share option plan were exercised during the current financial year.

The following share options granted under the executive share plan were exercised during the 2008 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

#### (ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.9950 (2008: \$0.9950) and a weighted average remaining contractual life of 398 days (2008: 763 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)
- M Doery (Acting Managing Director, Chief Operating Officer & Chief Financial 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)
- J Gramc (Executive General Manager – Service Stream Solutions)
- J Ryan (Executive General Manager – Infrastructure Services)
- P J Flannigan (Managing Director & Chief Executive Officer – resigned 31 July 2009)

### 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:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term employee benefits	4,474,031	3,384,519	-	-
Post-employment benefits	310,803	230,429	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	202,737	693,342	-	-
	<b>4,987,571</b>	<b>4,308,290</b>	<b>-</b>	<b>-</b>

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 parties. These balances do not include loans that are in-substance options and are non-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.
<b>2009</b>					
JL Davies	256,891	-	-	84,880	341,771
PJ Flannigan	1,003,052	-	-	-	1,003,052
M Doery	1,203,052	-	-	39,712	1,242,764
R Stanton	460,000	-	-	-	460,000
A Field	5,618,082	-	-	13,473	5,631,555
R Small	5,573,147	-	-	218,807	5,791,954
S Wilks	-	-	-	-	-
S Ellich	309,946	-	-	46,575	356,521
J Gramc	103,713	-	-	1,693	105,406
J Ryan	87,364	-	-	14,383	101,747
<b>2008</b>					
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 Ellich	274,134	20,000	-	15,812	309,946
J Gramc	203,551	-	-	(99,838)	103,713
J Ryan	83,555	-	-	3,809	87,364

### 33. Related party disclosures (continued)

#### Share options of Service Stream Limited

	Balance at 1 July	Granted as remuneration	Exercised	Net other change	Balance at 30 June	Balance 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.
<b>2009</b>									
JL Davies	-	-	-	-	-	-	-	-	-
PJ Flannigan	4,200,000	-	-	-	4,200,000	4,200,000	800,000	3,400,000	-
M Doery	3,800,000	-	-	-	3,800,000	3,800,000	720,000	3,080,000	-
R Stanton	2,000,000	-	-	-	2,000,000	2,000,000	1,500,000	500,000	-
A Field	-	-	-	-	-	-	-	-	-
R Small	-	-	-	-	-	-	-	-	-
S Wilks	-	-	-	-	-	-	-	-	-
S Ellich	120,000	-	-	-	120,000	120,000	-	120,000	-
J Gramc	80,000	-	-	-	80,000	80,000	-	80,000	-
J Ryan	160,000	-	-	-	160,000	160,000	-	160,000	-
<b>2008</b>									
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	-

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, no options (2008: 4,533,334) were exercised by key management personnel.

Further details of the employee share option plan and of share options granted during 2009 and 2008 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 \$365,000 (2008: \$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 a 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 \$14,722,000 (2008: \$ 7,072,000) 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 totalling \$73,843,000 are receivable from subsidiaries (2008: \$ 62,242,000)

All amounts advanced to or payable to related parties are unsecured and are subordinated 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	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>34. Remuneration of auditors</b>				
<b>Auditor of the parent entity</b>				
Audit or review of the financial report	343,604	346,500	-	-
<b>Other non-audit services</b>				
IT systems security review	-	52,806	-	-
Other review services	230,000	23,500	-	-
Tax advice	33,862	12,994	-	-
Technical review	15,000	-	-	-
	<b>622,466</b>	<b>435,800</b>	<b>-</b>	<b>-</b>

The auditor of Service Stream Limited is Deloitte Touche Tohmatsu.

### 35. Contingent assets and liabilities

The Company is currently involved in arbitration and legal dispute in relation to two major completed contracts. Latent conditions and contract variation claims have been brought to account. The Company believes that these claims have been appropriately recorded and included in the financial statements in accordance with the principles of revenue recognition.

#### Background –

The Company completed two infrastructure and telecommunication facility projects during the year. Various project difficulties were encountered and have become subject to dispute resolution processes.

The company has sought appropriate legal advice, together with specialist expert advice, and is confident that the aggregate of claims included in the accounts reflects its best estimate of the likely outcomes. A successful outcome in legal claims will enhance the group cash flow by the ultimate amount received, however the impact to the Group profit and loss account is expected to be minimal in the coming year.

### **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.

**ASX ADDITIONAL INFORMATION  
FOR LISTED PUBLIC COMPANIES FOR YEAR ENDED 30 JUNE 2009**

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

**a) Distribution of Shareholders Number as at 01 September 2009**

<b>Category (size of Holding)</b>	<b>Holders</b>
1 – 1,000	525
1,001 – 5,000	1,439
5,001 – 10,000	796
10,001 – 100,000	1,473
100,001 +	207
	<b>4,440</b>

**b) There are 4,440 holders of fully paid ordinary shares.**

The Company has no other class of shares issued.

**c) The number of shareholdings held in less than marketable parcels is 533.**

**d) The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 01 September 2009 are:**

<b>Shareholder</b>	<b>Ordinary</b>	<b>%</b>
Maple Brown Abbott	19,202,306	10.30
Thorney Pty Ltd	14,288,432	7.66
Gandel Springwest Pty Ltd	10,970,780	5.88

**e) Voting Rights**

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

**Ordinary shares**

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

**Options**

These securities have no voting rights.

**e) Net Tangible Assets**

The net tangible assets per security is (\$0.0261) (2008: (\$0.0701))

**SERVICE STREAM LIMITED**  
ASX Additional Information

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**f) 20 Largest Shareholders as at 01 September 2009 — Ordinary Shares**

Name of 20 largest shareholders in each class of share		Ordinary Shares Fully Paid No. of Shares Held	% Held
1	RBC Dexia Investor Services Australia Nominees Pty Limited	18,581,267	9.99
2	ANZ Nominees Limited	13,108,397	7.05
3	Gandel Springwest Pty Ltd	10,970,780	5.90
4	National Nominees Limited	7,232,439	3.89
5	Small Enterprises (Aust) Pty Ltd	5,017,524	2.70
6	Field Enterprises (Aust) Pty Ltd	4,870,968	2.62
7	J P Morgan Nominees Australia Limited	3,514,334	1.89
8	Blazzed Pty Ltd	2,506,666	1.35
9	Citicorp Nominees Pty Limited	2,299,260	1.24
10	Howes Creek Pty Ltd <Gallagher Family A/C>	2,055,288	1.10
11	Dr Roger Graham Brooke + Mrs Sally Ann Brooke	1,833,591	0.99
12	ANZ Nominees Limited <Income Reinvest Plan A/C>	1,550,730	0.83
13	Aurisch Investments Pty Ltd	1,480,068	0.80
14	UBS Wealth Management Australia Nominees Pty Ltd	1,081,682	0.58
15	Mrs Maree Helen Theiler	1,054,000	0.57
16	Miclod Holdings Pty Ltd	1,041,630	0.56
17	Howes Creek Pty Ltd <Emma Van Hoof Family A/C>	1,027,644	0.55
18	Howes Creek Pty Ltd <Samantha Van Hoof Family A/C>	1,027,644	0.55
19	Milton Corporation Limited	1,010,526	0.54
20	Mr Joseph James Caporale	949,885	0.51
		<b>82,214,323</b>	<b>44.21</b>

## Corporate Directory

### Directors

John Llewellyn (Lyn) Davies  
Michael Doery  
Rod Stanton  
Adrian Field  
Russell Small  
Stephe Wilks

### Company Secretary

Stephen Campbell

### Registered Office

Level 12, 555 Lonsdale Street  
Melbourne VIC 3000

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### Bankers

Westpac Banking Corporation  
Commonwealth Bank of  
Australia

### Share Registry

Computershare Investor  
Services  
Yarra Falls  
452 Johnston Street  
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(within Australia)

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### Auditors

Deloitte Touche Tohmatsu

## Company Timeline

### November 2004

Acquired Skilled  
Communications

### March 2005

Acquired Pracom

### January 2006

Acquired Milcom

### July 2006

Acquired Fibercom

### December 2006

Merged with Total  
Communications Infrastructure  
(TCI)

### January 2007

Acquired General Purpose  
Group (GPG)

### May 2007

Awarded national Telstra  
payphones contract

### July 2007

Acquired AMRS  
Acquired McCourt Dando

### September 2007

Awarded \$1 billion Telstra  
Access and Associated  
Services contract

### February 2008

Acquired South East Qld  
Underroad Drillers

### October 2008

Awarded Sydney Water  
contract to provide metering  
services to more than 1 million  
properties in Sydney

### November 2008

Awarded \$23 million APA  
contract for the provision of  
gas meter reading services

### April 2009

Awarded AMI contract for  
Jemena and UED – an industry  
first for the provision of smart  
meters in Australia



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