



SERVICE STREAM ANNUAL REPORT

for the year ended 30 June 2007

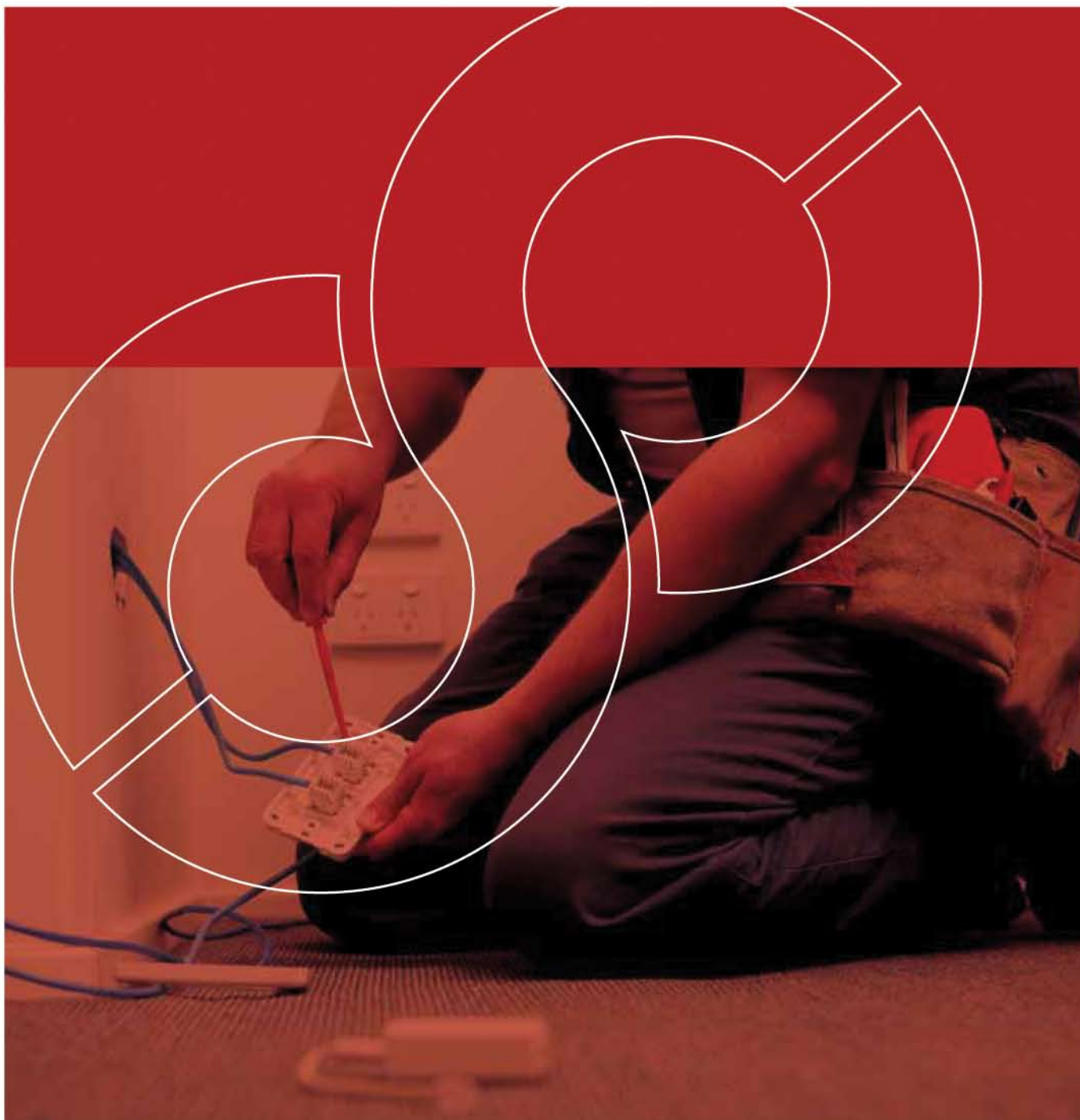


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HIGHLIGHTS

A grayscale photograph of a technician with curly hair, wearing a dark shirt, working on a large telecommunications switchboard. The technician is using a tool to adjust a component on the board. The switchboard has many vertical slots and handles. The image is dark and serves as a background for the text.

- REVENUE OF \$247.1 MILLION
- EBITDA OF \$21.2 MILLION
- NPAT OF \$11.2 MILLION
- DIVIDENDS OF 7.5 CENTS PER SHARE
- ACQUISITION OF FIBERCOM TECHNOLOGY IN AUGUST 2006
- MERGED WITH TOTAL COMMUNICATIONS INFRASTRUCTURE LIMITED IN DECEMBER 2006
- ACQUISITION OF GENERAL PURPOSE GROUP IN JANUARY 2007
- ACQUISITION OF SERVICEWORKS METERING IN JUNE 2007
- MAJOR CONTRACTS WON INCLUDING TELSTRA PAYPHONES, ADDITIONAL VODAFONE WORK, ENERGEX
- MOVED INTO THE UTILITIES SECTOR IN MAY 2007
- DEVELOPED AND OPERATES THE HIGH-PROFILE DO NOT CALL REGISTER FOR THE AUSTRALIAN COMMUNICATIONS AND MEDIA AUTHORITY
- INCREASED TICKET OF WORK VOLUME BY AROUND 28 PERCENT
- NATIONAL FOOTPRINT OF 25 BRANCHES AUSTRALIA-WIDE



INCREASINGLY EFFICIENT, SCALABLE SERVICES

‘After further strategic acquisitions in 2006-07, Service Stream can now leverage our increasingly efficient, scalable services across the full spectrum of telecommunications infrastructure and, more recently, the utilities sector. Our national presence and extensive capabilities have also enabled strong organic growth, reinforcing our strong earnings and growth outlook’.

CHAIRMAN'S REVIEW



John Llewellyn (Lyn) Davies
Chairman

Service Stream's growth strategy has consistently focused on developing our uniquely integrated services offering to meet the evolving needs of large national infrastructure-based firms, both in telecommunications and, more recently, in the utilities sector.

Following the successful merger with Total Communications Infrastructure Limited (TCI) and the acquisitions of General Purpose Group (GPG), Fibercom Technology and Serviceworks Metering during the year, Service Stream now has significant capabilities across the full spectrum of telecommunications infrastructure services including copper networks, hybrid coaxial cable TV networks, wireless and fibre networks. By bringing together Australia's leading technical services companies in the telecommunications sector we can now provide customers with much more cost-effective ways to build and maintain their infrastructure.

As part of our strategic plan to diversify into the utilities sector, in June 2007 Service Stream acquired Serviceworks Metering. A business targeting smart meter infrastructure deployment and management. This represents the next stage in the development of Service Stream. This acquisition was made after winning a significant contract during the year with Energex, a major Queensland power utility, to provide infrastructure works for the Gold Coast. With further restructuring and increased competition occurring within the utilities sector, we will continue to seek new opportunities to meet the growing outsourcing needs of these businesses.

Other significant infrastructure contract wins and the consistent re-winning of contracts during the year indicate our growing national profile and reputation as well as a deepening in our customer relationships. In February 2007, Service Stream was awarded a high-visibility, multi-million dollar project to develop and

operate the Do Not Call Register for the Australian Communications and Media Authority (A Federal Government body).

To our loyal and valued customers, many of whom we have worked with through our various businesses over a long period of time, we thank you for your continued support and trust.

With the consolidation of the Service Stream and TCI Boards in December last year, we now have an even stronger Board, with all of the directors bringing complementary skills and experience to the table.

On behalf of our shareholders and directors I want to acknowledge the strong leadership and prudent financial management provided by our Managing Director Patrick Flannigan, our Chief Financial Officer Michael Doery and our senior management team during another year of significant growth for our Company.

I would also like to express my appreciation of the skill, dedication and efforts of my fellow directors and our employees whose commitment has helped us achieve such strong performances early in the life of our business.

In the forthcoming year, Service Stream will continue to pursue an aggressive growth strategy. We aim to achieve further inroads into the key markets in which we operate, by continuing to leverage our expanding capabilities and scale.

Finally I would like to thank you, our shareholders, for your support and encouragement in the continuing growth and development of our Company, Service Stream.

John Llewellyn (Lyn) Davies
Chairman

MANAGING DIRECTOR'S REVIEW

'Service Stream's significantly increased scale and capabilities in 2006-07 have consolidated our position as a major national provider of outsourced industrial and technical services. Our continued strong growth trajectory and financial performance provide a strong base for further expansion, both organic and by acquisition.'



Patrick J. Flannigan
Managing Director and CEO

Fellow shareholders, It is my pleasure to present the 2006-07 annual report to you. It has been the most exciting and productive 12 months in the Company's short history.

Achieving economies of scale through growth

During 2006-07 Service Stream's key strategic focus remained on developing capabilities that meet the needs of identified growth sectors for outsourced services, particularly in telecommunications and now in utilities.

The group's strong growth trajectory and financial performance were maintained by combining and extracting synergies from several leading infrastructure services suppliers. The acquisition of Fibercom Technology, GPG, Serviceworks Metering and the merger with TCI have given Service Stream a solid platform from which to develop scalable and efficient management of people and systems. We can now offer our customers full end-to-end in-house solutions and a much more cost-effective way of building and maintaining their infrastructure.

In less than three full years of operation, the Company has successfully acquired and integrated seven businesses. While these businesses contribute to the group as a whole, leveraging off each other's capabilities, they continue to focus on their own specific areas of expertise.

In its most simple form, the business today conducts three main activities:

Ticket of work

A ticket of work (TOW) is where the business is remunerated for completing a single task for our customers. These tasks are generally field based and are fundamentally focused around infrastructure whether that is installing or repairing a broadband or telephony connection in someone's home on behalf of a telecommunications business, or conducting activities within the telecommunications exchange or infrastructure in the street leading to the exchange.

Contact Centre Solutions

Like our tickets of work business, the Contact Centre Solutions business provides services to our customers in their day-to-day operational activities. Solutions interfaces on a daily basis with our customers' customer.

Our Contact Centre Solutions business is, however, centred on the IP and IT activities within our call centre, bundling our smart systems together to produce turnkey solutions for customers that require an IT component, a call centre customer contact activity, a logistics or fulfilment activity and, where needed, a technician with a truck.

The strong IT/IP capabilities within our Contact Centre Solutions business support the entire Service Stream group, providing unique competencies and a competitive edge in the market place.

Infrastructure Services

Our Infrastructure Services group provides turnkey and project management solutions in the construction of telecommunications infrastructure. Included in this activity are the TCI, Fibercom and GPG operations businesses. Combined, they provide expertise and capabilities across every type of telecommunications infrastructure currently available in Australia including fibre, copper, wireless and hybrid coaxial cable TV networks.

Fibercom was acquired in August 2006 and its expertise in the developing area of fibre technologies directly complements our existing asset relocation business.

The TCI merger, which was successfully completed in December 2006, provides our customers with access to our unique 'best-of breed' technology design and installation capabilities in the wireless field.

In January 2007, we acquired GPG, which works in both wireless and fixed infrastructure environments, primarily in construction and maintenance. GPG is a great strategic fit both with the TCI operations and our existing telecommunications asset movement activities.

In June 2007 we also acquired the metering division of specialist utilities services group, Serviceworks Management, because of its strong capabilities in metering services, specifically the management of bulk meter exchange programs (refer page 14 for more information).

With strong performances across the group and the achievement of a number of critical business development milestones through the year, Service Stream's revenues increased by 71 percent on a proforma basis, to reach \$292.5 million by end-June 2007.

Key business milestones:

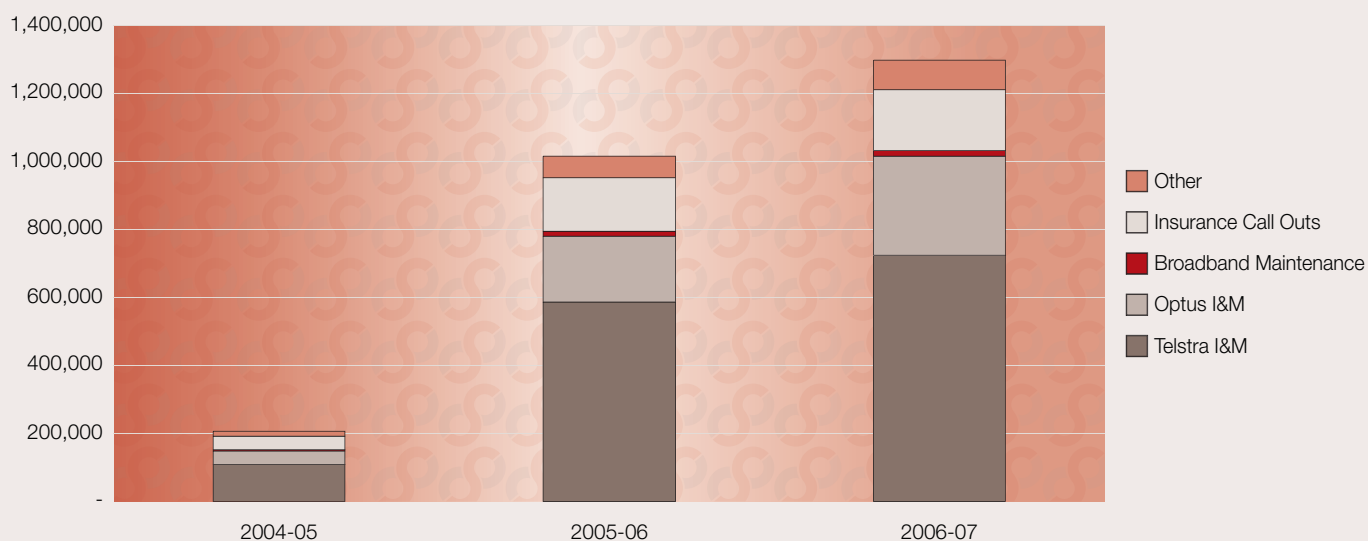
August 2006	Acquired Fibercom Technology
August 2006	Vodafone contract extension and expansion
December 2006	Completed merger with Total Communications Infrastructure (TCI)
January 2007	Cancelled 40.3 million shares
January 2007	Acquired General Purpose Group (GPG)
February 2007	Awarded Do Not Call Register contract
May 2007	Awarded Telstra Payphones contract
May 2007	Awarded Energex Minor Works contract (QLD)
June 2007	Acquired Serviceworks Metering

During the year we further cemented our customer relationships, securing a number of significant new contracts and renewing several large existing contracts. In addition to the Energex contract, we also won: a major contract supporting Telstra's payphones network; a high-profile contract with the Australian Communications and Media Authority (ACMA) to develop and operate the Do Not Call Register; a large contract to manage Vodafone's outsourced customer contact centre requirements in Australia; and a contract for Radhaz (a TCI company) to audit 292 wireless sites in New Zealand.

The sharp growth in the business during the year was evident in the 28 percent increase of installations and maintenance jobs. This was further reinforced by the recent investments in our contact centre which, due to increased demand from new and existing customers, has seen our capacity almost triple from 300 seats to 800 seats in July 2007.

We have underpinned our aggressive growth strategy by continuing to run a profitable business, whilst maintaining prudent financial management. This has enabled Service Stream to strengthen its balance sheet with a significant reduction in overall debt/capital ratios, also facilitated by the cancellation of 40.3 million shares resulting from the TCI merger.

Annual Tickets Of Work



MANAGING DIRECTOR'S REVIEW

Our people

Service Stream has emerged as a large cohesive business, made up of specialist service centres, with a strong 'can do' reputation and work ethic. Our capabilities are underpinned by the qualifications of our people, as well as our state-of-the-art technology solutions and systems, our IP and quality assurance, together with OH&S and environmental accreditations.

During the past 12 months, our combined workforce has grown from 1600 to 2200 operating from 25 branches Australia-wide.

Each month Service Stream manages:

- 2 million customer calls into the Contact Centre and around 40,000 outbound calls
- 100,000 field-based tasks nationally
- 30,000 items picked, packed, provisioned and dispatched from our logistics centres.

The implementation of a national training program provided by Milcom Communications, our in-house training business, has helped us to develop a culture of excellence and consistently high service delivery standards.

Maximising opportunities in the infrastructure sector

With substantial expertise and ongoing services contracts across all facets of the telecommunications sector – copper, broadband, wireless and fibre networks – Service Stream is now well positioned to take advantage of the future growth in this sector.

Large investments will be made in Australia's telecommunications infrastructure over the coming years, particularly following the Federal Government's initiative, *Australia Connected*, which aims to deliver fast affordable broadband access to 99 percent of the population by mid-2009.

In addition to the opportunities likely to arise from ongoing restructuring in the utilities sector around the country, the Serviceworks acquisition strongly positions Service Stream for the Victorian Government's mandated rollout of smart meters replacing the legacy infrastructure network to approximately 2.4 million homes commencing in 2008.

More broadly, the infrastructure sector should provide many opportunities for our business with the state and federal governments undertaking major infrastructure projects and with the flow-on effects of the continued resources boom, particularly in Queensland and Western Australia.

Generally, the outsourcing industry also represents an area of further potential growth for Service Stream, as many businesses continue to seek competitive advantage in their own sectors.

Future directions

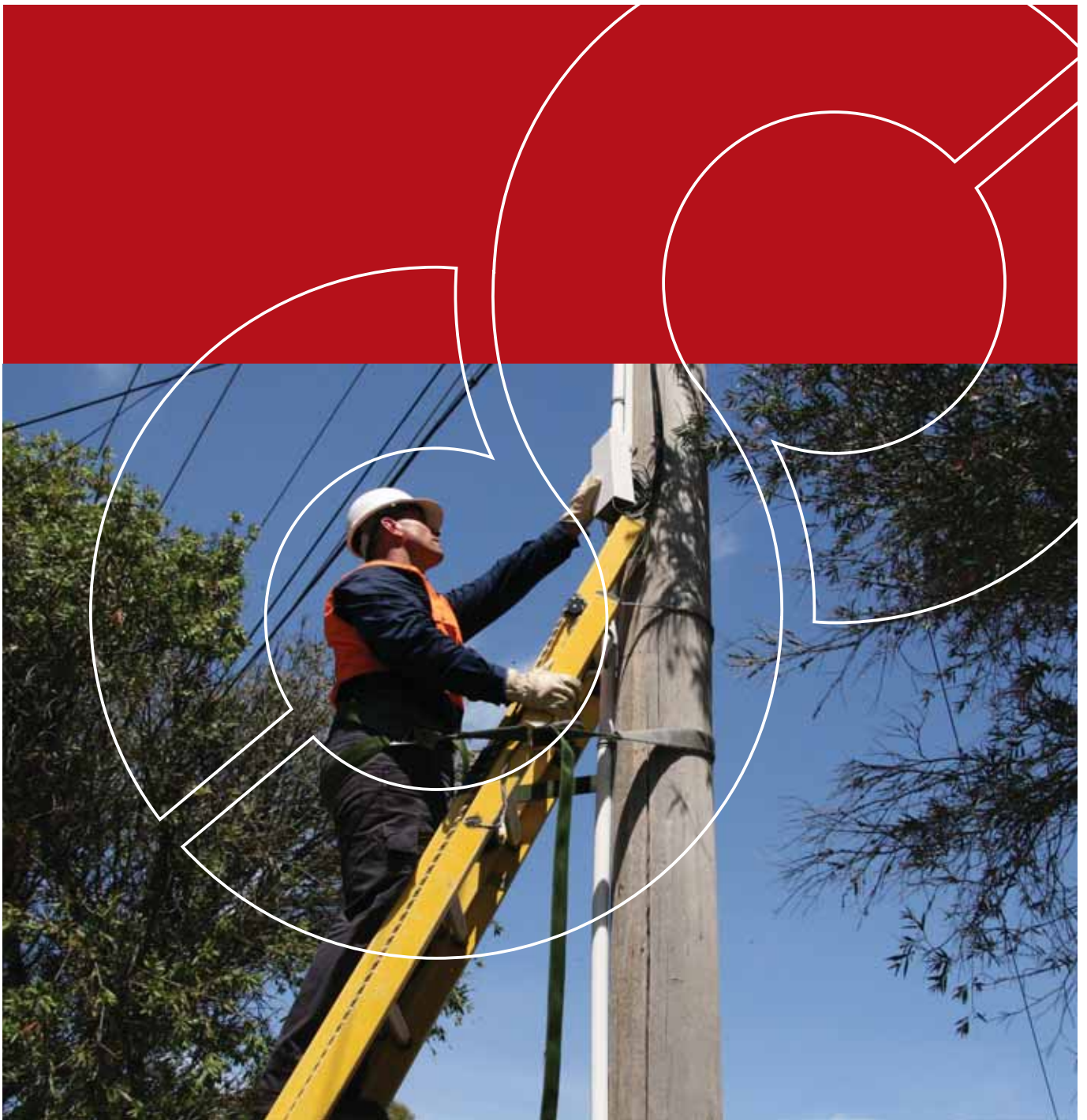
Service Stream has successfully diversified its revenue stream by developing managed services capabilities across the telecommunications and utilities sectors. The increased scale in our ticket of work activities also provides an excellent foundation for growth in our Contact Centre Solutions and infrastructure work, allowing us to cross-leverage our capabilities.

We will continue to seek new opportunities to achieve strong, sustainable growth. Our key strategic focus will continue to be on meeting the emerging needs of our customers in identified growth sectors, either organically by leveraging our capabilities across the group, or through our ongoing sensible acquisition strategy.

As our business grows we expect to make additional efficiency gains and we are confident of delivering further significant growth in returns to shareholders in 2007-08. I am very grateful to my fellow board members, shareholders and importantly employees for their ongoing support and for sharing our vision for Service Stream.



Patrick J. Flannigan
Managing Director and CEO



OUR WORKFORCE HAS GROWN TO 2200

‘During the past 12 months, our workforce has grown from 1600 to 2200 operating from 25 branches Australia-wide.’

FINANCIAL PERFORMANCE

‘Service Stream grew revenues by 44 percent in 2006-07 through a significant merger, organic growth and a series of acquisitions. The growth in net profit after tax was even stronger at 158 percent. Full year dividends were 7.5 cents per share.’

Key results:

	2007	2006	% change
Revenues from ordinary activities \$'000	247,108	170,983	44
Earnings Before Interest, Tax, Depreciation and Amortisation \$'000	21,211	8,741	143
Net Profit after Tax before abnormals \$'000	11,235	4,352	158
Basic earnings per share (EPS) (cents)	10.66	6.97	53
Total dividend cents per share (cents)	7.50	1.87	301

In 2006-07 Service Stream again surpassed its revenue and earnings targets.

Total revenue increased by 44 percent to \$247.1 million during the year.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) were \$21.2 million (up 143 percent), while Net Profit After Tax (NPAT) rose to \$11.2 million (up 158 percent).

Ticket of Work

Revenues from our Ticket of Work activities (\$116.5 million) continued to grow through the year boosted by significant new and extended contracts (including the Telstra Payphones contract).

Telephony related activities continued to expand their revenue base with over 720,000 tickets of work delivered in 2006-07 (compared with 585,000 tickets a year earlier). This further highlights our ability to deliver increasingly efficient scalable services into a growing market and an increasing share of that market.

Our Optus field services activities performed strongly, with solid growth in both revenues and profitability. Work under our Specialist Services Contract got into full swing during the year delivering strong revenues.

Our Resourcing Solutions business maintained solid results with a strong focus on building and growing new relationships outside of its traditional base.

In its first full year under the Service Stream umbrella, Milcom achieved excellent profitability and contributed revenues of \$2.5 million to the group.

Contact Centre Solutions

Despite a very competitive market, revenues in our Contact Centre Solutions business grew to \$58.2 million for 2006-07 (up from \$56.4 million in the previous year). Strong contributions to these results were made by expanding our range of activities provided to existing customers and the contract to deliver the Federal Government's Do Not Call Register.

Infrastructure Services

The Infrastructure Services group achieved total revenues of \$71.1 million and good profitability through the year. The group was created through the merger with TCI and the acquisition of the Fibercom and GPG businesses. These three operations, together with Recoverable Works, the recently won Energex contracts and the Serviceworks Metering business (acquired in June 2007) form the backbone of our activities in this area.

TCI continued to develop ongoing relationships while expanding operations into India via a three-way joint venture with a local business and infrastructure specialists based in Singapore. TCI provided a six-month contribution to revenues of \$32.5 million.

Rounding out Service Stream's suite of capabilities in the Infrastructure sector, Fibercom provided revenues of \$3.3 million (for the full year) and GPG provided a six-month revenue contribution of \$2.5 million.

These results augur well for continued strong profitability and revenue growth as Service Stream expands further into the utilities sector.

Consideration for the acquisition of Fibercom was \$1.43 million in cash plus a deferred cash component of \$0.94 million contingent upon Fibercom achieving certain performance targets.

Consideration for GPG was \$0.7 million with a cash plus deferred component of \$3.66 million contingent upon GPG achieving certain performance targets.

Dividends and EPS Performance

Based on the ongoing performance of Service Stream, an interim dividend of 3.0 cents per share (fully franked at 30 percent corporate tax rate) was paid on 12 April 2007.

A final dividend of 4.5 cents (fully franked) will be paid on 19 October 2007 to the holders of fully paid ordinary shares as at 5 October 2007.

Earnings per share at 10.66 cents, was up 53 percent on the previous year.

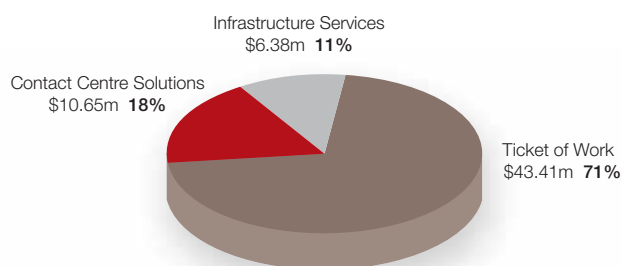
Outlook

In 2007-08, Service Stream will continue to cross-leverage its capabilities and extract synergies from our complementary businesses.

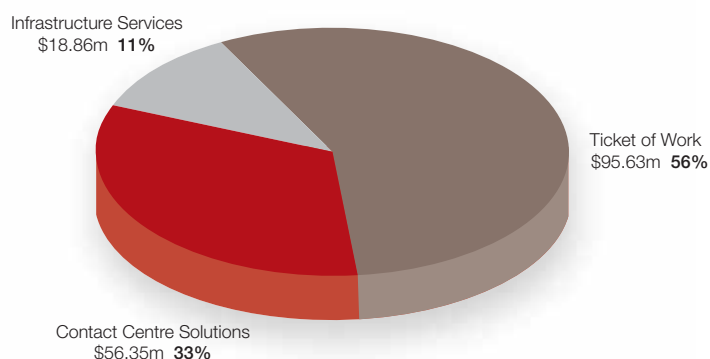
We expect that our expanded national footprint and increased scale from the combination of our businesses (particularly in terms of our ticket of work activities) will further enhance our existing relationships with key telecommunications and utilities providers. It should also provide a strong platform for further growth.

Firmly underpinned by prudent financial management, a strong balance sheet and our large base of ongoing contracts with major customers, we will continue to seek new opportunities to achieve strong, sustainable growth. On this basis, we are confident of delivering further significant growth in annualised revenues and returns to shareholders.

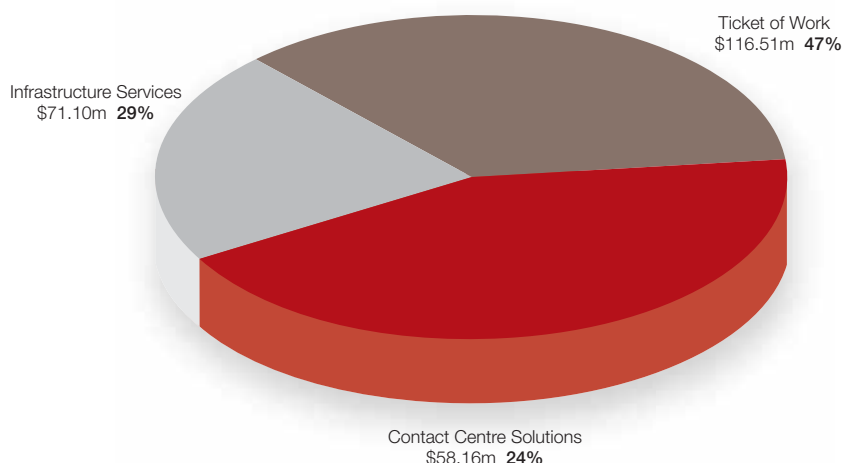
Revenue 2004-05 \$60.44 million

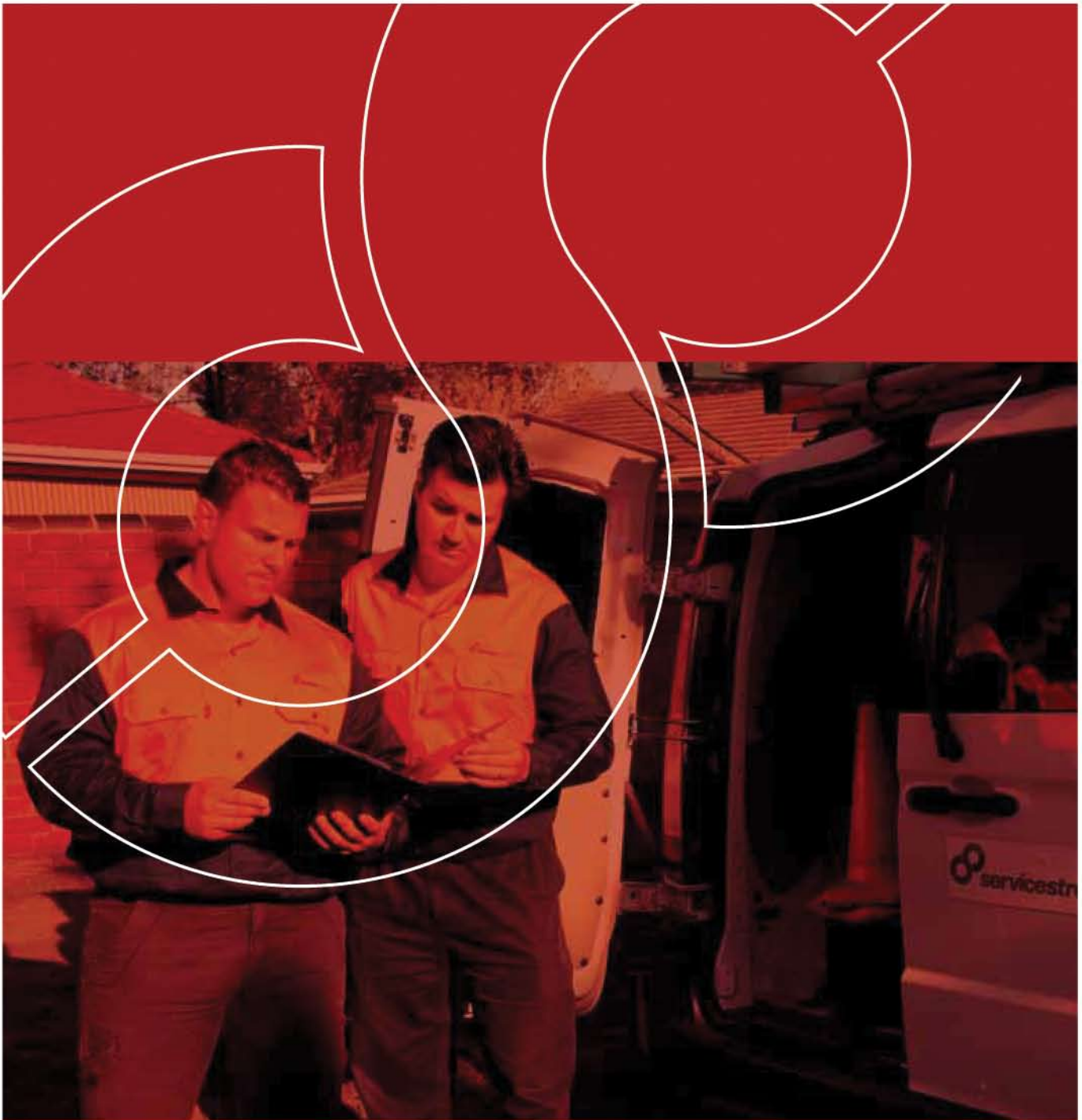


Revenue 2005-06 \$170.98 million



Revenue 2006-07 \$247.11 million





WE PLAN SO ACCIDENTS WON'T HAPPEN

'Our aim is to achieve zero LTIs and we will continue to work towards this goal.'

OPERATIONAL REVIEW

‘Strong revenue growth continued in 2006-07 across our three core capabilities: ticket of work activities, solutions, and infrastructure services.’

Following the integration of several of the industry's leading service providers within Service Stream during the year, the group now provides customers with full end-to-end in-house solutions and scalable, cost-effective infrastructure construction and maintenance services.

Ticket of work activities

Nationally, by end-June 2007 Service Stream completed around 5,000 TOW activities daily in installations, faults and general maintenance tasks, an increase of 28% since last year.

During the year, Service Stream's TOW volumes continued to grow across our entire range of activities including phone installation, fault repairs, line activation, pay TV installations, digital migrations, cellular upgrades, broadband and ADSL internet connections. In 2006-07, total annualised revenues for this division increased 22 percent to \$116 million.

Now, as one of the largest infrastructure service providers within Australia, our TOW activities are highly scalable. These contract-based activities provide steady income streams and an excellent platform to grow our business rapidly into other areas including project management and construction works within the telecommunications, power and broader utilities markets.

To extend our capabilities, and with their strong strategic fit with our other operations, in 2006-07 Service Stream undertook:

- a merger with TCI; and
- acquisitions of Fibercom, GPG and Serviceworks Metering (refer Infrastructure Services on pages 13 and 14 for more information on these three businesses).

The Specialist Contract (awarded in January 2006), involving ongoing maintenance of Telstra's core network infrastructure, moved into full swing during the year. These activities include pole changes, optic fibre hauling and installations, copper cable jointing and civil works like pit replacements.

In May 2007, Service Stream was awarded a significant new contract with Telstra supporting its national payphones network. The contract is for three years with two one-year options. Service Stream estimates revenue to be \$35 million per annum (\$175 million over five years) from July 2007. This represents new work over and above our existing Telstra contracts.

Delivery of these high-volume tasks is undertaken using well-developed project plans that involve receiving work via our contact centres in Brisbane (Telstra activities) and Melbourne (Optus), entering orders into our systems and dispatching the jobs to the field. These activities are supported by nationwide logistics and warehousing facilities and are completed by our highly skilled technical workforce.

Operational support in terms of recruitment, personnel and training for these high-volume activities is essential and is delivered by Resourcing Solutions and our fully accredited training provider Milcom Communications.

As well as supporting the TOW business, Resourcing Solutions has over 250 technical staff placed with a number of telecommunications service providers and related businesses including Telstra, Optus, Alcatel, ABB, Gridcomm, Kordia and Silcar. Our Technical Services Contract with Telstra for the supply of high-quality candidates was extended to 30 September 2007.

The Resourcing Solutions team achieved excellent operational and financial results in 2006-07, due partly to increased outsourcing within the telecommunications sector.

We continue to maintain our longstanding relationship with Optus and, as part of its digital migration activities, we provide a range of broadband services such as installations, maintenance and logistics. We now also provide DSL services on a national basis.

We continue to support Optus in maintaining its hybrid fibre coaxial (HFC) network by way of committed resources including vehicles and tools. We also provide a team of technicians for the installation of customer DSL equipment.

Continuing the significant growth achieved in the previous year, the team implemented new technology and improved processes and procedures to maximise operational and financial results. Now operating in Queensland, New South Wales and Victoria, Service Stream has grown its internal and subcontracted workforce to meet our customers' changing needs.

Milcom Communications delivers a broad range of training programs to the telecommunications, security and electrotechnology industries. Many of these programs are customised to meet the requirements of Telstra, Optus and various other enterprises as well as individuals entering the industry or upskilling.

With training facilities in Sydney, Melbourne, Brisbane and Canberra, Milcom is the preferred supplier to the National Electrical and Communications Association (NECA), and has a co-provider agreement with Brisbane North Institute of TAFE. It has over 40 Telstra accredited courses to meet the requirements of our internal and contractor workforce.

OPERATIONAL REVIEW



Contact Centre Solutions

Service Stream's Contact Centre Solutions activities experienced steady growth in 2006-07, delivering a wide range of products and services to meet each customer's unique requirements. Total annualised revenues for this division increased 7.4 per cent to \$58 million in 2006-07.

The two key sections within this division are Contact Centre Operations and Order Management Solutions.

Contact Centre Operations – customer support and information services, business process outsourcing and sales acquisition

Contact Centre Operations continued to deliver strong results in a very competitive environment, increasing in size to 800 seats by July 2007. We expanded our

range of services within core activities such as directory assistance, customer care, new service registrations and sales acquisitions activities.

Continuing our long-term relationship with Vodafone, Service Stream secured a major contract during the year for contact centre services for another five years. The Contact Centre Operations now incorporate new account activations, dealer support services and consumer call screen activities on a national basis. We also won significant contracts in technology and business support platforms for the Federal Government and for Vodafone.

The Federal Government's Do Not Call Register was designed and built by our technology group and implemented on time and within budget in early 2007. Built from scratch, this major initiative

showcases the technology and customer support skills of Service Stream in developing a unique platform to meet the Government's needs. This platform, contracted for the next four years, allows all residents in Australia to select whether or not to receive some direct marketing calls via an automated user-friendly solution. The contract was awarded following a competitive tender process and Service Stream is pleased to establish a significant long-term relationship with the Federal Government and its regulatory arm, the Australian Communications and Media Authority (ACMA).

The real-time Intelligent Network system, which was developed by our Solutions team for use within the Vodafone network over five years ago, has been upgraded with a new contract signed for another three years. This further strengthening our long-term relationship with Vodafone.



The team's excellent results reflect the strong long-term relationships we have established with our key customers. Service Stream is well positioned to capitalise on the increasing opportunities within telecommunications and other key market segments such as the utilities and financial services sectors.

Order Management Solutions – customer claims management & logistics

Providing a total end-to-end solution for the Optus Insurance Services business, Order Management Solutions also delivered another strong performance during 2006-07.

From taking the initial call (claim), the customer service representatives assist the Optus customer through the process of an insurance claim. This may entail selecting a new replacement product or organising the replacement of a vehicle hands free adapter kit. Our highly trained and committed staff continued to rank highly in the customer satisfaction surveys conducted by Optus throughout the year.

Using customised technology, several areas of Service Stream provide seamless service delivery to Optus and its customers – from national cellular installation and maintenance teams through to the logistics team that processes and manages a vast array of cellular products to our clients' dealers and customers.

Service Stream will continue to leverage its capabilities, offering a full suite of services to both existing customers within telecommunications, and new customers in new market segments.

Infrastructure Services

Service Stream Infrastructure Services enjoyed continued strong growth in traditional construction and recoverable works during the year, which was augmented by the merger with TCI and the acquisitions of Fibercom and GPG. Combined annualised revenues for the 2006-07 financial year were \$71 million.

The metering division of Serviceworks Management Pty Ltd, which was acquired in June 2007, enables Service Stream to deliver end-to-end infrastructure services to the power sector, targeting smart meter infrastructure, deployment and management.

Major projects undertaken during the year included:

TCI

- Telstra 3G rollout of 870 sites in Queensland.
- Significant Vodafone rollout of 3G and 2G sites nationally.

Construction and recoverable works

- Top Ryde Shopping Centre, NSW – relocation of telco plant for shopping centre re-development.
- Taylors Road, St Albans, VIC – relocation of telco assets due to road widening.
- Caulfield to Frankston rail corridor, VIC – installation of fibre network for Victorian Rail Track Corporation (in conjunction with Fibercom).
- Mudgeeraba, QLD – road duplication project.
- VERNet Burwood Arc project, VIC – major fibre optic project through Melbourne's eastern suburbs.
- Canning Road, Nicholson, WA – relocation of telco asset for highway duplication.

The ongoing demand for quality design and construction project teams means our recoverable works business maintains a strong order book with a wide range of customers including local councils, road constructors, power companies and telecommunications carriers.

TCI

Over the year, TCI maintained its strong activity across the wireless infrastructure sector and is well positioned to capitalise on the increasing level of investment by carriers in wireless mobile and broadband technologies

TCI's main activity for the year was the ongoing rollout of both 3G and 2G technologies for Vodafone Australia. This involved the deployment of new sites along with the upgrade of existing sites to enhance coverage and network capacity demands.

Vodafone novated a portion of our agreement for the provision of Site Lifecycle Management Services to a third party, however, revenue and scope responsibilities were maintained.

TCI successfully completed site activity on the Telstra Nextgen 3G network in Queensland, New South Wales and Victoria. TCI worked closely with its client meeting the precise technical standards demanded by the largest and fastest mobile network of its kind in the world.

Our national contract with Telstra for the provision of design and construction services commenced in July 2006. Over 200 sites were completed during the 12-month period. Forecasts are consistent with this activity across the regions.

To assist Austar in evaluating technologies for their Wi-Fi (wireless broadband) based rural broadband network, TCI deployed two pilot markets. Works are proceeding in other markets and we look forward to supporting Austar in their ongoing development program.

TCI worked closely with Motorola, providing services for their Smartnet Digital network in Sydney and Brisbane. This project involves the upgrade of Motorola's existing analogue two-way radio network to a digital platform. Our services include design, transmission assessment, construction and installation.

Radhaz Consulting was acquired by TCI in July 2006. Radhaz is an industry leader, providing specialist hazard consulting and measurement services associated with Electro-Magnetic Emissions (EME) and Radio Frequency (RF) transmissions. EME services include site audits, measurements, compliance documentation, prediction and analysis reports, community consultation and OH&S documentation.

OPERATIONAL REVIEW

Radhaz performed a major EME audit of rooftop sites for Vodafone New Zealand completing 292 sites between December 2006 and March 2007. The audit ensured that Vodafone achieved a satisfactory result at their recent EME compliance assessment, which was conducted by Vodafone's global head office.

Vodafone NZ now leads its rivals in providing safety information to landowners and the general public in relation to RF Hazards. Having built a solid relationship with Vodafone, Radhaz has been engaged to provide ongoing consulting services.

GPG

The GPG business, specialising in the construction and maintenance of wireless telecommunications networks, was acquired in January 2007. Established in 1999, GPG provides services across an extensive range of telecommunications infrastructure including base station equipment installations, site audits, antenna systems, DC power and microwave upgrades.

Following the merger with TCI, GPG was an important strategic acquisition that strongly complements our existing capabilities within the telecommunication arena. GPG's expertise in the wireless



space is a great fit both with TCI and our broader Infrastructure Services business.

Highlights include being awarded the Optus OCT-992 panel contract, mobile rollout network agreement for installation and commissioning services, and receiving additional work from Nokia under the Optus 3G network rollout.

Fibercom

Acquired in August 2006, Fibercom specialises in infrastructure design, building and maintenance of networks including optical fibre, coaxial cable, copper cable and wireless solutions. Fibercom was established in 1988 and has developed an impressive range of expertise and skills.

Like GPG, Fibercom enables Service Stream's Infrastructure Services business to offer a complete range of services.

Serviceworks Metering

Established in 2004, Serviceworks Metering delivers strong capabilities in metering services, particularly the management of bulk meter exchange programs. Their capabilities also cover meter testing, meter stock management, site commissioning, reporting and customer enquiry management. Serviceworks' metering activities are expected to generate revenues of between \$2 million and \$3 million in 2007-08.

Service Stream's infrastructure deployment and management solutions on smart metering will utilise our existing core capabilities across the entire Service Stream group – infrastructure, build and project management, bulk installations and maintenance, training and customer care.

Corporate Services

Our people

Our people are critical to our business. Service Stream has a dynamic pool of human resources made up of customer contact centre and workforce management staff, field technicians, field contractors, IT developers, IT support, project coordinators, project managers, trainers, designers and draftspeople, schedulers, dispatchers, and warehouse staff. These groups are strongly supported by our professional corporate services, which include human resources, payroll, finance, commercial, compliance, business development, technology, fleet and facilities.

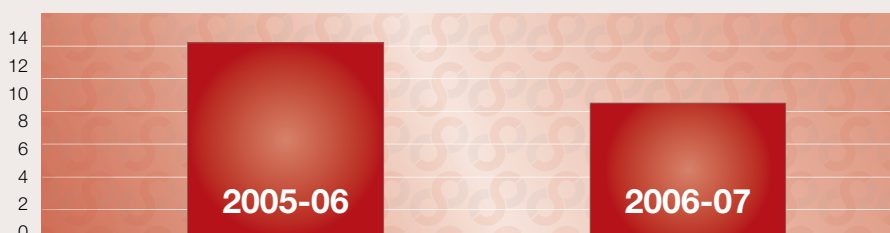
During the year our combined workforce grew from 1600 to 2200. Our continued ability to renew contracts and win new business/contracts is a reflection of the quality work provided by our people. We have proven to the market, and will continue to prove, that we have the skills and the talent to grow the depth and breadth of our capabilities.

Our human resources team worked extremely hard over the past 12 months to ensure each of the new acquisitions were integrated into the group as seamlessly as possible.

Health and safety

Service Stream is committed to providing a work environment that encourages and maintains the safety, health and well-being of our workforce. We recognise our responsibility to provide a safe workplace for our people and aim to eliminate injury and occupational illness from company

Lost Time Injury Frequency Rate Financial Year 2005-06 to 2006-07
per million hours worked





activities. To achieve this, we continue to provide safe systems of work, instruction, training and supervision.

In line with Service Stream's occupational health and safety (OH&S) policy and management system requirements, measurable objectives and targets are now well established throughout the group. Whether office based, or in the field, our safety performance is reported to our people via audit reports, OH&S committees and toolbox meetings. At a corporate level, the Board reviews monthly reports and discusses individual incidents, mitigation actions and hazard alerts.

Service Stream made a commitment that we would achieve company-wide safety accreditation by December 2006. We achieved certification and, more importantly, a reduction in lost time injuries (LTI), which we attribute directly to improved processes and procedures. An LTI is an injury resulting in a person being unable to return to work for their next full shift.

During another year of significant growth, management and staff remained focused on providing and maintaining a safe working environment. We achieved an LTI rate of 8.2 per million hours worked; which was a 32 percent reduction on the previous year. We also recorded a 29 percent improvement in days lost due to injury. We don't plan to have accidents - we plan so they won't happen. Our aim is to achieve zero LTIs and we will continue to work towards this goal.

Environment

Service Stream understands that maintaining environmentally responsible operations is important for our relationships, not only with our customers, but also the communities in which we operate.

Our environmental management system is a key component of our overall accreditation process. Sustainable green procurement became a priority in 2006-07. Information gathered from the group will be analysed and used to adopt green procurement principles in our 2007-08 objectives and targets.

Service Stream develops and implements control measures to minimise and, wherever possible, eliminate any environmental impact arising as a consequence of our activities. With ongoing objectives (group-wide) to reduce, recycle and re-use resources, we have made substantial improvements in all areas of the program and continue our commitment towards improving our environment.

Audits are conducted regularly to ensure our operations conform to the requirements of our environmental management system. These audits are designed to identify problems or potential problems enabling a proactive development of action plans. Audits also feed into management system review meetings where opportunities for corrective and preventative actions are documented, implemented and monitored. Corrective actions are raised in the event of non-conformance, with actions implemented and monitored until closure.

An improved approach to induction was recently developed for field activities nationwide. In the form of a DVD, the induction promotes Service Stream's expectations regarding essential environmental and safety awareness and compliance surrounding field activities and reinforces Service Stream's environmental and safety culture.

System certification

In order to ensure industry best practices and minimise our risk profile, Service Stream has implemented an integrated management system complying with the Australian and International Standards for Quality, Safety and Environment.

Following extensive preparations and a detailed audit, certification of our quality, occupational health & safety and environmental management systems was achieved according to plan in late 2006.

Certificates in the names of Service Stream Holdings Limited, Service Stream Communications Pty Ltd, Service Stream Solutions Pty Ltd and Resourcing Solutions Pty Ltd (covering field services, call centre, provision of labour hire services, supporting technology development and support services) are displayed at each of the certified sites nationally.

Our quality systems put processes in place to get the job done right the first time. Our safety system identifies, assesses and controls risks in order to improve the safety of our people. And our environmental system offers solutions to the environmental aspects of our activities and services. Together, these systems provide a solid foundation to meet our customers' requirements and our corporate goals and objectives.

Verification of our certification can be viewed at the JAS-ANZ (Joint Accreditation System of Australia and New Zealand) website: www.jas-anz.com.au.

As Service Stream acquires and integrates new businesses, we will continue to maintain industry best practice in quality, safety and environmental management. With the majority of our operations management systems now being certified, the Board has approved plans to strategically roll out certified systems across the group.

Reduce, Re-use & Recycle Improvements 2005-06 to 2006-07



OPERATIONAL REVIEW



Technology

Technology represents a key strategic competency for Service Stream, enabling the group to provide our customers with innovative and highly competitive solutions.

Service Stream's technology group designs, develops, supports, hosts and maintains over 20 major database applications and provides leading edge technology services for major corporate and government customers. Our technology platforms currently process more than 70 million phone calls and over one billion database transactions per annum.

This year the technology group delivered a number of high-profile, customer specific projects for the group including:

- **The design, development and implementation of the Federal Government's Do Not Call register**, including: a web, interactive voice response (IVR) and agent assisted registration system; an automated telemarketer number washing

application; and an integrated complaints management application. This is a truly integrated, multi-channel application that brings together Service Stream's business and technical expertise in automated customer service systems and high-volume transaction systems.

- **Upgraded the development and implementation of a real-time Intelligent Network (IN) billing system for Vodafone**, enabling customers to access their transactions in real time. The system delivers call control functionality and allows both post and pre-pay billing from one SIM card. This functionality is unique in Australia and is the only telecommunications platform that enables billing in real time.

Technology has also been a key enabler in Service Stream's ability to win and retain contact centre and field services work. Our expertise in integrating with customers' technology platforms to deliver effective end-to-end solutions has contributed to our ability to profitably grow these business lines.

Although customer-facing projects have been a key focus of the technology team, it has supported the business by improving efficiency and helping to integrate new businesses. This included consolidating corporate systems such as financials, human resources and payroll, along with integrating the networks and infrastructure associated with Service Stream's expanding group of companies.

Our technology group comprises approximately 25 staff with expertise in database development and implementation, applications development, web services, telephony and network services, infrastructure engineering, project management and technical support. In 2007-08 we will continue to explore and develop opportunities to use our technology expertise to compete in the industrial services sector with a focus on employing sophisticated technology solutions that are integrated with our customers' businesses and provide true end-to-end service delivery capabilities.



Communications

As part of our continuous disclosure policy, Service Stream promptly informs the Australian Securities Exchange (ASX) of information that may affect the Company's share price. Announcements are published in full on our website: www.servicestream.com.au

We also produce a stakeholder publication, *Service Stream Connect*. The magazine is published three times each year keeping our people, shareholders and customers up to date with news about our business, our people and their activities, both within and outside of work. Distribution has doubled from 3,000 when the magazine launched in November 2005 to 6,000 in July 2007. Soft copies of the magazine can be viewed on our website.

Community involvement

Service Stream has been a loyal supporter of Western Chances since its inception. The organisation provides a 'hand up' to talented, self-motivated young people in Melbourne's western suburbs.

Service Stream's investment has funded scholarships for young people, the Opportunity Program in partnership with The Song Room and Western Chances' infrastructure needs.

Service Stream also supports the work of the Australian Drug Foundation (ADF). The ADF provides comprehensive information and research on drugs and alcohol and works with communities to run preventative programs.

Support has also been provided to Connections – Child, Youth and Family Services. Connections provides support for children and young people living in South-east Victoria, to obtain educational, cultural and social opportunities that would otherwise be unavailable to them due to lack of financial resources.

During the year Service Stream contributed to various local community sporting organisations and fundraising initiatives run by employees.

It is important to Service Stream that we contribute towards our youth and support organisations that provide a helping hand to those who may otherwise miss out.



The Sunshine Heights Under 13 Richardson team (named after club legend, Dave Richardson).

BOARD OF DIRECTORS



**John Llewellyn
(Lyn) Davies**
Chairman

Mr Davies joined the Service Stream group on 25 August 2005 as Chairman. Upon completion of the merger with Service Stream Limited, he was appointed Chairman of the merged group. He is a member of the Company's Audit and Governance Committee and is Chairman of the Remuneration and Nomination Committee.

Mr Davies is a Company Director and a Business Consultant. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and a Life Member of the Australian Institute of Agricultural Science and Technology.

Mr Davies is also Chairman of Citywide Service Solutions Pty Ltd and is a Director of Mackay Consolidated Industries Pty Limited and of ParaQuad Victoria.

He has previously been Chairman of HRL Limited, The Nordia Group, Floriana Pty Limited and Collins Booksellers Group and was a Director of Castle Bacon Pty Ltd. He was also Chairman of the Board of Yarra Valley Grammar.

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.

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 an Advanced Diploma from the Australian Institute of Company Directors.



Patrick J. Flannigan
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 of Service Stream Holdings Pty Ltd on 3 September 2004. Upon completion of the merger with Service Stream Limited, he was appointed Managing Director and Chief Executive Officer of the merged group. He is an ex officio member of all board committees. Mr Flannigan has more than 20 years of commercial experience across a broad range of industries.

Before joining Service Stream he was co-founder and Non-Executive Chairman of Integrated Maintenance Services, a successful maintenance services company specialising in the provision of services to the manufacturing, aviation and construction industries. Prior to this he spent 11 years with Skilled Engineering Ltd in various roles including General Manager.

Mr Flannigan's wide experience incorporates project management, customer service, financial management and industrial relations. This is complemented by in-depth knowledge of the customer premises equipment and maintenance services industry in Australia.

Mr Flannigan has led Service Stream through its rapid growth over the past three years and has been instrumental in the identification and successful negotiation of Service Stream's acquisitions.

With a Business Degree from Victoria University, he is a Director of the Australian Grand Prix Corporation, Director and Chairman of the Finance Committee for Western Chances, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.



Michael Doery
Executive Director
and Chief Financial
Officer

Mr Doery joined the Service Stream group in July 2004 as an Executive Director and Chief Financial Officer of Service Stream Holdings Pty Ltd. Upon completion of the merger with Service Stream Limited, he was appointed Executive Director and Chief Financial Officer of the merged group. 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 has a Bachelor of Financial Administration from the University of New England and is a Fellow of the Institute of Chartered Accountants in Australia with 24 years experience at KPMG, including 14 years as a partner.

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

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

Mr Doery is also a Director of Bill Express and aside from his corporate responsibilities, he is actively involved at director level with various charities including the Australian Drug Foundation.



Rod Stanton
Executive Director
and Managing
Director, TCI

Mr Stanton joined the Service Stream group as Executive Director when Total Communications Infrastructure Limited (TCI) merged with Service Stream Limited in December 2006. He maintains responsibility for the performance of TCI as Managing Director.

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

BOARD OF DIRECTORS



Adrian Field
Non-Executive
Director

Mr Field was a co-founding Director of the Service Stream group when it listed in January 2004. Upon completion of the merger with Service Stream Limited, he was appointed a Non-Executive Director of the merged group. He is a member of the Investment and Strategy Committee and former Chairman of the Environment and Safety Committee. He is actively involved in the business development strategy of Service Stream.

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

Mr Field is Chairman 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.

Mr Field co-founded Hyperion Capital, a private equity fund operating in the small cap marketplace.

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



Russell Small
Non-Executive
Director

Mr Small was a co-founding Director of the Service Stream group when it listed in January 2004. Upon completion of the merger with Service Stream Limited, he was appointed a Non-Executive Director of the merged group. He was the previous Chairman of the Board. 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.

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

Mr Small co-founded Hyperion Capital, a private equity fund operating in the small cap market place.

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

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



Stephe Wilks
Non-Executive
Director

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

Mr Wilks has had over 20 years hands-on experience in the telecommunications industry both within Australia and Overseas.

Currently Mr Wilks holds non-executive directorships in Longreach Group Limited, Tel.Pacific Limited and People Telecom 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.

EXECUTIVE TEAM



Alistair Legge
Group Technology
Executive

Mr Legge is responsible for setting and implementing the group's technology strategy and overseeing the development, implementation and operations of technology solutions for Service Stream customers. Since joining Service Stream in March 2005, Mr Legge has driven the growth and development of technology into a key competitive advantage for the group and overseen the delivery of a number of high-profile technology platforms including the Federal Government's Do Not Call Register and a real-time mobile phone billing system for Vodafone.

Mr Legge brings over 18 years experience in designing and delivering complex technology solutions, primarily for utilities, telecommunications and financial services organisations. Having consulted to more than 50 organisations on business and IT strategy development, together with experience in managing IT departments of more than 150 staff, Mr Legge has a strong reputation for aligning technology solutions with business strategies and operational improvement opportunities.

Mr Legge has an honours degree in Electrical Engineering from the University of Melbourne, a Masters of Business Administration from the Australian Graduate School of Management and is currently completing a Masters in International Business at the University of Melbourne.



Chad Orr
General Manager –
Strategic
Development

Mr Orr joined the Service Stream group in February 2007. Based in Melbourne, Mr Orr is responsible for managing the strategic direction and growth of the Service Stream group of companies. Since his appointment he has been actively involved in identifying and securing acquisitions and maximising organic growth opportunities.

Mr Orr's primary responsibilities are to identify and analyse new and emerging trends, understand the implications for Service Stream and develop an appropriate business strategy. His role involves leading and facilitating the discussion and negotiation of strategic issues with the senior leadership team, providing high-level strategic advice and guidance. His aim is to enable Service Stream to consolidate its current market position and diversify into new industries such as utilities, banking and finance, and other customer premises equipment (CPE) environments.

With over 11 years of experience developing large-scale outsourcing projects for a variety of industries, Mr Orr brings a unique mix of international experience, market innovation, technology savvy and strategic business development. He joined Service Stream from a similar role within the service arm of one of Australia's largest telecommunication companies. He has a business diploma from The University of Minnesota.



Greg Kenyon
Group Human
Resources Executive

Appointed Group Human Resources Executive in June 2007, Mr Kenyon is responsible for the development, implementation and maintenance of the Company's human resources strategies including the development of policies and procedures, employee support services, industrial relations, and resourcing for the group's operations.

Mr Kenyon has 34 years operations management experience within the telecommunications industry, undertaking workforce and financial planning, personnel management, industrial relations and business development. The past 13 years have been spent managing industrial relations and the labour hire business nationally for Service Stream Communications (and formerly Skilled Communications Services Pty Ltd).

Mr Kenyon is a member of the Australian Human Resources Institute and an Associate Member of the Australian Industry Group.

EXECUTIVE TEAM



Ian Millner
Executive General
Manager
Milcom
Communications

Mr Millner joined the Service Stream group when Milcom Communications was acquired in January 2006. His 27 years' experience in the training and engineering fields has ensured Milcom's success as the leading Registered Training Organisation in Australia for telecommunications, security and electrotechnology.

Located in Sydney, Mr Millner is responsible for ensuring Milcom continues to deliver quality training services to all of its corporate and individual clients as well as being a support network to its alumni.

With a Bachelor of Arts from the Macquarie University, Sydney and a Certificate in Electronics and Communications from the North Sydney Technical College, Mr Millner was instrumental in the development of a postgraduate degree course at the Catholic University (FEI) in Sao Paulo, Brazil. He has had a number of technical articles published and contributes monthly to the National Electrical and Communications Association's (NECA) newsletters.

Mr Millner is the Chairman of the NECA NSW judging committee for their Excellence awards and a Fellow of the Australian Institute of Company Directors.



John Gramc
Executive General
Manager
Service Stream
Solutions

Mr Gramc has been with the Service Stream group since the acquisition of Pracom Ltd in March 2005 and had previously spent over six years with Pracom in various general management roles. Prior to this, he held senior positions for Motorola Cellular within Australia and Asia in customer services and product support roles during the 1990s.

Located in Melbourne, Mr Gramc is responsible for the management of the Solutions business Australia-wide. With over 700 internal and contracted staff under the Solutions banner, his key focus is the consistent delivery of uniquely tailored products and services to existing and new clients. He is also responsible for the development of new business opportunities within emerging market segments for Solutions such as the financial services sector.

Mr Gramc has over 25 years' experience in managing a diverse range of products and services and has tertiary qualifications in electronics and business administration.



John Ryan
Executive General
Manager
(Telstra Business)
Service Stream
Communications

Mr Ryan was recently promoted to the position of Executive General Manager (Telstra Business) Service Stream Communications. Located in Brisbane, he is responsible for the management of the Telstra business Australia-wide and has operational accountability for the Communications & Infrastructure Services business within Queensland. Since joining the company in February 1997, Mr Ryan has held various positions from operational management to general management in both state and national roles. He continues to grow and develop the Telstra business.

Prior to working with Service Stream Communications (formerly Skilled Communications), Mr Ryan spent 14 years in the telecommunications industry undertaking all facets of field activities, supervision and management. He has an extensive range of experience including CAN construction and maintenance, recoverable works, installation and maintenance of cable TV, cable modems, ADSL, PSTN, and construction of IEN fibre, broadband HFC and power networks.



Joseph Caporale
Executive General
Manager
Service Stream
Communications

Mr Caporale joined the Service Stream group in November 2004 at the time Skilled Communications Services Pty Ltd was acquired from the Skilled Engineering group.

Located in Sydney, Mr Caporale is Executive General Manager of Service Stream's Communications and Resourcing Solutions businesses. His key responsibilities are to drive the strategic, operational and profitable financial management of the two businesses and develop new business opportunities within the telecommunications and infrastructure services areas.

Mr Caporale has over 25 years' experience within the infrastructure services industry and over 10 years' experience in senior management roles within the power, telecommunications and customer contact industries. His specialist skills in service provision of staff and contracting for the infrastructure sector have led him to play a major role in the strategic direction and development of the Communications and Resourcing businesses.

Mr Caporale has in-depth knowledge of the telecommunications and power industries in Australia. His business experience covers general management, corporate and account management strategy, business development, change management, industrial relations and commercial management.



Stephen Campbell
Company Secretary
& Group Financial
Controller

Mr Campbell joined Service Stream in January 2005 and was appointed Company Secretary on 22 March 2005. As Group Financial Controller and Company Secretary, he is responsible for the corporate administration, accounting and corporate governance practices 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 in 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).



Stephen Ellich
Executive General
Manager
Service Stream
Infrastructure
Services

Mr Ellich was recently promoted to the position of Executive General Manager Service Stream Infrastructure Services. Based in Sydney, he is responsible for the operational management of the Infrastructure Services businesses (which include Fibercom Technology and General Purpose Group) Australia-wide. He also has operational accountability for the Communications Telstra business within NSW & Victoria. Since joining the company in March 2005 Mr Ellich has driven the growth and the strategic direction of the Infrastructure business. He has also managed the operations of NSW, ACT, Victoria and Tasmania of the two businesses.

Mr Ellich brings has over 15 years experience in general management, senior and project management positions in the telecommunications industry within Australia. He has extensive experience in the design, build and maintenance of fibre optic and copper networks, location services, microwave and mobile network build, facilities management services including security, electrical, PBX, voice and data services.

Mr Ellich has a Masters of Business Administration, a Graduate Diploma of Administration and a Bachelor of Electrical Engineering (Honours) all from the University of Technology, Sydney.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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



1. Roles of the Board and management

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

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

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

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

2. Structure of the Board

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

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

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

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

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

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

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



Committees

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

The Audit and Governance Committee was established in 2005.

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

The Board's formal charter states that, as appropriate, the Company shall establish a Risk Management Committee. During the year ended 30 June 2007 the full Board had the responsibility for the functions and responsibilities of the Risk Management Committee.

Appointment of directors

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

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

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

The other information with respect to the structure of the Board noted in The ASX Guide to Reporting on Principle 2 has been provided in the Directors' Report as the Board believes this is 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 it 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 the scope of audits, assesses the performance of and fees paid to the external auditors, liaises with the external auditors to ensure that the annual audit and half-yearly statutory reviews 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 Independent Non-executive Director are now 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 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 to disclose such information.

5. Timely and balanced disclosure of material matters

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

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

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

6. Rights of shareholders

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

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

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

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

7. Risk management

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

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

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

8. Encourage enhanced performance

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

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

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

9. Fair and responsible remuneration

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

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

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

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

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



10. Stakeholder interests

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

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



A SOCIALLY RESPONSIBLE CORPORATE CITIZEN

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

SERVICE STREAM LIMITED

(formerly Total Communications Infrastructure Limited) ABN 46 072 369 870

Financial report for the financial year ended 30 June 2007



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DIRECTORS' REPORT

The Directors of Service Stream Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2007. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

John Llewellyn (Lyn) Davies appointed 20 December 2006

Patrick Flannigan appointed 20 December 2006

Michael Doery appointed 20 December 2006

Adrian Field appointed 20 December 2006

Russell Small appointed 20 December 2006

Rodney Stanton

Stephe Wilks

James Cooney resigned 20 December 2006

Trevor Duff resigned 20 December 2006

Mark Stackpool resigned 20 December 2006

Ian Thorley resigned 20 December 2006

Current Directors

Names, Particulars & Qualifications

Details of the Directors of the Company as at the date of this report are included in the Board of Directors section of the Annual report.

Former Directors

Jim Cooney

Mr Cooney is a Chartered Engineer with over 20 years experience in engineering and telecommunications in Australia and the UK. He founded Total Communications Infrastructure (TCI) in 1996. Mr Cooney holds a Bachelor of Engineering (University of Sydney), Master of Science (University of London) and the Diploma of the Imperial College (London). Mr Cooney has been admitted as a Chartered Engineer to the Institution of Structural Engineers (UK), the Institution of Engineers Australia, and the Institution of Civil Engineers (UK). He is a non-executive director of Personal Broadband Australia Limited. Mr Cooney resigned as Director of TCI on 20 December 2006 upon completion of the merger with Service Stream Holdings Pty Ltd.

Trevor Duff

Mr Duff has more than 25 years experience in the telecommunications services industry, in Australia and internationally. He holds a Bachelor's Degree in Commerce (Economics)(Merit), from the University of New South Wales. Mr Duff resigned as Director of TCI on 20 December 2006 upon completion of the merger with Service Stream Holdings Pty Ltd.

Mark Stackpool

Mr Stackpool is a Chartered Accountant with over 20 years experience in corporate administration, financial and management accounting, audit and taxation. Mr Stackpool holds a Commerce degree from the University of New South Wales and was admitted as a member of the Australian Institute of Chartered Accountants in 1985. Mr Stackpool resigned as a Secretary and Director of TCI on 20 December 2006 upon completion of the merger with Service Stream Holdings Pty Ltd.

Ian Thorley

Mr Thorley has over 25 years experience as a senior executive in the services sector and has held a wide range of operational and strategic positions. Mr Thorley has had extensive experience in business development, organisational restructuring, strategic planning and government relations. He has graduate qualifications in Health Administration and a Masters Degree in Commerce. Mr Thorley resigned as Director of TCI on 20 December 2006 upon completion of the merger with Service Stream Holdings Pty Ltd.

DIRECTORS' REPORT

Directorships of other listed companies

No current director has held a directorship of another listed company in the three years immediately before the end of the financial year, except as disclosed above.

Company Secretary

Stephen Campbell

Company Secretary and Group Financial Controller

Mr 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 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 in 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

The Service Stream Group provides 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.

Review of operations

2006-07 saw Service Stream again surpass revenue and earnings targets.

Total revenue increased by 44.5 percent from last year to \$247.1million for the current period.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was \$21.2 million (up 142.6 percent), whilst Net Profit After Tax (NPAT) was 158.2 percent higher at \$11.2million.

Revenues from our Ticket of work activities (\$116.5 million) continued to grow throughout the year and the recent awarding of the Payphones Contract will further enhance this.

The installation and maintenance project continues to expand their revenue base with over 1.2 million tickets of work delivered in 2006-07 (1.0 million tickets last year). This further highlights our ability to deliver quality work in a timely manner with an increasing market share.

Our Field Services activities performed strongly, with solid growth in both revenues and profitability. Work under our Specialist Services Contract got into full swing during the period delivering solid revenues and higher than expected profitability.

Resourcing Solutions maintained solid results with a strong focus on building and growing new relationships outside of its traditional base.

Milcom's first full year under the Service Stream umbrella delivered excellent profitability from a solid revenue base.

Our Contact Centre Solutions business experienced a solid revenue performance of \$58.2 million for 2006-07. Retaining and expanding our activities with existing customers together with winning the Federal Government's Do Not Call Register contributed significantly to a profitable performance.

Service Stream acquired the businesses of Radhaz, Fibercom and GPG in July 2006, August 2006 and January 2007 respectively.

The creation of Infrastructure Services was born out of the merger with TCI, along with the acquisitions of the Fibercom and GPG businesses. These three operations, together with Recoverable Works, the recently won Energex contracts and the Serviceworks Metering businesses form the backbone of our activities in this area.

TCI continued to develop ongoing relationships whilst expanding operations into India via a three-way joint venture with a local business and infrastructure specialists based in Singapore.

The contributions of both GPG and Fibercom were good and provide Service Stream with a strong suite of capabilities in the Infrastructure sector.

Total revenues of \$71.1 million and strong profitability augur well for continuing growth of our Infrastructure division as Service Stream looks to expand further into the broader utilities industry.

Changes in state of affairs

During the financial year the merger between Service Stream Limited formerly Total Communications Infrastructure Limited (TCI) and Service Stream Holdings Pty Ltd formerly Service Stream Limited became effective (refer note 4 for further details).

Apart from the merger there was no significant change in the state of affairs of members of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

Refer to note 35 of the notes to the financial statements for details of the subsequent events.

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 2006, a final dividend of 5.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 29 September 2006.

In respect of the financial year ended 30 June 2007, an interim dividend of 3.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 12 April 2007.

In respect of the financial year ended 30 June 2007, the directors recommend the payment of a final dividend of 4.5 cents per share franked to 100 percent at 30 percent corporate income tax rate to the holders of fully paid ordinary shares on 5 October 2007 (to be paid on 19 October 2007).

Share options

Executive share options carry no rights to dividends and no voting rights. In accordance with the terms of the executive share option scheme, options issued during the year ended 30 June 2007 vest at various times up to 30 September 2009.

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	04/01/2007	31/12/2007	0.6250	-
Series 2	3,352,000	04/01/2007	31/10/2009	0.6250	-
Series 3	924,000	04/01/2007	31/10/2009	0.9375	4,032
Series 4	924,000	04/01/2007	31/10/2009	1.2500	4
Series 5	96,000	04/01/2007	01/01/2010	0.6250	10,240
Series 6	32,000	04/01/2007	01/01/2010	0.9375	202
Series 7	32,000	04/01/2007	01/01/2010	1.2500	-
Series 8	200,000	04/01/2007	01/03/2011	0.6250	26,253
Series 9	80,000	04/01/2007	07/03/2010	0.6500	9,876
Series 10	200,000	04/01/2007	31/10/2009	0.9750	7,465
Series 11	20,000	04/01/2007	31/10/2009	0.6250	6,393
Series 12	2,020,000	04/01/2007	01/01/2011	0.9900	572,184
Series 13	2,020,000	04/01/2007	01/01/2011	1.0800	475,762
Series 14	2,020,000	04/01/2007	01/01/2011	1.2000	366,597
Series 15	500,000	04/01/2007	31/10/2011	1.1250	38,340
Series 16	730,000	04/01/2007	31/10/2011	1.6800	73,445
	19,950,000				

DIRECTORS' REPORT

Option Series 1 to Series 11 were issued as a result of the merger between Service Stream Limited and Service Stream Holdings Pty Ltd. The exercise price was calculated in accordance with the scheme of arrangement. The weighted average fair value of the share options Series 12 to Series 16 is \$0.2093.

All options have vested.

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

Inputs into the model	Option series				
	Series 12	Series 13	Series 14	Series 15	Series 16
Grant date share price (dollars)	1.30	1.30	1.30	0.980	1.46
Exercise price	0.99	1.08	1.20	1.125	1.68
Expected volatility	20%	20%	20%	20%	20%
Option life (years)	4.8	4.8	4.8	4.8	4.8
Dividend yield	3.6%	3.6%	3.6%	6.0%	6.6%
Risk-free interest rate	5.1%	5.1%	5.1%	5.1%	5.1%

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

	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	-	-	30,900,000	0.231
Issued as part of scheme of arrangement	12,660,000	0.7015	-	-
Granted during the financial year	7,290,000	1.1515	750,000	0.363
Exercised during the financial year (i)	(200,000)	0.6250	-	-
Expired during the financial year	-	-	-	-
Balance at end of the financial year (ii)	19,750,000	0.8684	31,650,000	0.280
Exercisable at end of the financial year	13,690,000	0.7568	29,260,000	0.262

(i) Exercised during the financial year

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

2007 Options series	Number exercised	Exercise date	Share price at exercise date \$
Series 8	200,000	29/06/2007	\$1.88
2006 Options series	Number exercised	Exercise date	Share price at exercise date \$
Nil	-	-	-

(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 \$0.8684 and a weighted average remaining contractual life of 894 days.

Share options granted to directors and executives

During and since the end of the financial year an aggregate of 6,560,000 share options were granted to the following directors and executives of the company:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
PJ Flannigan	2,400,000	Service Stream Limited	2,400,000
M Doery	2,160,000	Service Stream Limited	2,160,000
R Stanton	2,000,000	Service Stream Limited	2,000,000

The holder of such options does not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

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, and all office bearers 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, 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 15 board meetings, 4 audit and governance committee and 2 remuneration and nomination committee meetings were held.

Directors	Board of directors		Audit and Governance committee		Remuneration and Nomination committee	
	Held*	Attended**	Held*	Attended**	Held*	Attended**
JL Davies	6	6	2	2	1	1
PJ Flannigan	6	6	-	-	-	-
M Doery	6	6	-	-	-	-
A Field	6	5	-	-	-	-
R Small	6	6	2	2	1	1
R Stanton	15	15	-	-	-	-
S Wilks	15	15	-	-	-	-
J Cooney	9	8	2	2	1	1
T Duff	9	9	2	2	1	1
M Stackpool	9	9	-	-	-	-
I Thorley	9	9	2	2	1	1

* The number of meetings held refers to the number held whilst a director.

** The number of meetings attended refers to the number attended whilst a director.

DIRECTORS' REPORT

Remuneration report

Director and executive details

The directors of Service Stream Limited during the year were:

- JL Davies (appointed 20 December 2006)
(Chairman)
- PJ Flannigan (appointed 20 December 2006)
(Managing Director & Chief Executive Officer)
- M Doery (appointed 20 December 2006)
(Executive Director & Chief Financial Officer)
- R Stanton (Executive Director)
- A Field (appointed 20 December 2006)
(Non-Executive Director)
- R Small (appointed 20 December 2006)
(Non-Executive Director)
- S Wilks (Non-Executive Director)
- J Cooney (resigned 20 December 2006)
- T Duff (resigned 20 December 2006)
- M Stackpool (resigned 20 December 2006)
- I Thorley (resigned 20 December 2006)

The group executives of Service Stream Limited during the year were:

- S Campbell (Company Secretary &
Group Financial Controller)
- J Caporale (Executive General Manager –
Service Stream Communications Pty Ltd)
- J Gramc (Executive General Manager –
Service Stream Solutions Pty Ltd)
- G Kenyon (Group Human Resources Executive)
- A Legge (Group Technology Executive)
- I Millner (Executive General Manager –
Milcom Communications Pty Ltd)

Remuneration policy for directors and executives

The Board, through the Remuneration and Nomination Committee, reviews the remuneration packages of all directors, senior executives and senior managers on an annual basis.

Remuneration packages are reviewed and determined with due regard to current market rates, and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the Company.

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

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

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

Fixed Remuneration

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

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

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

Variable Remuneration

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

Short Term Incentive Plan (STIP)

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

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

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

Long Term Incentive Payments (LTIP)

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

Reward and Recognition or Non Financial Reward

High Performance Recognition

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

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

Discretionary Bonuses

A discretionary bonus may be payable where performance has been well above and beyond the expectations of an employee's usual position and has a significant positive financial impact on Service Stream.

A business case needs to be prepared showing a clear connection between the employee's contribution, the financial results achieved and the proposed bonus.

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

Elements of remuneration related to performance

The Salary and Reward Committee and the Remuneration and Nomination Committee does have the discretion to incentivise employees through the STIP and LTIP programs outlined above and through discretionary bonuses. Discretionary bonuses may be in the form of cash or reward through other means. However, there are no specific performance-related metrics included within any employment contracts.

The employment contracts of M Doery and PJ Flannigan provide for the following specific performance-related elements:

- the issue of ordinary shares issued on the successful implementation of a Milestone Project. A Milestone Project is one that is defined as such by the Board;
- payment of 35 percent of their annual remuneration as a bonus if the agreed STIP, as determined by the Remuneration and Nomination Committee on an annual basis, are met.

Elements of director and executive remuneration

Remuneration packages contain the following key elements:

- primary benefits: salary, fees and bonuses;
- post-employment benefits: including superannuation; and
- equity: share options granted under the executive share option plan as disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT

The following table discloses the remuneration of the directors of the company whilst directors:

	Short-term employee benefits			Post-employment superannuation	Sub Total	Equity		Total
	Salary & fees	Bonus	Non-monetary			Shares (i)	Options	
2007	\$	\$	\$	\$	\$	\$	\$	\$
JL Davies	147,500	-	-	13,275	160,775	-	-	160,775
PJ Flannigan (i)	320,992	157,500	57,986	62,612	599,090	570,000	273,719	1,442,809
M Doery (i)	338,589	133,000	13,940	20,487	506,016	570,000	246,347	1,322,363
A Field	57,087	-	-	5,137	62,224	-	-	62,224
R Small	98,337	-	-	8,850	107,187	-	-	107,187
R Stanton	314,961	145,454	-	44,315	504,730	-	53,929	558,659
S Wilks	202,250	-	-	-	202,250	-	-	202,250
J Cooney	23,611	-	-	2,124	25,735	-	-	25,735
T Duff	23,611	-	-	2,124	25,735	-	-	25,735
M Stackpool (ii)	131,250	109,091	-	13,124	253,465	-	-	253,465
I Thorley	-	-	-	25,735	25,735	-	-	25,735
	1,658,188	545,045	71,926	197,783	2,472,942	1,140,000	573,995	4,186,937

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

(ii) Mr Stackpool resigned as a director on 20 December 2006, but remains an employee of the Service Stream Group. The information in the above table is for the period whilst Mr. Stackpool was a director.

All other bonuses have been made in line with the Company's policy in relation to remuneration.

	Short-term employee benefits			Post-employment superannuation	Sub Total	Equity		Total
	Salary & fees	Bonus	Non-monetary			Shares (i)	Options	
2006	\$	\$	\$	\$	\$	\$	\$	\$
R Stanton	310,000	-	15,490	40,560	366,050	-	-	366,050
S Wilks	75,375	-	-	-	75,375	-	-	75,375
J Cooney	45,500	-	-	4,095	49,595	-	-	49,595
T Duff	45,500	-	-	4,095	49,595	-	-	49,595
M Stackpool (ii)	256,466	-	31,732	40,560	328,758	-	-	328,758
I Thorley	33,000	-	-	16,595	49,595	-	-	49,595
	765,841	-	47,222	105,905	918,968	-	-	918,968

The following table discloses the remuneration of the highest remunerated executives of the company and group executives of the consolidated entity during the year:

	Short-term employee benefits			Post-employment superannuation	Sub Total	Equity		Total
	Salary & fees	Bonus	Non-monetary			Shares (i)	Options	
2007	\$	\$	\$	\$	\$	\$	\$	\$
S Campbell	126,981	45,871	-	24,770	197,622	-	-	197,622
J Caporale	202,562	276,337	44,223	14,633	537,755	-	-	537,755
J Gramc	134,044	87,500	18,896	97,059	337,499	-	-	337,499
G Kenyon	100,689	14,678	42,322	3,665	161,354	-	-	161,354
A Legge	169,724	34,000	-	15,275	218,999	-	-	218,999
I Millner	158,256	-	-	14,243	172,499	-	-	172,499
	892,256	458,386	105,441	169,645	1,625,728	-	-	1,625,728

	Short-term employee benefits			Post-employment superannuation	Sub Total	Equity		Total
	Salary & fees	Bonus	Non-monetary			Shares (i)	Options	
2006	\$	\$	\$	\$	\$	\$	\$	\$
C Evans	118,333	60,000	14,913	14,603	207,849	-	-	207,849
J Webster	120,000	60,000	20,542	14,603	215,145	-	-	215,145
S Jones	115,183	60,000	20,416	14,603	210,202	-	-	210,202
J Myers	118,333	4,000	8,231	12,180	142,744	-	-	142,744
J Piper	127,583	20,000	14,627	14,482	176,692	-	-	176,692
	599,432	204,000	78,729	70,471	952,632	-	-	952,632

Bonus is performance cash payment incentive paid, or declared and payable.

DIRECTORS' REPORT

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration of the year that consists of options
	Value at grant date \$	Value at exercise date \$	Value at time of lapse \$	\$	\$	%
PJ Flannigan	676,026	-	-	676,026	273,719	18.97
M Doery	608,585	-	-	608,585	246,347	18.63
R Stanton	129,753	-	-	129,753	53,929	9.65

Value of options - basis of calculation

The value of options were calculated using the Black Scholes model.

Directors and executive equity holdings

Fully paid ordinary shares of Service Stream Limited

2007	Balance at 01/07/06	Granted as remuneration	Received on exercise of options	Net other change (i)	Balance at 30/06/07	Balance held nominally
	No.	No.	No.	No.	No.	No.
Directors						
JL Davies	-	-	-	100,000	100,000	100,000
PJ Flannigan	-	400,000	-	403,052	803,052	803,052
M Doery	-	400,000	-	603,052	1,003,052	1,003,052
A Field	-	-	-	3,671,026	3,671,026	3,671,026
R Small	-	-	-	3,724,442	3,724,442	3,724,442
R Stanton	400,000	-	-	60,000	460,000	460,000
S Wilks	-	-	-	-	-	-
J Cooney	49,324,308	-	-	(49,324,308)	-	-
T Duff	58,000	-	-	-	58,000	58,000
M Stackpool	300,000	-	-	(255,000)	45,000	45,000
I Thorley	100,000	-	-	-	100,000	100,000
Total	50,182,308	800,000	-	(41,017,736)	9,964,572	9,964,572
Executives						
S Campbell	-	-	-	83,981	83,981	83,981
J Caporale	-	-	-	1,176,413	1,176,413	1,176,413
J Gramc	-	-	200,000	3,551	203,551	203,551
I Millner	-	-	-	694,445	694,445	694,445
G Kenyon	-	-	-	-	-	-
A Legge	-	-	-	-	-	-
Total	-	-	200,000	1,958,390	2,158,390	2,158,390

(i) These shares were issued as a result of the merger between Service Stream Limited and Service Stream Holdings Pty Ltd.

Share options of Service Stream Limited

	Balance at 01/07/06	Granted as remuneration	Exercised	Net other change	Balance at 30/06/07	Balance vested at 30/06/07	Vested subject to performance	Balance vested and exercisable	Options vested during 2007
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
JL Davies	-	-	-	-	-	-	-	-	-
PJ Flannigan	-	2,400,000	-	1,800,000	4,200,000	4,200,000	2,400,000	1,800,000	4,200,000
M Doery	-	2,160,000	-	1,640,000	3,800,000	3,800,000	2,160,000	1,640,000	3,800,000
A Field	-	-	-	2,266,667	2,266,667	2,266,667	-	2,266,667	2,266,667
R Small	-	-	-	2,266,667	2,266,667	2,266,667	-	2,266,667	2,266,667
R Stanton	-	2,000,000	-	-	2,000,000	2,000,000	1,500,000	500,000	2,000,000
Total	-	6,560,000	-	7,973,334	14,533,334	14,533,334	6,060,000	8,473,334	14,533,334
Executives									
S Campbell	-	-	-	40,000	40,000	40,000	-	40,000	40,000
J Gramc	-	-	(200,000)	200,000	-	-	-	-	-
G Kenyon	-	-	-	40,000	40,000	40,000	-	40,000	40,000
Total	-	-	(200,000)	280,000	80,000	80,000	-	80,000	80,000

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.

DIRECTORS' REPORT

Non-audit services

Details of 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 auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as 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 Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Australian 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 43 of the financial 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.

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
23 August 2007



PJ Flannigan
Managing Director
Melbourne
23 August 2007

AUDITOR'S INDEPENDENCE DECLARATION

for the year ended 30 June 2007

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
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www.deloitte.com.au

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

23 August 2007

Dear Board Members

Service Stream Limited

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

As lead audit partner for the audit of the financial statements of Service Stream Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely


DELOITTE TOUCHE TOHMATSU



S PELUSI
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2007

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of Service Stream Limited (the company), which comprises the balance sheet as at 30 June 2007, 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 46 to 89.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.6 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" on pages 36 to 41 of the directors' report, and not in the financial report. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' 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. The directors are also responsible for the compensation disclosures contained in the directors' report. 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 consolidated financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' 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 and the compensation disclosures comply with AASB 124.

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2007

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors' 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 and the compensation disclosures contained in the directors' 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 and the compensation disclosures contained in the directors' report.

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

Auditor's Independence Declaration

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

Auditor's Opinion on the Financial Report

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's and consolidated entity's financial position as at 30 June 2007 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 36 to 41 under the heading "remuneration report" of the directors' report and identified as being subject to audit, comply with paragraphs Aus 25.4 to Aus 25.6 of Accounting Standard AASB 124 *Related Party Disclosures*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



S PELUSI
Partner
Chartered Accountants
Melbourne, 23 August 2007

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*.

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

23 August 2007



PJ Flannigan

Managing Director

Melbourne

23 August 2007

INCOME STATEMENT

for the financial year ended 30 June 2007

		Consolidated		Company	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	7	245,765	170,847	74,072	77,909
Other income	9	1,343	136	-	(87)
Company administration and insurance expenses		(5,336)	(3,400)	(1,907)	(948)
Site and construction costs		(21,363)	-	(45,499)	(42,262)
Salaries and employee benefits		(66,236)	(51,578)	(10,192)	(9,689)
Temporary staff costs and subcontractor fees		(89,450)	(66,930)	(2,321)	(2,061)
Changes in inventory of finished goods		(29,633)	(28,306)	-	-
Motor vehicles expenses		(2,104)	(1,586)	(583)	(780)
Consulting and directors' fees		(642)	(407)	(209)	(543)
External technology services		(1,660)	(1,251)	-	-
Occupancy expenses		(3,327)	(2,721)	(630)	(722)
Finance costs	8	(2,102)	(998)	-	-
Depreciation and amortisation	9	(2,684)	(1,547)	(237)	(430)
Other expenses		(5,973)	(5,999)	-	(195)
Profit before tax		16,598	6,260	12,494	20,192
Income tax expense	10	(5,363)	(1,908)	(4,141)	(6,128)
Profit for the year		11,235	4,352	8,353	14,064
Attributable to the equity holders of the parent		11,235	4,352	8,353	14,064
Earnings per share:					
Basic (cents per share)	24	10.66	6.97		
Diluted (cents per share)	24	9.57	5.81		

Notes to the financial statements are included on pages 51 to 89.

BALANCE SHEET

as at 30 June 2007

Current assets

Cash and cash equivalents
Trade and other receivables
Inventories
Other

Total current assets

Non-current assets

Trade and other receivables
Other financial assets
Property, plant and equipment
Deferred tax assets
Goodwill
Other intangible assets

Total non-current assets

Total assets

Current liabilities

Trade and other payables
Borrowings
Current tax liabilities
Provisions

Total current liabilities

Non-current liabilities

Trade and other payables
Borrowings
Provisions

Total non-current liabilities

Total liabilities

Net assets

Equity

Issued capital
Reserves
Retained earnings

Total equity

Note	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
29	5,248	2,048	415	11,770
11	57,342	24,889	23,546	27,951
12	1,427	838	-	-
13	23,205	7,265	12,664	2,817
	87,222	35,040	36,625	42,538
11	-	-	7,058	-
14	700	962	105,705	-
15	5,210	3,467	159	348
10	2,431	1,040	1,289	900
16	155,703	18,551	-	-
17	2,858	348	-	-
	166,902	24,368	114,211	1,248
	254,124	59,408	150,836	43,786
18	61,229	20,726	23,157	21,240
19	4,654	707	-	-
10	5,177	1,197	4,013	3,308
20	8,189	1,652	514	454
	79,249	24,282	27,684	25,002
18	3,571	-	-	-
19	30,803	5,798	-	-
20	1,190	643	278	209
	35,564	6,441	278	209
	114,813	30,723	27,962	25,211
	139,311	28,685	122,874	18,575
21	130,755	25,867	113,996	9,055
22	725	65	686	-
23	7,831	2,753	8,192	9,520
	139,311	28,685	122,874	18,575

Notes to the financial statements are included on pages 51 to 89.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Retained earnings	23				
Balance at beginning of year		2,753	(294)	9,520	10,362
Profit for the year		11,235	4,352	8,353	14,064
Dividends paid		(6,157)	(1,305)	(9,681)	(14,906)
Balance at end of year		7,831	2,753	8,192	9,520
(b) Reserves	22				
Reserves at beginning of year		65	27	-	-
Equity-settled share based payment		686	38	686	-
Transfer to share capital		(26)	-	-	-
Balance at end of year		725	65	686	-
(c) Issued capital	21				
Share capital at beginning of year		25,867	14,412	9,055	9,055
Issue of shares in accordance with the Scheme of Arrangement		-	-	103,955	-
Net costs associated with share issues		(52)	(289)	-	-
Issue of share capital		103,928	9,490	-	-
Exercise of options		126	-	126	-
Transfer from employee equity-settled benefits reserve		26	-	-	-
Issue of shares as partial consideration for acquisition of Service Stream Communications Pty Ltd		-	1,477	-	-
Issue of shares for acquisition of Milcom Communications Pty Ltd		-	500	-	-
Issue of shares in dividend reinvestment plan		860	277	860	-
Share capital at end of year		130,755	25,867	113,996	9,055
140,831,382 fully paid ordinary shares					
Refer note 4 for details on the accounting for the acquisition.					
(d) Total recognised income and expenses for the period					
Net profit for the year		11,235	4,352	8,353	14,064

Notes to the financial statements are included on pages 51 to 89.

CASH FLOW STATEMENT

for the financial year ended 30 June 2007

Cash flows from operating activities

Receipts from customers	224,068	165,971	64,710	64,838	
Payments to suppliers and employees	(214,583)	(156,764)	(52,543)	(53,746)	
Dividends received	76	-	-	-	
Interest received	173	64	381	747	
Interest and other costs of finance paid	(2,048)	(923)	-	-	
Income tax paid	(2,479)	(659)	(6,352)	(4,689)	
Net cash provided by operating activities	29(e)	5,207	7,689	6,196	7,150

Cash flows from investing activities

Payment for equity instruments	
Payment for property, plant and equipment	
Proceeds from sale of property, plant and equipment	
Proceeds on sale of equity instruments	
Payment for intangible assets	
Payment for businesses	
Net cash used in investing activities	

Cash flows from financing activities

Proceeds from share issue	125	9,490	125	-	
Payment for share issue costs	-	(340)	-	-	
Proceeds from borrowings	65,632	24,029	-	-	
Repayment of borrowings	(36,210)	(32,200)	-	-	
Finance lease repayments	(1,377)	(401)	-	-	
Payment to controlled entities	-	-	(7,758)	-	
Dividends paid	(5,297)	(1,028)	(8,820)	(14,906)	
Net cash provided by/(used in) financing activities	22,873	(450)	(16,453)	(14,906)	
Net increase/(decrease) in cash and cash equivalents	3,200	573	(11,355)	(7,778)	
Cash and cash equivalents at beginning of year	2,048	1,475	11,770	19,548	
Cash and cash equivalents at end of year	29(a)	5,248	2,048	415	11,770

Notes to the financial statements are included on pages 51 to 89.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

1. General information

Service Stream Limited (the Company) is a listed public company, incorporated in Australia and operating in Australia. Service Stream Limited's registered office and its principal place of business are as follows:

Registered office	Principal place of business
555 Lonsdale Street Melbourne, VIC 3000	555 Lonsdale Street Melbourne, VIC 3000

2. Adoption of new and revised Accounting Standards

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. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the financial statements of the Company or the consolidated entity.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- **AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue**
Effective for annual reporting periods beginning on or after 1 January 2007
- **AASB 101 'Presentation of Financial Statements' - revised standard**
Effective for annual reporting periods beginning on or after 1 January 2007
- **AASB 8 'Operating Segments'**
Effective for annual reporting periods beginning on or after 1 January 2009
- **Interpretation 10 'Interim Financial Reporting and Impairment'**
Effective for annual reporting periods beginning on or after 1 November 2006
- **Interpretation 11**
Effective for annual reporting periods beginning on or after 1 March 2007
- **Interpretation 12**
Effective for annual reporting periods beginning on or after 1 January 2008
- **Interpretation 13**
Effective for annual reporting periods beginning on or after 1 July 2008
- **Interpretation 14**
Effective for annual reporting periods beginning on or after 1 January 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company or the group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the Company's or the group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's and the group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the Company's annual reporting period beginning on 1 July 2007.

3. Summary of 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').

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 Group comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 23 August 2007.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Summary of accounting policies (continued)

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 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.

The accounting policies and methods of computation adopted in the presentation of the financial report are consistent with those adopted and disclosed in Service Stream Holdings Pty Ltd's 2006 Annual Report for the financial year ended 30 June 2006.

On 20 December 2006 the merger between Service Stream Limited and Service Stream Holdings Pty Ltd became effective. The transaction has been accounted for using the guidelines as set out in AASB 3 'Business Combinations'. In line with the guidelines of that standard, the transaction has been accounted for as a reverse acquisition. Refer note 4 for further details.

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. Refer to note 4 for details on the acquisition accounting.

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

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 or distribution to equity participants by the transacting entities.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(c) 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 values 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.

(d) 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 and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) 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.

3. Summary of accounting policies (continued)

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 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 the reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(f) Financial assets

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 is recognised by applying the effective interest rate.

(g) 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.

Financial liabilities

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

Financial liabilities 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 the profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 30.

(h) 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 (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Service Stream Limited, and the presentation of the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in other currencies other than the entity's functional currency (foreign 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.

(i) 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 acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. 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 (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) 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 CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU of CGUs pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(j) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Summary of accounting policies (continued)

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 16).

(k) *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 arising on investments in subsidiaries, branches 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 would follow from the manner in which the Group expects, at the reporting date, to recover or settle 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.

3. Summary of accounting policies (continued)

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).

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 10 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.

(l) *Intangible assets*

Intangible assets acquired in a business combination

All potential 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 value can be measured reliably.

Software

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

(m) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to

inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(n) *Jointly controlled entities*

Interests in jointly controlled entities in which the Group is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

(o) *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. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

3. Summary of accounting policies (continued)

(p) Plant and equipment

Plant and equipment, leasehold improvements, equipment under finance lease and motor vehicles are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future 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 cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

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

• Leasehold improvements	2 - 5 years
• Plant and equipment	2 - 5 years
• Equipment under finance lease	2 - 5 years
• Motor Vehicles	3 - 7 years

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Revenue recognition

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.

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 the 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 the construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it 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.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder'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 to that asset's net carrying amount.

(s) 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 Black Scholes 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 transactions has been determined can be found in note 31.

3. Summary of accounting policies (continued)

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.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. 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 value determined at each reporting date.

(t) 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.

(u) Comparatives

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'. The comparative information has been prepared to comply with that standard.

- The comparatives of the consolidated entity are those of Service Stream Holdings Limited for the year ended 30 June 2006, as disclosed in the Annual Report.
- The comparatives of the Company are those of Service Stream Limited (formerly Total Communications Infrastructure Limited) for the year ended 30 June 2006.

The format of the Income statement previously adopted by the parent entity, Service Stream Limited (formerly Total Communications Infrastructure Limited), differs from the format adopted by the Consolidated Group. Therefore it has been necessary to reclassify a number of balances on the Income statement from that previously disclosed in the financial statements. There is nil overall profit affect.

4. Merger Transaction Summary

On 20 December 2006 the Scheme of Arrangement between Service Stream Limited (formerly Total Communications Infrastructure Limited) and Service Stream Holdings Pty Ltd (formerly Service Stream Limited) became effective. The Supreme Court of Victoria made orders pursuant to section 411 of the Corporations Act approving the Scheme of Arrangement ("Scheme") between Service Stream Holdings Pty Ltd and each of its ordinary shareholders to effect the merger in accordance with the terms set out in the Scheme Booklet dated 24 October 2006.

The approval from the court follows Service Stream Holdings Pty Ltd's Scheme Meeting on 12 December 2006 and Service Stream Limited's Extraordinary General Meeting on 18 December 2006, both of which strongly supported the merger. The former shareholders of Service Stream Holdings Limited now hold approximately 50.5 percent of the merged group.

The merger was achieved by:

- a scheme of arrangement under which Service Stream Limited acquired all of the shares in Service Stream Holdings Pty Ltd;
- the acquisition by Service Stream Holdings Pty Ltd of a substantial shareholding in Service Stream Limited for \$32.2 million in cash and \$10 million in deferred consideration; and
- the subsequent cancellation of the shares in Service Stream Limited by Service Stream Holdings Pty Ltd.

The transaction has been accounted for using the guidelines as set out in AASB 3 'Business Combinations'. In line with the guidelines of that standard, the transaction has been accounted for as a reverse acquisition. As part of the reverse acquisition accounting requirements a notional cost of equity of \$104 million was deemed to be issued by Service Stream Holdings Pty Ltd and has been included in the cost of business combination.

- As part of the merger 12,660,000 fully vested share options and 70,717,971 ordinary shares in Service Stream Holdings were reissued in Service Stream Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

4. Merger Transaction Summary (continued)

Key matters to note in relation to accounting for the merger as a reverse acquisition include:

Comparative Information:

- Comparative information presented in the consolidated financial statements is that of Service Stream Holdings Pty Ltd.

Income Statement:

- The Consolidated Income Statement for the year ended 30 June 2007 comprises the consolidated results of Service Stream Holdings, as the accounting acquiror, for the year ended 30 June 2007 and those of Service Stream Limited as from the date of acquisition.
- The consolidated comparative results are that of Service Stream Holdings.
- The company results for the years ended 30 June 2007 and 2006 are that of Service Stream Limited, being the legal parent entity.

Reserves:

- The amount recognised as issued capital in the consolidated entity is that of Service Stream Holdings (the accounting acquiror) while the number of shares disclosed is that of Service Stream Limited (the legal parent).
- Opening retained earnings for the consolidated entity is that of Service Stream Holdings.
- The equity-settled share based payment reserve for the consolidated entity consists of Service Stream Holdings' opening balance together with movements relating to Service Stream Holdings up to the date of acquisition and Service Stream Limited post acquisition.

Dividends:

- Dividends paid in the consolidated results are that of Service Stream Holdings pre acquisition and Service Stream Limited post acquisition.
- Dividends paid in the company results are that of Service Stream Limited for the 12 month period.

Taxation:

- The head entity of the Tax Consolidated Group pre acquisition is Service Stream Holdings.
- The head entity of the Tax Consolidated Group post acquisition is Service Stream Limited.

Earnings per share:

- Number of ordinary shares outstanding at the beginning of the period is the number of shares issued by Service Stream Limited to the owners of Service Stream Holdings.
- Comparative period earnings per share has been recalculated using the number of ordinary shares issued by Service Stream Limited to the owners of Service Stream Holdings.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, 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 the judgments. Actual results may differ from these estimates.

The 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 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.

6. Business and geographical segments

Information on business segments

Products and services within each business segment

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

Contact Centre Solutions

Specialist end-to-end services management; contact centre activities and logistics services to the telecommunications industry.

Ticket of Work

Field based jobs issued and completed within 48 hours.

Infrastructure Services

Provides turnkey and project management solutions in the construction of telecommunications infrastructure

Segment revenues

	External sales		Inter-segment (i)		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Contact Centre Solutions	58,160	56,353	-	-	58,160	56,353
Ticket of Work	116,507	95,633	-	-	116,507	95,633
Infrastructure Services	71,098	18,861	-	-	71,098	18,861
Other	-	-	-	-	-	-
Eliminations	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Consolidated revenue					245,765	170,847

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers of similar goods.

Segment result

	2007 \$'000	2006 \$'000
Contact Centre Solutions	3,718	4,544
Ticket of Work	10,412	4,470
Infrastructure Services	7,574	1,238
Other	-	-
	21,704	10,252
Eliminations	-	-
Unallocated	(5,106)	(3,992)
Profit before tax	16,598	6,260
Income tax expense	(5,363)	(1,908)
Profit for the year	11,235	4,352

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

6. Business and geographical segments (continued)

Segment assets and liabilities

	Assets		Liabilities	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Contact Centre Solutions	14,887	5,671	11,891	8,083
Ticket of Work	22,564	20,061	11,853	7,361
Infrastructure Services	53,727	6,592	34,005	4,536
Total of all segments	91,178	32,324	57,749	19,980
Eliminations	-	-	-	-
Unallocated	162,946	27,084	57,064	10,743
Consolidated	254,124	59,408	114,813	30,723

The company carries out its business entirely within Australia.

7. Revenue

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

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from the rendering of services	245,504	170,699	73,691	77,162
Interest revenue:				
Bank interest	173	64	381	747
Dividends:				
Other entities	76	-	-	-
Other	12	84	-	-
Total revenue from ordinary activities	245,765	170,847	74,072	77,909
Interest on bank overdrafts and loans	1,836	847	-	-
Interest on obligations under finance leases	244	99	-	-
Other interest expense	22	52	-	-
	2,102	998	-	-

8. Finance costs

9. Profit for the year

(a) Gains and losses

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

Gain/(loss) from sales of plant & equipment
Gain on disposal of investments

(b) Other expenses

Profit for the year include the following expenses:

Changes in inventory of finished goods

Depreciation of non-current assets
Amortisation of non-current assets

Operating lease rental expenses:

Minimum lease payments

Employee benefit expense:

Post employment benefits:

Defined contribution plans

Share-based payments:

Equity settled share-based payments

10. Income taxes

Income tax recognised in profit or loss

Tax expense comprises:

Current tax expense

Deferred tax expense/(income) relating to the origination and reversal of temporary differences

Adjustments recognised in the current year in relation to the current tax of prior years

Total tax expense

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

Income tax expense calculated at 30%

Effect of expenses that are not deductible in determining taxable profit

Items deducted for tax purposes only

Other

Adjustments recognised in the current year in relation to the current tax of prior years

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
82	136	-	(87)
1,261	-	-	-
1,343	136	-	(87)
29,633	28,306	-	-
1,927	1,547	237	430
757	-	-	-
2,684	1,547	237	430
2,860	1,997	836	48
4,240	3,174	817	907
1,825	38	1,825	-
6,806	1,770	4,530	6,379
(1,443)	97	(389)	(254)
-	41	-	3
5,363	1,908	4,141	6,128
16,598	6,260	12,494	20,192
4,979	1,878	3,748	6,058
453	76	393	566
(51)	(51)	-	(499)
(18)	(36)	-	-
5,363	1,867	4,141	6,125
-	41	-	3
5,363	1,908	4,141	6,128

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

10. Income taxes (continued)

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.

Income tax recognised directly in equity

The following current amounts were charged directly to equity during the period:

Share issue expense

Current tax liabilities

Income tax payable attributable to:

Parent entity

Entities in the tax-consolidated group

Refer note 4 for details on the accounting for the acquisition.

Deferred tax balances

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

Consolidated 2007

Temporary differences:

Trade and other receivables

Other intangible assets

Trade, other payables and provision

Share issue costs

Company 2007

Temporary differences:

Trade and other receivables

Trade, other payables and provision

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
122	174	-	-
1,487	(1,140)	1,487	3,308
3,690	2,337	2,526	-
5,177	1,197	4,013	3,308

Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
93	877	-	970
368	(315)	-	53
405	881	-	1,286
174	-	(52)	122
1,040	1,443	(52)	2,431

Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
480	619	1,099
420	(230)	190
900	389	1,289

10. Income taxes (continued)

Consolidated 2006

Temporary differences:

Trade and other receivables	35	58	-	93
Other intangible assets	-	368	-	368
Trade, other payables and provision	928	(523)	-	405
Share issue costs	-	-	174	174

Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
35	58	-	93
-	368	-	368
928	(523)	-	405
-	-	174	174
963	(97)	174	1,040

Company 2006

Temporary differences:

Trade and other receivables	311	169	480
Trade, other payables and provision	335	85	420

Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
311	169	480
335	85	420
646	254	900

Deferred tax assets comprise:

Temporary differences:

Parent entity	1,289	247	1,289	900
Entities in the tax-consolidated group	1,142	793	-	-

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
1,289	247	1,289	900
1,142	793	-	-
2,431	1,040	1,289	900

Tax consolidation

Relevance of tax consolidation to the Group

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

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 TFA, Service Stream Limited and each of the entities in the tax-consolidated group will agree 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 will provide 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

11. Trade and other receivables

Trade receivables (i)
 Allowance for doubtful debts

Goods and services tax (GST) recoverable
 Other

Amounts receivable from wholly-owned
 controlled entities

Disclosed in the financial statements as:

Current trade and other receivables

Non-current trade and other receivables

(i) The average credit period on sales of goods is 30 days.
 No interest is charged on trade receivables.

12. Inventories

Finished goods:

At cost

13. Other assets

Accrued Income
 Prepayments
 Other

14. Other financial assets

Non-current

Shares in controlled entities – at cost
 Shares in other entities – at fair value
 Other equity investments

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
57,730	23,743	26,143	28,906
(3,233)	(311)	(3,173)	(1,603)
54,497	23,432	22,970	27,303
2,335	1,184	554	648
510	273	22	-
57,342	24,889	23,546	27,951
-	-	7,058	-
-	-	7,058	-
57,342	24,889	30,604	27,951
57,342	24,889	23,546	27,951
-	-	7,058	-
57,342	24,889	30,604	27,951
1,427	838	-	-
22,259	7,046	12,501	2,243
803	23	121	335
143	196	42	239
23,205	7,265	12,664	2,817
-	-	105,005	-
-	962	-	-
700	-	700	-
700	962	105,705	-

15. Plant and equipment

Consolidated

	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Motor Vehicles at cost \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2005	981	1,162	641	940	3,724
Additions	15	1,046	158	658	1,877
Disposals	(3)	(57)	(125)	(256)	(441)
Acquisitions through business combinations	21	29	-	12	62
Balance at 1 July 2006	1,014	2,180	674	1,354	5,222
Additions	1,506	970	-	412	2,888
Disposals	(1)	-	(566)	(168)	(735)
Acquisitions through business combinations	29	495	-	525	1,049
Balance at 30 June 2007	2,548	3,645	108	2,123	8,424
Accumulated depreciation					
Balance at 1 July 2005	(97)	(246)	(79)	(68)	(490)
Disposals	3	57	35	187	282
Depreciation expense	(414)	(576)	(138)	(419)	(1,547)
Balance at 1 July 2006	(508)	(765)	(182)	(300)	(1,755)
Disposals	-	-	322	146	468
Depreciation expense	(466)	(656)	(177)	(628)	(1,927)
Balance at 30 June 2007	(974)	(1,421)	(37)	(782)	(3,214)
Net book value					
As at 30 June 2006	506	1,415	492	1,054	3,467
As at 30 June 2007	1,574	2,224	71	1,341	5,210

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for the financial year ended 30 June 2007

15. Plant and equipment (continued)

Company

	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Motor Vehicles at cost \$'000	Total \$'000
Gross carrying amount					
Balance at 1 July 2005	68	1,721	-	-	1,789
Additions	-	46	-	-	46
Disposals	(47)	(215)	-	-	(262)
Balance at 1 July 2006	21	1,552	-	-	1,573
Additions	-	48	-	-	48
Balance at 30 June 2007	21	1,600	-	-	1,621
Accumulated depreciation					
Balance at 1 July 2005	(21)	(925)	-	-	(946)
Depreciation expense	(9)	(421)	-	-	(430)
Disposals	15	136	-	-	151
Balance at 1 July 2006	(15)	(1,210)	-	-	(1,225)
Depreciation expense	(3)	(234)	-	-	(237)
Balance at 30 June 2007	(18)	(1,444)	-	-	(1,462)
Net book value					
As at 30 June 2006	7	341	-	-	348
As at 30 June 2007	3	156	-	-	159

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

- Leasehold improvements 2 - 5 years
- Plant and equipment 2 - 5 years
- Equipment under finance lease 2 - 5 years
- Motor Vehicles 3 - 7 years

Aggregate depreciation allocated during the year, recognised as an expense during the year:

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Leasehold improvements	466	414	3	9
Plant and equipment	656	576	234	421
Equipment under finance lease	177	138	-	-
Motor vehicles	628	419	-	-
	1,927	1,547	237	430

15. Plant and equipment (continued)

Assets pledged as security

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

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

16. Goodwill

Gross carrying amount

Balance at beginning of year
Additional amounts recognised from
business combinations occurring during the period
Balance at end of year

Net book value

At beginning of year
At end of year

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
18,551	16,379	-	-
137,152	2,172	-	-
155,703	18,551	-	-
18,551	16,379	-	-
155,703	18,551	-	-

The recoverable amount of goodwill was assessed by reference to the cash-generating units' value in use. A discount factor of 9.5% (2006: 9.5%) was applied in the value in use model.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to 3 major cash-generating units, as follows:

Cash-generating units (CGU) identified are:

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

17. Other intangible assets

Software

Gross carrying amount

Balance at beginning of year

Additions

Balance at end of year

Accumulated amortisation

Balance at beginning of year

Amortisation expense

Balance at end of year

Net book value

At the beginning of the year

At the end of the year

The software was installed and ready for use on 1 July 2006. There is no amortisation expense for the year ended 30 June 2006.

18. Trade and other payables

Current

Trade creditors (i)

Deferred purchase consideration (note 28)

Goods and services tax (GST) payable

Sundry creditors & accruals

Income in advance

Non-current

Deferred purchase consideration (note 28)

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
348	-	-	-
3,267	348	-	-
3,615	348	-	-
-	-	-	-
757	-	-	-
757	-	-	-
348	-	-	-
2,858	348	-	-
24,202	6,587	14,091	9,216
12,570	-	-	-
4,502	2,600	1,085	2,793
19,206	10,468	7,981	9,231
749	1,071	-	-
61,229	20,726	23,157	21,240
3,571	-	-	-
64,800	20,726	23,157	21,240

(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

Commercial bills (ii)	
Finance lease liabilities (i) (note 26)	

Non-current

Commercial bills (ii)	
Finance lease liabilities (i) (note 26)	

Disclosed in the financial statements as:

Current borrowings	
Non-current borrowings	

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

20. Provisions

Current

Employee benefits	
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Non-current

Employee benefits	
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21. Issued capital

140,831,382 fully paid ordinary shares
(2006: 174,794,445, being the number of fully paid ordinary shares for Service Stream Holdings Pty Ltd)

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
3,300	-	-	-
1,354	707	-	-
4,654	707	-	-
28,875	5,000	-	-
1,928	798	-	-
30,803	5,798	-	-
35,457	6,505	-	-
4,654	707	-	-
30,803	5,798	-	-
35,457	6,505	-	-
8,189	1,652	514	454
1,190	643	278	209
9,379	2,295	792	663
130,755	25,867	113,996	9,055

In accordance with AASB 3 "Business Combinations" the number of fully paid ordinary shares recognised is that of the legal parent (Service Stream Limited) with the value of the shares being that of the acquirer as identified in the reverse acquisition (Service Stream Holdings Limited).

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

21. Issued capital (continued)

Consolidated

Fully paid ordinary shares

	2007 No. '000	2006 No. '000
Balance at beginning of year	109,610	123,476
Issue of shares in accordance with the Scheme of Arrangement (refer note 4)	70,717	-
Reduction of share capital	(40,324)	-
Issue of shares during the year	-	42,178
Exercise of options	200	-
Issues of shares as partial consideration for the acquisition of Communication Services Australia Consulting Pty Ltd, and in facilitating the acquisition of Service Stream Communications Pty Ltd.	-	6,591
Issue of shares on acquisition of Milcom Communications Pty Ltd	-	1,736
Dividend reinvestment plan	628	813
Balance at end of year	140,831	174,794

Consolidated

Consolidated

Fully paid ordinary shares

	2007 \$'000	2006 \$'000
Balance at beginning of year	25,867	14,412
Issue of shares during the year	103,928	9,490
Net costs associated with issue of shares	(52)	(289)
Exercise of options	126	-
Transfer from employee equity-settled reserve	26	-
Issues of shares as partial consideration for the acquisition of Communication Services Australia Consulting Pty Ltd, and in facilitating the acquisition of Service Stream Communications Pty Ltd.	-	1,477
Issue of shares on acquisition of Milcom Communications Pty Ltd	-	500
Dividend reinvestment plan	860	277
Balance at end of year	130,755	25,867

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

Refer note 4 for details on the accounting for the acquisition.

Share options

As at 30 June 2007, founders and employees have 19,750,000 options over ordinary shares (of which 6,060,000 are vested but not yet exercisable), in aggregate, with 12,220,000 of those options expiring up to 31 October 2009, and the remainder expiring up to 31 October 2011.

19,750,000 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

Employee equity-settled benefits reserve

Balance at beginning of year

Share-based payment

Transfer to share capital

Balance at end of year

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Further information about share-based payments to employees is made in note 33 to the financial statements.

Also refer note 4 for details on the accounting for the acquisition.

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
65	27	-	-
686	38	686	-
(26)	-	-	-
725	65	686	-
2,753	(294)	9,520	10,363
11,235	4,352	8,353	14,064
(6,157)	(1,305)	(9,681)	(14,907)
7,831	2,753	8,192	9,520

23. Retained earnings

Balance at beginning of year

Net profit attributable to members of the parent entity

Dividends paid (note 25)

Balance at end of year

Refer note 4 for details on the accounting for the acquisition.

Consolidated	
2007 Cents per share	2006 Cents per share
10.66	6.97
9.57	5.81

24. Earnings per share

Basic earnings per share:

Total basic earnings per share

Diluted earnings per share:

Total diluted earnings per share

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:

Earnings (a)

Weighted average number of shares

2007 \$'000	2006 \$'000
11,235	4,352
2007 No. '000	2006 No. '000
105,407	62,405

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

24. Earnings per share (continued)

- (a) Earnings used in the calculation of total basic earnings per share and basic earnings reconciles to net profit in the income statement as follows:

	Consolidated	
	2007 \$'000	2006 \$'000
Net profit	11,235	4,352
Earnings used in the calculation of basic EPS	11,235	4,352

Diluted earnings per share

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

	2007 \$'000	2006 \$'000
	11,643	4,352
Earnings (a)		
	2007 No. '000	2006 No. '000
	121,621	74,921
Weighted average number of shares (b)		

In accordance with AASB3 'Business Combinations' the prior year comparative has been amended.

Refer note 4 for details on the accounting for the acquisition.

- (a) Earnings used in the calculation of total diluted earnings per share reconciles to net profit in the income statement as follows:

	2007 \$'000	2006 \$'000
	11,235	4,352
Net profit	11,235	4,352
Earnings used in the calculation of diluted EPS	11,643	4,352

- (b) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2007 No. '000	2006 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	105,407	62,405
Shares deemed to be issued for no consideration in respect of:		
Options	16,214	12,516
Weighted average number of ordinary shares used in the calculation of diluted EPS	121,621	74,921

25. Dividends

Recognised amounts

Fully paid ordinary shares

Interim dividend:

Special dividend:

Franked to 100% (Prior year: N/A)

Unrecognised amounts

Fully paid ordinary shares

Final dividend

Franked to 100% (Prior year: 100%)

Refer note 4 for details on the accounting for the acquisition.

On 23 August 2007, the directors declared a fully franked final dividend of 4.5 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2007, to be paid to shareholders on 19 October 2007. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the dividend will be paid to all shareholders on the Register of Members on 5 October 2007. The total estimated dividend to be paid is \$6,337 thousand.

2007		2006	
Cents per share	Total \$'000	Cents per share	Total \$'000
3.0	4,200	4.7	5,152
-	-	1.7	1,863
3.0	4,200	6.4	7,015
4.5	6,337	7.2	7,892

Adjusted franking account balance as at 30 June

Impact on franking account balance of dividends not recognized

Income tax consequences of unrecognised dividends

Company	
2007 \$'000	2006 \$'000
6,026	5,674
(2,716)	(2,349)
-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

26. Leases

Finance leases

Leasing arrangements

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

The Group has options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not longer than 1 year	1,581	807	-	-	1,581	807	-	-
Later than 1 year and not later than 5 years	2,116	863	-	-	2,116	863	-	-
Total minimum lease payment*	3,697	1,670	-	-	3,697	1,670	-	-
Less future finance charges	(415)	(165)	-	-	(415)	(165)	-	-
Lease liability	3,282	1,505	-	-	3,282	1,505	-	-
Included in the financial statements as:								
Interest-bearing liabilities								
Current liabilities (Note 19)					1,354	707	-	-
Non-current liabilities (note 19)					1,928	798	-	-
					3,282	1,505	-	-

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

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.

Non-cancellable operating lease commitments

Not later than 1 year

Later than 1 year and not later than 5 years

	Consolidated		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	3,013	1,367	559	897
Later than 1 year and not later than 5 years	7,863	325	448	802
	10,876	1,692	1,007	1,699

27. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2007 %	2006 %
Parent entity			
Service Stream Limited (i) (ii)	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (iii) (v) (vi)	Australia	100	100
Service Stream Communications Pty Ltd (iii) (v) (vi)	Australia	100	100
Resourcing Solutions Pty Ltd (iii) (iv) (vii)	Australia	100	100
Total Communications Infrastructure Pty Ltd (formerly Communication Services Australia Consulting Pty Ltd) (iii) (iv) (vi)	Australia	100	100
Service Stream Solutions Pty Ltd (iii) (v) (vi)	Australia	100	100
Radhaz Consulting Pty Ltd (iii) (iv)	Australia	100	-
General Purpose Group Pty Ltd (iii) (iv) (vi)	Australia	100	-
Fibercom Technology Pty Ltd (iii) (iv) (vi)	Australia	100	-
Service Stream Infrastructure Services Pty Ltd (iii) (iv) (vi)	Australia	100	-
Milcom Communications Pty Ltd (iii) (iv) (vi)	Australia	100	100
Total Communications Infrastructure (Singapore) Pte Ltd (viii)	Singapore	100	-

- (i) On 20 December 2006, the merger between Service Stream Limited and Service Stream Holdings Pty Ltd was completed. On this date, Service Stream Limited became the legal parent of Service Stream Holdings Pty Ltd (refer note 4).
- (ii) Service Stream Limited is the head entity within the tax consolidated group.
- (iii) These companies are members of the tax consolidated group.
- (iv) These controlled entities are classified as small proprietary companies and, in accordance with the *Corporations Act 2001*, are relieved from the requirement to prepare, audit and lodge financial reports.
- (v) These controlled entities are classified as large proprietary companies and, in accordance with the *Corporations Act 2001*, are required to prepare, audit and lodge financial reports.
- (vi) These companies are wholly owned subsidiaries of Service Stream Holdings Pty Ltd.
- (vii) This company is a wholly owned subsidiary of Service Stream Communications Pty Ltd
- (viii) This company was incorporated in June 2007.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

28. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition \$'000
2006				
Milcom Communications Pty Ltd	Registered Training Organisation	4 Jan 2006	100%	3,054
2007				
Fibercom Technology Pty Ltd	Services in Telecommunications Industry	1 Jul 2006	100%	2,372
Service Stream Limited	Services in Telecommunications Industry	20 Dec 2006	50.5%	147,580
Refer note 4				
General Purpose Group Pty Ltd	Services in Telecommunications Industry	10 Jan 1007	100%	4,365

(a) Acquisition of the Milcom Communications Pty Ltd

Consideration for the acquisition of Milcom Communications Pty Ltd was represented by \$1.5 million in cash, shares of \$0.5m and deferred cash consideration, based on contingent upon the business achieving certain performance targets, of \$1.0m. Included in the net profit for the period is \$0.78 million attributable to the additional business generated by Milcom Communications Pty Ltd. Had these business combinations been effected at 1 July 2005, the revenue of the consolidated entity would increase to \$1.612 million and net profit would increase to \$0.15 million.

This acquisition has now been finalised.

	Milcom Communications Pty Ltd			Total fair value on acquisition \$'000
	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000	
Net assets acquired				
Current assets				
Cash	80	-	80	80
Receivables	180	-	180	180
Other	28	-	28	28
Current liabilities				
Payables	(129)	-	(129)	(129)
Other	(172)	13	(159)	(159)
	(13)	13	-	-
Goodwill on acquisition				3,054
Total consideration				3,054

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

28. Acquisition of businesses (continued)

(b) Acquisition of Fibercom Technology Pty Ltd

Consideration for the acquisition of Fibercom Technology Pty Ltd consists of \$1.43 million in cash and deferred cash consideration, contingent upon the business achieving certain performance targets, of \$0.94 million.

The Group result includes a full year of the results of Fibercom Technology Pty Ltd. Included in the net profit for the period is \$0.1 million and revenue of \$3.30 million attributable to the additional business generated by Fibercom Technology Pty Ltd.

This acquisition has now been finalised.

	Fibercom Technology Pty Ltd			
	Book value	Fair value adjustment	Fair value on acquisition	Total fair value on acquisition
	\$'000	\$'000	\$'000	\$'000
Net assets acquired				
Current assets				
Cash	342	-	342	342
Receivables	551	-	551	551
Other	177	36	213	213
Non-current assets				
Plant and equipment	428	-	428	428
Current liabilities				
Payables	(580)	(9)	(589)	(589)
Borrowings	(561)	-	(561)	(561)
Other	(269)	(75)	(344)	(344)
	88	(48)	40	40
Goodwill on acquisition				2,332
Total consideration				2,372

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

28. Acquisition of businesses (continued)

(c) The Merger of Service Stream Limited and Service Stream Holdings Pty Ltd

As stated in note 4, the Merger of Service Stream Limited and Service Stream Holdings Pty Ltd became effective on 20 December 2006. Service Stream Holdings Pty Ltd has been deemed the accounting acquirer in the business combination. Consideration for the acquisition of Service Stream Limited consists of \$33.65 million in cash, deferred cash consideration of \$10.0 million payable during December 2008 and \$103.93 million in notional cost of equity instruments issued.

Included in the net profit for the period was \$4.5 million attributable to the additional business generated by Service Stream Limited and revenue of \$33.87 million. Had the business combination been effected from 1 July 2006, the revenue of the consolidated entity would increase by \$42.37 million and net profit would increase by \$8.42 million.

As at 30 June 2007 the acquisition has been provisionally determined.

	Service Stream Limited			Total fair value on acquisition \$'000
	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000	
Net assets acquired				
Current assets				
Cash	14,441	-	14,441	14,441
Receivables	4,354	-	4,354	4,354
Other	18,382	(560)	17,822	17,822
Non-current assets				
Plant and equipment	304	-	304	304
Current liabilities				
Payables	(16,969)	(303)	(17,272)	(17,272)
Other	(1,752)	-	(1,752)	(1,752)
	18,760	(863)	17,897	17,897
Goodwill on acquisition				129,683
Total consideration				147,580

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

28. Acquisition of businesses (continued)

(d) Acquisition of General Purpose Group Pty Ltd

Consideration for the acquisition of General Purpose Group Pty Ltd consists of \$0.70 million in cash and deferred cash consideration, contingent upon the business achieving certain performance targets, of \$3.66 million.

Included in the net profit for the period is \$0.21 million and revenues of \$2.57 million attributable to the additional business generated by General Purpose Group Pty Ltd. Had these business combinations been effected from 1 July 2006, the revenue of the consolidated entity would increase by \$3.00 million and net profit would increase by \$0.54 million. As at 30 June 2007 the acquisition has been provisionally determined.

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

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:

Bank Balances

Call Deposits

Cash and cash equivalents

Consolidated		Company	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
5,248	2,048	415	7,770
-	-	-	4,000
5,248	2,048	415	11,770

(b) Businesses acquired

During the financial year the group acquired 3 entities. The net cash outflow on acquisition was \$20.7 million. Refer to note 28 for further details of these acquisitions.

(c) Non-cash financing and investing activities

As disclosed in note 4, the notional cost of equity of \$104 million was deemed to be issued by Service Stream Holdings Pty Ltd

(d) Financing facilities

Secured bank guarantee:

- amount used
- amount unused

2,358	1,395	-	-
1,642	605	-	-
4,000	2,000	-	-

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

- amount used
- amount unused

35,457	5,000	-	-
22,043	13,000	-	-
57,500	18,000	-	-

29. Notes to the cash flow statement (continued)

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

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit for the period	11,235	4,352	8,353	14,064
Net (profit)/loss on disposal of fixed assets	(82)	(136)	-	87
Net profit on sale of shares	(1,262)	-	-	-
Depreciation and amortisation of non-current assets	2,684	1,547	237	430
Equity settled share-based payment	686	38	686	-
Doubtful debts	(212)	201	1,569	(1,036)
Bad debts	12	-	-	-
(Increase)/decrease in deferred tax assets	4	97	(389)	(254)
Increase/(decrease) in current tax liability	3,109	1,120	705	1,693
Add back/(subtract) changes in operating assets and liabilities.				
(Increase)/decrease in assets:				
Current receivables	(25,298)	(5,060)	3,078	(12,071)
Current inventories	(504)	(219)	-	-
Other current assets	1,162	(1,911)	(10,089)	2,168
Increase/(decrease) in liabilities:				
Current payables	11,953	5,800	2,047	2,105
Current provisions	1,478	1,583	(48)	(75)
Non-current provisions				
Other non-current liabilities	242	277	47	39
Net cash provided/(used by) operating activities	5,207	7,689	6,196	7,150

30. Financial instruments

(a) Financial risk management objectives

The consolidated entity's corporate treasury function provides services to the business and manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the directors on a continuous basis.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

30. Financial instruments (continued)

(c) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

Maturity profile of financial instruments

The maturity profile of financial assets and financial liabilities held by the Group are as follows:

	Weighted average effective interest	Variable interest rate	Fixed maturity dates						Non interest bearing	Total
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years		
2007	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash	4.1%	5,248	-	-	-	-	-	-	-	5,248
Receivables		-	-	-	-	-	-	-	57,342	57,342
Investments		-	-	-	-	-	-	-	700	700
		5,248	-	-	-	-	-	-	58,042	63,290
Financial liabilities:										
Trade payables		-	-	-	-	-	-	-	47,910	47,910
Deferred purchase consideration	6.2%	-	12,570	3,571	-	-	-	-	-	16,141
Commercial bills	7.9%	-	3,300	3,300	3,300	3,300	3,300	15,675	-	32,175
Finance lease/hire purchase liabilities	7.7%	-	1,354	1,157	771	-	-	-	-	3,282
Employee benefits		-	-	-	-	-	-	-	9,379	9,379
		-	17,224	8,028	4,071	3,300	3,300	15,675	57,289	108,887
2006	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:										
Cash	3.0%	2,042	-	-	-	-	-	-	6	2,048
Receivables		-	-	-	-	-	-	-	24,889	24,889
Investments		-	-	-	-	-	-	-	962	962
		2,042	-	-	-	-	-	-	25,857	27,899
Financial liabilities:										
Trade payables		-	-	-	-	-	-	-	19,455	19,455
Commercial bills	6.7%	-	-	-	5,000	-	-	-	-	5,000
Finance lease/hire purchase liabilities	7.9%	-	-	-	1,505	-	-	-	-	1,505
Employee benefits		-	-	-	-	-	-	-	2,295	2,295
		-	-	-	6,505	-	-	-	21,750	28,255

30. Financial instruments (continued)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity 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 consolidated entity 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. The consolidated entity measures credit risk on a fair value basis.

Trade accounts receivable consist 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 consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. 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 consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(e) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2006: net fair value).

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 financial statements include holdings in unlisted subsidiaries (note 27). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. Changes in these assumptions do not significantly change the fair value recognised.

Transaction costs are included in the determination of net fair value.

(f) Liquidity risk management

The consolidated entity 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

31. 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, options issued during the year ended 30 June 2007 vest at various times up to 30 September 2009.

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	04/01/2007	31/12/2007	0.6250	-
Series 2	3,352,000	04/01/2007	31/10/2009	0.6250	-
Series 3	924,000	04/01/2007	31/10/2009	0.9375	4,032
Series 4	924,000	04/01/2007	31/10/2009	1.2500	4
Series 5	96,000	04/01/2007	01/01/2010	0.6250	10,240
Series 6	32,000	04/01/2007	01/01/2010	0.9375	202
Series 7	32,000	04/01/2007	01/01/2010	1.2500	-
Series 8	200,000	04/01/2007	01/03/2011	0.6250	26,253
Series 9	80,000	04/01/2007	07/03/2010	0.6500	9,876
Series 10	200,000	04/01/2007	31/10/2009	0.9750	7,465
Series 11	20,000	04/01/2007	31/10/2009	0.6250	6,393
Series 12	2,020,000	04/01/2007	01/01/2011	0.9900	572,184
Series 13	2,020,000	04/01/2007	01/01/2011	1.0800	475,762
Series 14	2,020,000	04/01/2007	01/01/2011	1.2000	366,597
Series 15	500,000	04/01/2007	31/10/2011	1.1250	38,340
Series 16	730,000	04/01/2007	31/10/2011	1.6800	73,445
	19,950,000				

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

The weighted average fair value of the share options Series 12 to Series 16 is \$0.2093.

All options have vested.

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

Inputs into the model	Option series				
	Series 12	Series 13	Series 14	Series 15	Series 16
Grant date share price (dollars)	1.30	1.30	1.30	0.980	1.46
Exercise price	0.99	1.08	1.20	1.125	1.68
Expected volatility	20%	20%	20%	20%	20%
Option life (years)	4.8	4.8	4.8	4.8	4.8
Dividend yield	3.6%	3.6%	3.6%	6.0%	6.6%
Risk-free interest rate	5.1%	5.1%	5.1%	5.1%	5.1%

31. Executive share option plan (continued)

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

Balance at beginning of year

Issued as part of Scheme of Arrangement

Granted during year

Exercised during year (i)

Expired during year

Balance at end of year (ii)

Exercisable at end of year

2007		2006	
Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
-	-	30,900,000	0.231
12,660,000	0.7015	-	-
7,290,000	1.1515	750,000	0.363
(200,000)	0.6250	-	-
-	-	-	-
19,750,000	0.8684	31,650,000	0.280
13,690,000	0.7568	29,260,000	0.262

Refer to Directors' report for further details.

(i) Exercised during the financial year

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

2007

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

2006

Options series	Number exercised	Exercise date	Share price at exercise date \$
Nil	-	-	-

(ii) Balance at end of year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.8684 and a weighted average remaining contractual life of 894 days.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

32. Key management personnel compensation

The key management personnel of Service Stream Limited during the year were:

- JL Davies (Chairman)
- PJ Flannigan (Managing Director & Chief Executive Officer)
- M Doery (Executive Director & Chief Financial Officer)
- R Stanton (Executive Director)
- A Field (Non-executive Director)
- R Small (Non-executive Director)
- S Wilks (Non-executive Director)
- J Cooney (resigned 20 December 2006)
- T Duff (resigned 20 December 2006)
- M Stackpool (resigned as Director 20 December 2006)
- I Thorley (resigned 20 December 2006)
- S Campbell (Company Secretary & Group Financial Controller)
- J Caporale (Executive General Manager – Service Stream Communications Pty Ltd)
- J Gramc (Executive General Manager – Service Stream Solutions Pty Ltd)
- G Kenyon (Group Human Resources Executive)
- A Legge (Group Technology Executive)
- I Millner (Executive General Manager – Milcom Communications Pty Ltd)

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	3,443,679	2,513,705	950,228	1,695,224
Post-employment benefits	324,321	132,013	87,422	176,376
Share-based payment	1,713,995	1,493	573,995	-
	5,481,995	2,647,211	1,611,645	1,871,600

Refer to Directors' report for further details.

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.

(b) Transactions with key management personnel

(i) Key management personnel equity holdings

Details of key management personnel equity holdings are as follows:

Fully paid ordinary shares of Service Stream Limited

2007	Balance at 01/07/06	Granted as remuneration	Received on exercise of options	Net other change (i)	Balance at 30/06/07	Balance held nominally
	No.	No.	No.	No.	No.	No.
Directors						
JL Davies	-	-	-	100,000	100,000	100,000
PJ Flannigan	-	400,000	-	403,052	803,052	803,052
M Doery	-	400,000	-	603,052	1,003,052	1,003,052
A Field	-	-	-	3,671,026	3,671,026	3,671,026
R Small	-	-	-	3,724,442	3,724,442	3,724,442
R Stanton	400,000	-	-	60,000	460,000	460,000
S Wilks	-	-	-	-	-	-
J Cooney	49,324,308	-	-	(49,324,308)	-	-
T Duff	58,000	-	-	-	58,000	58,000
M Stackpool	300,000	-	-	(255,000)	45,000	45,000
I Thorley	100,000	-	-	-	100,000	100,000
Total	50,182,308	800,000	-	(41,017,736)	9,964,572	9,964,572
Executives						
S Campbell	-	-	-	83,981	83,981	83,981
J Caporale	-	-	-	1,176,413	1,176,413	1,176,413
J Gramc	-	-	200,000	3,551	203,551	203,551
I Millner	-	-	-	694,445	694,445	694,445
G Kenyon	-	-	-	-	-	-
A Legge	-	-	-	-	-	-
Total	-	-	200,000	1,958,390	2,158,390	2,158,390

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2007

33. Related party disclosures (continued)

Share options of Service Stream Limited

	Balance at 01/07/06	Granted as remuneration	Exercised	Net other change	Balance at 30/06/07	Balance vested at 30/06/07	Vested subject to performance	Balance vested and exercisable	Options vested during 2007
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
JL Davies	-	-	-	-	-	-	-	-	-
PJ Flannigan	-	2,400,000	-	1,800,000	4,200,000	4,200,000	2,400,000	1,800,000	4,200,000
M Doery	-	2,160,000	-	1,640,000	3,800,000	3,800,000	2,160,000	1,640,000	3,800,000
A Field	-	-	-	2,266,667	2,266,667	2,266,667	-	2,266,667	2,266,667
R Small	-	-	-	2,266,667	2,266,667	2,266,667	-	2,266,667	2,266,667
R Stanton	-	2,000,000	-	-	2,000,000	2,000,000	1,500,000	500,000	2,000,000
Total	-	6,560,000	-	7,973,334	14,533,334	14,533,334	6,060,000	8,473,334	14,533,334
Executives									
S Campbell	-	-	-	40,000	40,000	40,000	-	40,000	40,000
J Gramc	-	-	(200,000)	200,000	-	-	-	-	-
G Kenyon	-	-	-	40,000	40,000	40,000	-	40,000	40,000
Total	-	-	(200,000)	280,000	80,000	80,000	-	80,000	80,000

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. As at 30 June 2006, there were no share options in existence.

(c) Other transactions with key management personnel (and their related parties) of Service Stream Limited

Consulting fees of \$225,000 (2006: \$360,000) were paid to Communication Services Australia (Holdings) Pty Ltd, in which Mr Small and Mr Field have a beneficial interest. This is in accordance with the consultancy agreement.

(d) Transactions with other related parties

Other related parties include:

- the parent entity;
- subsidiaries; and
- other related parties.

Details of write-downs of receivables in respect of transactions with these related parties are disclosed in note 9 to the financial statements. No amounts were provided for doubtful debts relating to debts due from related parties at reporting date (2006: nil).

Transactions involving the legal parent entity

During the financial year, Service Stream Limited recognised a net receivable of \$2.5m (2006: \$2.3m) from its wholly-owned subsidiaries for their tax payable for the current period.

During the financial year, Service Stream Limited rented premises from an associate at commercial rates totaling \$77,000 (2006: \$77,000).

(e) Parent entities

As outlined in note 4, the acquiring entity in the consolidated entity is Service Stream Holdings Pty Ltd. The legal parent entity is Service Stream Limited.

34. Remuneration of auditors

Auditor of the parent entity

Audit or review of the financial report

Other non-audit related services (i)

Consolidated		Company	
2007	2006	2007	2006
\$	\$	\$	\$
236,000	198,076	50,000	42,909
40,200	-	-	1,500
276,200	198,076	50,000	44,409

(i) Non-audit services relates to IT systems security reviews.

The auditor of Service Stream Limited is Deloitte Touche Tohmatsu. In the prior year the auditor of the parent entity was V J Ryan & Co. During the year V J Ryan & Co resigned as auditor. The directors appointed Deloitte Touche Tohmatsu as their successor.

35. Subsequent events

Effective 1 July 2007 Service Stream Limited acquired the metering division of Serviceworks Management Pty Limited.

The consideration for this acquisition was \$0.28 million in cash. An additional purchase consideration of up to \$2.22 million is contingent upon the business achieving certain performance targets.

ASX ADDITIONAL INFORMATION

for listed public companies for year ended 30 June 2007

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 31 August 2007

Category (size of Holding)	Holders
1 - 1,000	520
1,001 - 5,000	1,015
5,001 - 10,000	573
10,001 - 100,000	891
100,001	122
	3,121

b) There are 3,121 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 271.

d) The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 31 August 2007 are:

Shareholder	Ordinary	%
Thorney Pty Ltd	9,939,579	7.06
Maple Brown Abbott	9,693,113	6.88
Gandel Springwest Pty Ltd	7,987,529	5.67
Perpetual Limited	7,722,102	5.48

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 are (\$1.367) (2006: \$0.1399)

f) 20 Largest Shareholders as at 31 August 2007 - Ordinary Shares

Name of 20 largest shareholders in each class of share

		Ordinary Shares Fully Paid No. of Shares Held	% Held
1	Invia Custodian Pty Ltd	9,939,579	7.06
2	RBC Dexia Investor Services Australia Nominees Pty Limited	9,816,517	6.97
3	UBS Nominees Pty Ltd	8,930,348	6.34
4	National Nominees Limited	8,365,770	5.94
5	Gandel Springwest Pty Ltd	7,987,529	5.67
6	RBC Dexia Investor Services Australia Nominees Pty Limited	4,523,414	3.21
7	Citicorp Nominees Pty Limited	3,835,482	2.72
8	RBC Dexia Investor Services Australia Nominees Pty Limited	3,199,878	2.27
9	Blazzed Pty Ltd	2,806,952	1.99
10	Field Enterprises (Aust) Pty Ltd	2,671,026	1.90
11	Small Enterprises (Aust) Pty Ltd	2,621,026	1.86
12	Equity Trustees Limited	2,400,000	1.70
13	J P Morgan Nominees Australia Limited	2,365,436	1.68
14	Goldman Sachs JBWere Capital Markets Ltd	1,804,061	1.28
15	UBS Wealth Management Australia Nominees Pty Ltd	1,696,451	1.20
16	National Nominees Limited	1,648,257	1.17
17	ANZ Nominees Limited	1,624,492	1.15
18	Invia Custodian Pty Ltd	1,452,258	1.03
19	Aurisch Investments Pty Ltd	1,220,068	0.87
20	Mr Joseph James Caporale	1,176,413	0.84
		80,084,957	56.85

CORPORATE DIRECTORY

Service Stream Limited

Directors

John Llewellyn (Lyn) Davies

Patrick Flannigan

Michael Doery

Rod Stanton

Adrian Field

Russell Small

Stephe Wilks

Company Secretary

Stephen Campbell

Registered Office

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Fax: +61 3 9677 8877

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Westpac Banking Corporation

Share Registry

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Auditors

Deloitte Touche Tohmatsu

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