servicestream

2010 Annual Report

servicestream

Service Stream Limited ABN 46 072 369 870

Annual General Meeting
The Annual General Meeting of Service Stream will be held at the RACV Club Level 2, 501 Bourke Street, Melbourne
28 October 2010, 10.30am

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Introduction

Service Stream is a leading provider of services to the telecommunications and utilities industries. Our people build, maintain and manage the vital infrastructure needed for telecommunications, electricity, solar energy and water.

You could say we are the link between many of our country's largest utility companies and millions of their customers.

Highlights

- Securing a two-year, $250 million per annum extension to the Telstra Access and Associated Services ("AAS") contract including expansion of services to include all of SA and WA.
- Securing new contracts and renewed existing contracts in our core business with clients such as Western Power, CitiPower and ETSA utilities.
- Winning a new contract to provide field services for Origin Energy to install PV Solar and hot water systems.
- Securing a contract to provide field services for TRUenergy for the installation of solar hot water systems.
- Winning a new contract to provide field and contract services for the Queensland Government's ClimateSmart Home Service Program.

Chairman's Review

Dear Shareholders,

2010 has been a year of transformation for Service Stream. While the results for the year were disappointing, Service Stream emerged from the year in good shape to take advantage of the opportunities ahead.

A strong plan going forward

A critical element of the repositioning of the Company is the renewed management team led by Graeme Sumner. The Board believes this renewed team is critical to positioning Service Stream as a specialist field services business that delivers the best value to our customers. It is still early days and there is much more to do, but the Board believes that Graeme and his team have now set the right direction for the business, and are executing on that plan.

I am pleased to report that the management team have dealt decisively with the problems the Company encountered with Service Stream Infrastructure Services. The management of that issue has not prevented the Company from retaining its major contracts and relationships with Telstra, ETSA, Optus and Vodafone and winning business with important new customers such as Origin Energy and the Queensland State Government. The Board is also very pleased with the real progress in integrating key systems across the Service Stream business to deliver more competitive solutions to the market. In particular, the successful integration of platforms such as Information Technology, Warehouse, Logistics and Human Resources will start to pay dividends into the future by taking costs out of the business and reducing working capital.

This investment in the future is a critical component of our plans to return the business to profitability.

Our confidence in the future

Service Stream is in a strong position for future growth. We have strengthened the balance sheet. Company debt reduced from $102.6m to $59.5m at the end of the financial year and the improved operating cash flow of $16.8m reflects the Group's strong focus on cash management. This has allowed Service Stream to reduce its gearing to 20.2%, giving it the financial flexibility to achieve sustainable growth.

Governance

The past year has been a time of significant change for Service Stream. As Chairman, I am focused on ensuring that the skills and experience of the Board reflect industry and market expectations. The Directors have undertaken a formal review of the current Board structure (with the assistance of an appropriate external adviser) and made a number of changes already, with the potential for further candidates to be considered as non-executive directors of the Company.

In addition to our focus on both the financial position of the Company and the strategic direction of the management team, we have renewed our focus on corporate governance and risk management issues.

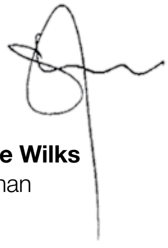
Outlook

Service Stream's future growth will be in its core businesses and the outlook is bright. In particular, the opportunities in fixed and mobile infrastructure, metering and environmental services are significant. We are doing the hard work now to ensure that your company is well positioned to gain a share of these growing markets.

Thanks

I would like to thank the current Board members and those that departed during the course of the financial year. In particular, I would like to acknowledge the efforts of Lyn Davies, who retired as chairman in April this year having served the Company in this capacity since August 2005.

Lastly, I would like to extend our gratitude to all shareholders for your continued trust and support.



Stephe Wilks
Chairman

Managing Director's Report

Fellow Shareholders,

Disappointing performance – but strengthening underlying business

Since joining Service Stream in January of 2010, I have been very pleased to discover an organisation that has a lot of underlying capability and strength. Clearly this has not been reflected in this year's result; however, there is a strong belief within our organisation that we can deliver high quality results for shareholders in the coming years.

2009/10 was a difficult year with Service Stream recording a Net Loss after Tax of $2.6m. The result was substantially impacted by write downs associated with our McCourt Dando acquisition. As a result, Service Stream moved to restructure the business in the second half of the financial year, exiting the larger civil contracting market and significantly realigning the remaining small project activity under the leadership of the TCI management team. It was therefore encouraging to end the year with a significantly improved net cash flow from operations of $16.8m, up from $8.2m in 2008/09 an EBITDA of $6.4m and an underlying EBITDA of $27.0m.

Safety

Delivering our services with no injuries remains our goal. Our Lost Time Injury rate reduced from 2.5 per million hours worked to 2.0 per million hours worked in the past year. We will continue to drive for an injury free workplace.

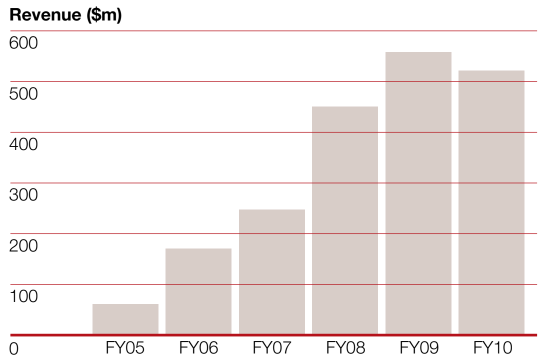
Our business

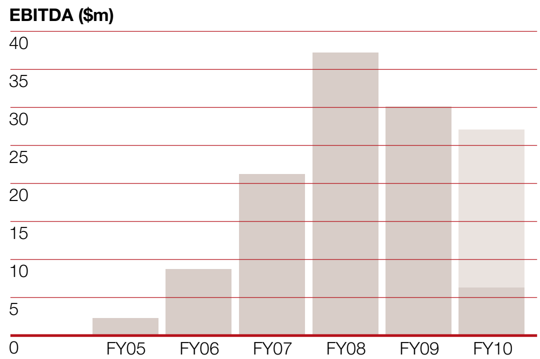
At its core Service Stream is a field services organisation, delivering technical services, programs and small projects to the telecommunications and utility sectors. These are enhanced by a range of customer care options. This is where we intend to focus our efforts in the medium term. In these core activities we made significant progress this year. A highlight has been our extension into environmental work which sees us installing green technology into homes across the country. Provided government incentives remain in place, we see this as a strong growth opportunity for Service Stream.

Similarly, we have become the leading installer of smart meters nationally. While this uses the same systems and skills we have deployed for years, it places us at the forefront of this market.

Looking forward

My commitment is to focus Service Stream on producing good quality earnings through the provision of high quality services for our clients.





In doing this I believe we can restore the capacity of the Company to pay dividends and invest in existing business unit growth.

Service Stream has an optimistic view of most of the major markets that it operates in. In particular, the development of national broadband capacity, projected increases in Mobile network construction and continued buoyancy in environmental services suggests that we could be entering a significant growth phase. We remain conscious though that it will only matter if we can continue to deliver excellent service, every day, safely and profitably.

Finally a big thank you

I would like to thank, the Board for their support through this challenging period and I would like to pay tribute to my fellow employees for their leadership, dedication, and relentlessly positive attitude. I look forward to working with you to realise our Company's potential.

Graeme Sumner
Managing Director

Operational Report

While the overall result this year was disappointing, there was much to celebrate in the achievements of our individual business units and in the consolidation of our support structures.

Customer Care

Customer Care previously known as Service Stream Solutions provides enhanced customer service options to the telecommunications, government and corporate marketplace. Customer Care maintained its key relationships with Optus, The Australian Communications & Media Authority (ACMA), and AEGON throughout the year. The group also restructured its operation in the wake of the departure of Vodafone's call centre services to India. This has enabled it to focus on.the real strength of Service Stream Customer Care which are services delivered in combination with other divisions, such as Communications. By working together, call centre and field capabilities will continue to deliver high value solutions for our clients, providing substantial efficiencies for our clients and a good financial reward for our business.

In the year a good example of the combined services offering of field services and Customer Care help desk was by winning the McDonalds maintenance contract for Australia and New Zealand against strong competition. This gives us further credibility in the Managed Services space and opportunity to expand further.

As part of the new focus for Customer Care it was determined that the Hosted Solutions were not core business. As a result it was decided to sell if possible. We were successful in selling this platform in June 2010. This sale contributed $3.2 million to the years' result.

Federal government projects are still producing good income streams with the Do Not Call Register having its three year anniversary. Changes in legislation to include fax numbers and the extension of the life of registered numbers have been made in the past year. Digital Ready the conversion of Analog to Digital TV reception has had another one year extension with expansion in services offered, and Cyber Safety has also taken another 1 year extension due to our ongoing solid performance.

This year we also established ourselves in the growing Environmental Services market with telesales programs for Clear Solar, Origin Energy, Enact and Tech 2 Home-Harvey Norman.

Above
Service Stream cleans, maintains, installs and manages Telstra's national payphones network.

Communications

This division provides a range of fixed line network design, construction and maintenance services to the telecommunications industry, principally Telstra.

The Telstra A&AS (Access & Associated Services) contract that Communications is responsible for delivering is our largest single contract. It was therefore very pleasing to be awarded a two year extension to June 2012 for this major national contract. The renewed A&AS contract covers the existing areas in Queensland, New South Wales, the Australian Capital Territory, Victoria, Tasmania, Northern Territory and South Australia and Western Australia. In addition, the A&AS contract renewal resulted in the remaining areas of Western Australia and South Australia being awarded to Communications, giving Service Stream sole coverage for the A&AS in Western Region.

Communications will now provide over 60% of Telstra's outsourced services for Installation, Maintenance and Construction of copper, fibre and broadband networks from the exchange to the customers premises. Service Stream estimates that it will undertake services worth over $250 million per annum under the contract, up from $220 million in the current year.

The Telstra payphones contracts that the Communications business has responsibility for were also renewed by Telstra under the existing terms. These contracts have been extended for 12 months to June 2011. Under these contracts, Service Stream cleans, maintains, installs and

Operational Report

Right
Our Communications division provides a range of fixed line network design, construction and maintenance services to the telecommunications industry, principally Telstra.

Below
The Victorian Smart Meter rollout progressed as expected this year with installation of more than 75,000 meters on the Jemena contract.

manages Telstra's national payphones network. The Communications business is now in the fourth year of managing Telstra's payphones and during this time the KPI performance has been managed above target. We are therefore positive about retaining this business in the future.

This vote of confidence in Service Stream augurs well for our role in new infrastructure investment underway or planned for the near future, such as increased broadband services. Service Stream has already undertaken two of the designs for National Broadband Network trial sites, should it proceed, at Armidale and Minnamurra, and has successfully participated in NBN Co's Request for Capability Statement. Service Stream continues to participate in tenders for further design work, as well as the construction arising from that design work.

AMRS

AMRS completed another excellent year in which the business grew significantly. AMRS was this year appointed as the new provider of field and contact centre services for the Queensland Government's ClimateSmart Home Service Program. This well-recognised program, with overall project delivery contracted to Local Government Infrastructure Services Pty Ltd (LGIS), is part of the Queensland Government's efforts to reduce the state's carbon footprint by one-third by 2020. Service Stream will deliver the program to 95,000 Queensland residences in metropolitan, regional and rural areas by 31 December 2010.

Service Stream was also awarded two environmentally focused contracts with major energy retailers. Service Stream will work with Origin Energy to provide field services for the installation of solar PV and solar hot water systems.

The Company will also be providing installation field services to TRUenergy for solar hot water systems and solar PV.

Our continued leadership in the emerging Smart Meter installation space means that we are, unquestionably, well positioned for more aggressive rollouts into the future. The Victorian Smart Meter rollout progressed as expected this year and in addition to installing more than 75,000 meters on the Jemena contract, Service Stream also extended our services to those states trialling smart meters through the provision of field services for Ergon Energy in Queensland, Country Energy in New South Wales and Western Power in WA.

This year AMRS also renewed its longstanding contracts with three of the countries major electricity distribution businesses. ETSA Utilities in South Australia, Western Power in Western Australia and CitiPower/Powercor in Victoria all resigned four plus year contracts with AMRS. These three meter reading contracts are worth an estimated $95m over a four year period.

Finally it was pleasing to see the emergence of a new partnership with Ingenico to maintain and service eftpos machines across the country for companies like Target, McDonalds and ANZ. This further underscored the efficiency with which we can deliver complex national solutions for our clients.

TCI

Infrastructure Services – Telco

TCI continued to perform well in a subdued market, providing turnkey and project management services in the design, acquisition and construction of wireless telecommunications infrastructure.

Notably it expanded and improved the mix of work it undertook and is now a significant supplier to the main carriers including Telstra, Optus and Vodafone Hutchison.

TCI is well positioned to capitalise on the forecast growth in network capacity as carriers respond to the ever increasing consumer demand for data,

Operational Report

delivered both wirelessly through the uptake of smart phones and over fibre to the home and businesses nationally. This includes new base station sites to improve coverage, upgrade and infill sites to improve capacity and trial sites for the fourth generation of wireless technology.

Corporate Services, People, Health, Safety and the Environment

Operational focus on integration and costs

Our strong focus on integrating and consolidating business functions is an investment in our future. By ensuring that each of our businesses are supported by centralised corporate functions, we take costs out of each of our businesses and reduce risk across the entire enterprise.

We have centralised and integrated our Logistics, Technology, Business Development, Human Resources, Remuneration, Safety and Environmental systems. Each of these changes leads to better results for our company, cost savings across the business and reduced risks throughout the entire enterprise.

It is only through breaking down the silos that made up our original business that Service Stream can live up to its true promise. There is more work to ensure that our businesses are truly integrated – but we have a strong plan which we are working hard to execute.

Managing overhead costs is as important as ever and all businesses have been vigilant in reducing their cost bases where possible. Risk management is at the forefront of our priorities and this has been another area of considerable investment.

Health, Safety and the Environment

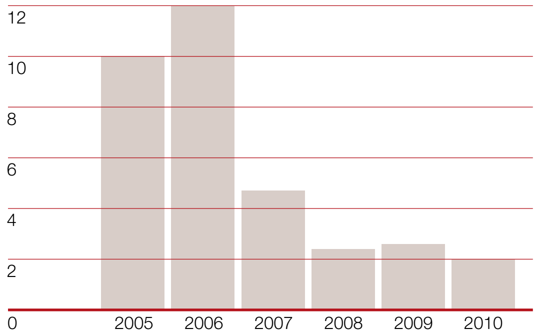
Over the course of this year, Service Stream has been very focused on integrating and centralising our Human Resources, Safety and Environmental systems. This leads to better results for our Company and cost savings across the business.

In particular, we have commenced rollout of the HR21 Self Service learning platform. The first module using this platform is our safety induction process – allowing staff and contractors to learn about our safety procedures even before their first day on the job – saving money, increasing safety and lowering injury rates.

Indeed, from a corporate services perspective, we have had a very strong year:

- Industrial Relations – No days lost to workplace disputes.

LTIFR (number of lost time injuries per million hours worked)
12 month rolling average



- Environmental – No environmental breaches
- Safety – No safety breaches

But there is always more to do to make our workplace safer, more rewarding and efficient.

Our aim is to eliminate personal injury and occupational illness arising from Company activities. We continue to invest towards achieving that goal. While Service Stream had a very marginal increase in LTIFR last year, 2010 is on track to achieving a further reduction from 2009. We have achieved greater than 80% reduction in LTIFR over five years. This reflects a sustained and dedicated effort across the Service Stream team.

Service Stream's health and safety commitments also extend to ensuring that the organisation does not place the community at risk of injury or illness.

We are currently working on compliance with Federal Safety Commission ("FSC") accreditation, which will be required for future government funded works.

Service Stream is very fortunate, in that doing the right thing by the environment actually saves us money. For example, a major component of our carbon emissions comes from our car fleet – which we have been replacing with smaller, more efficient, and less expensive vehicles. Similarly, reducing the carbon footprint of our offices means a lower electricity bill for the business.

We also comply with the National Greenhouse and Energy Reporting System, an important system required by many of our larger and government clients.

A people business

Service Stream's success relies on well trained people working with the right systems and culture. We recognise that our team members are the core of the Company and we work to recruit, support, motivate and compensate our team in ways that retain the highest quality staff and contractors.

Our aim is to eliminate personal injury and occupational illness arising from Company activities.

Board of Directors

Russell Small
Non-Executive Director

Non-Executive Director since January 2004

Russell is a co-founding Director of Service Stream and brings extensive telecommunications industry knowledge to the Company. He has over 20 years experience in the areas of business ownership, general management, operations management, sales and account management with Fujitsu, Honeywell, Skilled Communications Services Pty Ltd and Communication Services Australia Pty Ltd.

He is Chairman of the Company's Audit and Governance Committee and the Investment and Strategy Committee and a member of the Remuneration and Nomination Committee and Environment and Safety Committee. Russell Small holds a Diploma of Business Studies (Valuations).

Brett Gallagher
Non-Executive Director

Non-Executive Director since April 2010

Brett has over 20 years experience across the utility and facilities management industries, and was Managing Director and a major shareholder of AMRS from 2003 until 2008 when the company was acquired by Service Stream. Brett was instrumental in the growth of AMRS – establishing the company as Australia's largest metering services provider. He also led the negotiations and ultimate integration of AMRS into Service Stream where the Company has continued to grow strongly in difficult economic times.

Graeme Sumner
Managing Director

Managing Director since January 2010

Graeme comes to the Group with over 20 years experience in the telecommunications and utilities sectors. Most recently Graeme served as the Chief Executive of Transfield Services New Zealand. Prior to his Transfield appointment, Mr. Sumner was Managing Director of Siemens NZ.

Graeme holds a Bachelor of Commerce degree from Auckland University and a Master of Business Administration from Massey University.

Stephe Wilks
Chairman
Non-Executive Director

Chairman since 29 April 2010

Non-Executive Director since September 2005

Mr Wilks has over 20 years experience in the telecommunications industry both within Australia and overseas. He has 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 is currently a non-executive Director of Tel.Pacific Limited and 3Q Holdings Limited. Mr Wilks is on the advisory board of the Network Insight Group and consults to a number of companies in the media, telecommunications and technology industries. He holds degrees in Science and Law from Macquarie University and a Master of Laws from the University of Sydney, and maintains his practicing certificate as a lawyer admitted to the High Court.

Executive Team

1. Roger Blinko
Executive General Manager – Customer Care

Roger was appointed to the role of Executive General Manager Customer Care in April 2010.

He has over 40 years experience in senior marketing, engineering and customer service roles with AT&T (Canada), Telecom New Zealand, Telstra Clear and utility United Energy Melbourne.

Roger was a British Telecom engineering trainee and was educated at Oxford Brookes University (telecommunications major) and later attended MIT Sloane Business school on AT&T executive programs (applied marketing).

2. Bob Grant
Chief Financial Officer

Bob joined Service Stream as Chief Financial Officer in June 2010. He is responsible for all financial and management reporting, treasury, taxation and other finance shared services, as well as corporate services including property, supply chain and risk management.

Bob has over 20 years experience in providing financial leadership in prominent Australian and multi-national companies across numerous sectors including Infrastructure Services, Construction, Energy, Downstream Oil and Mining. Before joining Service Stream, Bob held senior finance roles in Tenix, AGL Energy and Shell.

Bob holds a Bachelor of Commerce from the University of Queensland and is a Fellow of CPA Australia.

3. Stephen Campbell
Company Secretary

Stephen was appointed to the role of Company Secretary in February 2005. He has over 20 years experience in senior roles within the accounting profession, and with publicly listed and large proprietary companies.

He holds a Bachelor of Business in Accounting, a Master of Business Administration (Advanced) and a Graduate Diploma in Applied Corporate Governance. Stephen is a Chartered Accountant (CA) and Chartered Secretary (ACIS).

4. Chad Orr
Executive General Manager – Strategy and Growth

Chad is responsible for managing growth for Service Stream. Mr Orr brings over 13 years experience in large scale outsourcing projects from a range of industries.

Chad has an Associate Business Diploma from Lakewood College.

5. Rod Stanton
Managing Director – TCI
Executive General Manager – SSIS

Rod commenced with TCI in September 1998 and then joined Service Stream as an Executive Director when TCI merged with the Company in December 2006. He maintains responsibility for the performance of TCI as Managing Director and continues to apply his extensive commercial expertise in the telecommunications industry to other sectors within the business.

Prior to joining TCI, Rod spent 12 years with Lend Lease in their construction division. Mr Stanton holds a degree in Civil Engineering from the University of Sydney.

6. Ashley Haynes
Executive General Manager – AMRS

Ashley joined Service Stream when AMRS was acquired in February 2008. He was appointed to the role of Executive General Manager – AMRS in January 2010.

Ashley has over 15 years management experience in the Utilities and more recently Environmental industries including contract, financial and operational management. He is a Graduate of the Australian Institute of Company Directors.

7. Stephen Ellich
Executive General Manager – Service Stream Communications

Stephen's role as Executive General Manager is to manage the Service Stream Communications business nationally. He has over 20 years experience in the telecommunications and construction industry.

He holds a Bachelor of Electrical Engineering (Honours), Masters of Business Administration and a Graduate Diploma of Administration from the University of Technology, Sydney. He also holds a Diploma of Company Directorship from the Australian Institute of Company Directors.

8. Greg Kenyon
General Manager – Human Resources

Greg was appointed to the role of General Manager – Human Resources in June 2007. Greg has over 35 years experience in human resource management within the telecommunications industry.

He is a Member of the Australian Human Resources Institute and an Associate Member of the Australian Industry Group.

9. Paul Le Feuvre
Chief Technology Officer

Paul joined Service Stream in October 2009 and has over 30 years experience in Information Technology. His career has included over 20 years IT consulting in Project Management, Managed Services, Quality Assurance, Strategy and Architecture as well as experience in Sales and Training.

Paul holds a Bachelor of Science degree in Computer Science from Staffordshire University in the UK.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Financial Report
for the financial year ended 30 June 2010

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Corporate Governance

This statement summarises the main corporate governance practices of the Company. All practices unless otherwise stated, were in place for the entire year.

The Board of Directors of Service Stream Limited ("the Company") is committed to high standards of corporate governance and supports the principles of good corporate governance and best practice recommendations as set out in the August 2007 *ASX Principles of Good Corporate Governance and Best Practice Recommendations*.

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

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

The Board has adopted practices that it believes will maximise long-term shareholder value given the Company's specific circumstances.

Principle 1 – Roles of the Board and management

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

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

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

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

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

Principle 2 – Structure of the Board

Currently, the Board is composed of an independent non-executive chairman, two non-executive directors and one executive director. The Board believes that this structure requires at least one more non-executive director to provide the complete range of skills 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 Managing Director.

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 2010, the full Board had the responsibility for the functions and responsibilities of the Risk Management Committee.

Appointment of directors

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

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

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

The Board undertakes to objectively assess its performance and that of its committees and individual members. During the year ending 30 June 2010, the Board conducted performance reviews on all directors. Similarly, the Board and the Managing Director evaluate the performance of the senior management team throughout each year and on a formal basis once per year.

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

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

Principle 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 an interest in securities, including shares, warrants and other financial products, in the Company and the Board encourages directors, officers and employees to own securities in the Company to further link their interests with the interests of all security holders.

However, all directors, officers and employees are prohibited from buying or selling securities from the date of the end of a reporting period up to, and on 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 securities 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 securities in the Company.

Corporate Governance

Principle 4 – Safeguard integrity

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

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

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

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

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

Principle 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.

Principle 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.

Principle 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.

Principle 8 – Fair and responsible remuneration

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

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

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

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

Additional information with respect to remuneration noted in The ASX Guide to Reporting on Principle 8 has been provided in the Directors' Report as the Board believes this is a more appropriate place to disclose such information.

Directors' Report

The directors of Service Stream Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors and senior management

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

Name	Particulars
Stephe Wilks Chairman Non-Executive Director	Term of Office: Chairman since April 2010 Non-Executive Director since September 2005 Mr Wilks is a director of all subsidiary companies except for Total Communications Infrastructure (Pte) Ltd. Mr Wilks has over 20 years experience in the telecommunications industry, both within Australia and overseas. He has 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 is currently a non-executive Director of Tel.Pacific Limited and 3Q Holdings Limited. Mr Wilks is on the advisory board of the Network Insight Group and consults to a number of companies in the media, telecommunications and technology industries. He holds degrees in Science and Law from Macquarie University and a Master of Laws from the University of Sydney, and maintains his practicing certificate as a lawyer admitted to the High Court. Mr Wilks is a member of the Audit and Governance, the Remuneration and Nomination and the Environment and Safety Committees. Mr Wilks was also a member of the Investment and Strategy Committee while it was operational.
Graeme Sumner Managing Director	Term of Office: Managing Director since January 2010 Mr Sumner comes to the Group with over 20 years experience in the telecommunications and utilities sectors. Most recently he served as the Chief Executive of Transfield Services New Zealand. Prior to his Transfield appointment, Mr. Sumner was Managing Director of Siemens NZ. Mr Sumner holds a Bachelor of Commerce degree from Auckland University and a Master of Business Administration from Massey University.
Russell Small Non-Executive Director	Term of Office: Non-Executive Director since December 2006 Mr Small is a co-founding Director of the Service Stream Group and brings extensive telecommunications industry knowledge to the Company. He has over 20 years experience in the areas of business ownership, general management, operations management, sales and account management with Fujitsu, Honeywell, Skilled Communications Services Pty Ltd and Communication Services Australia Pty Ltd. Mr Small is Chairman of the Company's Audit and Governance Committee and is a member of the Remuneration and Nomination and the Environment and Safety Committees. Mr Small was also Chairman of the Investment and Strategy Committee while it was operational. Mr Small holds a Diploma of Business Studies (Valuations).

Name	Particulars
Brett Gallagher Non-Executive Director	Term of Office: Non-Executive Director since April 2010 Mr Gallagher has over 20 years experience across the utility and facilities management industries, and was Managing Director and a major shareholder of AMRS from 2003 until 2008 when the company was acquired by Service Stream. Mr Gallagher was instrumental in the growth of AMRS – establishing the company as Australia's largest metering services provider. He also led the negotiations and ultimate integration of AMRS into the Service Stream Group where the company has continued to grow strongly in difficult economic times. Mr Gallagher is chairman of the Environment and Safety Committee, and a member of the Audit and Governance Committee.
John Llewellyn (Lyn) Davies Former Chairman	Mr Davies joined the Service Stream Group on 25 August 2005 as Chairman. He resigned as a director on 29 April 2010. His previous business experience includes more than 20 years at executive director level with Elders IXL Limited, Wattie Limited and Goodman Fielder Limited. His qualifications include a Diploma of Agriculture and a Diploma from the Australian Institute of Company Directors. 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 was a member of the Audit and Governance and the Remuneration and Nomination Committees until his resignation.
Patrick Flannigan Former Managing Director and Chief Executive Officer	Mr Flannigan joined the Service Stream Group in January 2004, and he was appointed Managing Director and Chief Executive Officer on 3 September 2004. He resigned as a director on 31 July 2009. Mr Flannigan has more than 20 years of commercial experience across a broad range of industries. Mr Flannigan holds a business degree from Victoria University, is a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.
Michael Doery Former Acting Managing Director	Mr Doery joined the Service Stream Group in July 2004 and was appointed as an Executive Director and Chief Financial Officer. He was appointed as Chief Operating Officer in 2008, and in 2009 was appointed Acting Managing Director. He resigned as a director on 1 February 2010. 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.
Rodney Stanton Former Executive Director	Mr Stanton joined the Service Stream Group as Executive Director when Total Communications Infrastructure Limited merged with Service Stream Limited in December 2006. He resigned as a director on 6 January 2010. He maintains responsibility for the performance of Total Communications Infrastructure Pty Ltd (TCI). He remains a director of TCI and Total Communications Infrastructure (Singapore) Pte Ltd. Prior to joining TCI, Mr Stanton spent 12 years with Lend Lease in their construction division and has over 20 years of project management experience. He holds a degree in Civil Engineering from the University of Sydney.
Adrian Field Former Non-Executive Director	Mr Field was a co-founding Director of Service Stream Group, he was appointed a Non-Executive Director in January 2004. He resigned as a director on 25 February 2010. Mr Field has over 20 years experience in the areas of business ownership, general management, operations management, and sales and account management. He is a Director and a major shareholder of Star Services International Pty Ltd, a company he founded in 2007. Mr Field was a member of the Environment and Safety and the Investment and Strategy Committees until his resignation.

Directors' Report

Directors' shareholdings

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

	Service Stream Limited		
Directors	Fully paid ordinary shares Number	Share options Number	Convertible notes Number
B Gallagher	9,914,661	–	–
R Small	4,406,061	–	–
G Sumner	300,000	–	–
S Wilks	–	–	–

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on page 20 to 25.

Share options granted to directors and senior management

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

Company Secretary

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

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

Mr Campbell has a Bachelor of Business in Accounting, a Master of Business Administration and a Graduate Diploma in Applied Corporate Governance. He is also a Chartered Accountant and a Chartered Secretary.

Principal activities

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

Review of operations

The Company recorded EBITDA of $6.4 million and a ($2.6 million) NPAT loss for the period on total revenue of $520.8 million. Following the reporting of an EBITDA loss of ($5.1 million) for the first half of the financial year, earnings have met expectations in the second half with a solid EBITDA outcome of $11.5 million.

An excellent operating cash flow result of $16.8 million (up 104.9% on the 12 months to 30 June 2009) was driven by improvements in working capital management and solid underlying "cash" earnings. This, combined with the recent capital raising has enabled the Company to reduce net debt by $43.3 million or 42.2% to $59.3 million as at 30 June 2010.

Significantly, during the period the Company has taken the opportunity to return the business to its core capabilities by winding down activity in its civil contracting business and through the sale of the Mobile Real Time Monitoring (MRTM) platform.

The Company's reported EBITDA of $6.4 million was significantly impacted by a number of one-time material items which total $20.6 million, including:

Items included in the Company's first half 2009/10 results:

– The reversal of the entire $14.8 million in accrued income in relation to the McCourt Dando GCDA project, plus a further $1.0m in costs associated with this project;

– $1.9 million of contract KPI penalties for the prior year under a major telecommunications contract, and;

– $1.1 million in CEO transition costs.

Items included the second half results:

– $2.5 million in McCourt Dando restructuring costs, and;

– $2.7 million in legal costs associated with the Ericsson Jersey dispute, offset by;

– $3.4 million profit on sale relating to the disposal of the MRTM platform.

Excluding the above one-time items, the Company's underlying EBITDA for the period was $27.0 million.

Specialist Field Services

The Specialised Field Services segment maintained and extended key contracts with positive results in core operations. The segment delivered a solid result with an underlying EBITDA contribution of $27.3 million on operating revenues of $446.8 million. New contracts have been secured and existing contracts renewed, including:

– Telstra AAS/Telstra Payphones

– Western Power meter reading and installation services

– Citipower/Powercor meter reading services

– Origin Energy solar panel installation

The Communications division delivered an underlying EBITDA result of $11.6 million on revenues of $272.2 million, which were down 4.1% on the previous year. The reduction in volume was principally a result of the loss of the marginal Telstra Labour Hire contract and reduced training revenues ($16.0 million) plus decreased expenditure in the telecommunications sector as a result of uncertainty created by the emergence of the National Broadband Network.

Metering services business AMRS continues to deliver its expanded capabilities in meter reading and associated services in the water, gas and electricity sectors. Performance has also been boosted by government initiated environmental programs in the solar energy and solar hot water segments. Financial highlights include a 46.5% increase in revenue to $73.1 million and an EBITDA of $6.7 million.

The TCI business (including infrastructure services) delivered an underlying EBITDA result of $9.0 million on revenues of $101.5 million, which were down $43.8 million or 30.1% on the previous year. The core TCI business finished the year very strongly on the back of increased customer demand for the businesses' mobile telephony expertise. As a result of the Company's re-focus on its core businesses, the division's headline revenue performance was impacted by the reduced revenues in McCourt Dando ($31.9 million) and Construction ($7.6 million).

Customer Care

The Customer Care (formerly Contact Centre Solutions) segment maintained earnings in a difficult environment with government contracts running smoothly and a realignment of operations resulting in the sale of the MRTM platform. Pleasingly, the division has managed to largely offset the loss of the Vodafone call centre contract and generated an underlying EBITDA contribution of $5.6 million on revenue of $79.8 million.

During the year, the Company identified that the MRTM Platform was not part of the continued strategic focus and core activity of Service Stream. This platform was sold to Tel. Pacific Limited and provided a one-time contribution to reported earnings of $3.4 million in the 30 June 2010 financial year.

Changes in state of affairs

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

Directors' Report

Subsequent events

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

Future developments

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

Environmental regulations

The Group is not required to hold any Environmental Protection Authority licences.

Dividends

In respect of the financial year ended 30 June 2009, as detailed in the directors' report for the financial year, no final dividend was recommended.

The directors recommended no interim (2009: 3.5 cps) or final dividend in respect of the financial year ended 30 June 2010.

Shares under option or issued on exercise of options

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

Issuing entity	Options series	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Service Stream Limited	Series 12	2,020,000	Ordinary	$0.9411	31 October 2011
Service Stream Limited	Series 13	2,020,000	Ordinary	$1.0311	31 October 2011
Service Stream Limited	Series 14	2,020,000	Ordinary	$1.1511	31 October 2011
Service Stream Limited	Series 15	500,000	Ordinary	$1.0761	31 October 2011
Service Stream Limited	Series 16	730,000	Ordinary	$1.6311	31 October 2011
Service Stream Limited	Series 17	40,000	Ordinary	$0.9611	1 March 2012
Service Stream Limited	Series 18	40,000	Ordinary	$1.7111	1 March 2013
		7,370,000			

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

Indemnification of officers and auditors

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

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 19 Board meetings, 4 Audit and Governance Committee meetings, 4 Remuneration and Nomination Committee meetings, 2 Environment and Safety Committee meetings and 3 Investment and Strategy Committee meetings were held.

	Board of Directors		Audit and Governance Committee		Remuneration and Nomination Committee		Environment and Safety Committee		Investment and Strategy Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JL Davies	17	17	2	2	3	3	–	–	–	–
PJ Flannigan	1	1	–	–	–	–	–	–	–	–
M Doery	14	13	–	–	–	–	–	–	–	–
R Stanton	13	13	–	–	–	–	–	–	–	–
A Field	15	13	–	–	–	–	1	1	1	1
R Small	19	16	4	3	4	4	2	2	3	3
S Wilks	19	19	4	4	1	1	1	1	3	3
B Gallagher	3	3	2	2	–	–	1	1	–	–
G Sumner	6	6	–	–	–	–	–	–	–	–

Non-audit services

Details of any amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 35 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 of auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services disclosed in note 35 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and 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 26 of the annual report.

Rounding off of amounts

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

Directors' Report

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Service Stream Limited's directors and its senior management for the financial year ended 30 June 2010. The prescribed details of each person covered by this report are detailed below under the following headings:

– director and senior management details

– remuneration policy

– relationship between remuneration policy and company performance

– remuneration of directors and senior management

– key terms of employment contracts

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

Director and senior management details

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

Mr S Wilks (Chairman)

Mr G Sumner (Managing Director – appointed 4 January 2010)

Mr R Small (Non-Executive Director)

Mr B Gallagher (Non-Executive Director – appointed 29 April 2010)

Mr JL Davies (Chairman – resigned 29 April 2010)

Mr M Doery (Acting Managing Director, Chief Operating Officer and Chief Financial Officer – resigned 1 February 2010)

Mr R Stanton (Executive Director – resigned from the Board 6 January 2010)

Mr A Field (Non-Executive Director – resigned 25 February 2010)

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

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

Mr B Grant (Chief Financial Officer – appointed 1 June 2010)

Mr R Stanton (Managing Director – TCI)

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

Mr R Blinko (Executive General Manager – Customer Care (formerly Service Stream Solutions) – appointed 19 April 2010)

Mr J Gramc (Executive General Manager – Service Stream Solutions – resigned 26 March 2010)

Mr A Haynes (Executive General Manager – AMRS – appointed 1 January 2010)

Mr J Ryan (Executive General Manager – Infrastructure Services – resigned 29 March 2010)

Mr M Doery (Acting Managing Director, Chief Operating Officer and Chief Financial Officer – resigned 1 February 2010)

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

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

Remuneration policy

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

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

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

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

Fixed Remuneration

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

Benefits such as mobile phones, incentive payments and work vehicles 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 three set performance goals:

1. group earnings before interest, tax, deprecation and amortisation;
2. divisional earnings before interest, tax, depreciation and amortisation; and
3. individual goals (that are specific, measurable, achievable, realistic and timely).

Long Term Incentive Plan ("LTIP")

From time to time employees in senior management roles may be invited with approval from the Board, to participate in a Long Term Incentive Plan. In the past, the LTIP utilised 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 option grants is recommended by the Managing Director and reviewed by the Remuneration Committee, which will then, if appropriate, make recommendations to the Board for approval.

For the year ended 30 June 2010 there were no payments under the LTIP. The plan is currently under review by the Remuneration and Nomination Committee.

Reward and Recognition

High Performance Recognition

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

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

Directors' Report

Remuneration report continued

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 and Nomination Committee does receive expert independent advice regarding remuneration levels required to attract and compensate directors and executives, given the nature of their work and responsibilities.

Relationship between remuneration policy and company performance

Each element of the Remuneration framework is linked to the Group's financial performance. Changes to fixed remuneration is determined by an employee's performance and by the Group's capacity to pay.

Short Term Incentives (STIs) require individual performance but are heavily determined by the Group's financial performance, occupational health and safety and business development.

Long Term Incentives (LTIs) are currently under review by the Remuneration and Nomination committee; however, they will continue to be determined using the appropriate measure that provides sufficient incentive to senior management to achieve the long-term targets and such that the cost to the Company is reasonable in the circumstances.

Performance hurdles for both STIs and LTIs are reviewed and determined annually so as to clearly identify expected improvements to the Group's performance.

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

	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Revenue	520,781	558,216	450,587	247,108	170,983
Net profit/(loss) before tax	(7,315)	15,300	25,947	16,598	6,260
Net profit/(loss) after tax	(2,555)	11,118	18,095	11,235	4,352
Share price at end of year [3]	0.23	0.41	1.000	1.880	0.925
Interim dividend [2]	–	3.50cps	3.50cps	3.00cps	0.75cps
Final dividend [1,2]	–	–	4.00cps	4.50cps	1.12cps
Basic earnings per share [3,4]	-0.99cps	5.93cps	10.51cps	10.20cps	6.67cps
Diluted earnings per share [3,4]	-0.99cps	5.93cps	9.97cps	9.16cps	5.56cps

1 Franked to 100% at 30% corporate income tax rate.
2 Declared after the balance date and not reflected in the financial statements.
3 On 20 December 2006 the merger between Service Stream Limited and Service Stream Holdings Limited became effective. The transaction has been accounted for as a reverse acquisition using the guidelines set out in AASB 3 *Business Combinations*. In accordance with this standard the comparative period earnings per share and share price have been recalculated using the number of ordinary shares issued by Service Stream Limited to the owners of Service Stream Holdings.
4 Earnings per share for prior years has been restated to reflect the October 2009 rights issue.

The overall level of key management personnel compensation takes into account the size, complexity, financial performance and growth prospects of the Group. Financial performance for the current year has been impacted by a number of one-off items, most notably the $14.8 million write down in the receivable for the McCourt Dando GCDA project. Prior to this, the Group's profit from ordinary activities after income tax has grown from $4.4 million in the year ended 30 June 2004 to $11.1 million in the year ended 30 June 2009.

The share price fluctuated during the year reaching a low of $0.23 and a high of $0.545. These fluctuations have largely been the result of the deterioration in the earnings performance of the Group, particularly in the lead up to and release of the Group's results for the year ended 30 June 2009 and the subsequent write down of the $14.8 million receivable from the McCourt Dando GCDA project at 31 December 2009. The share price has been relatively stable over the 6 months to 30 June 2010 following no changes to the earnings guidance issued to the market on 28 January 2010.

Remuneration of directors and senior management

2010	Short-term employee benefits Salary and fees $	Bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term employee benefits Long Service Leave $	Termination Benefits $	Total $
Non-executive directors							
S Wilks [3]	130,333	–	–	11,730	–	–	142,063
R Small	203,646	–	–	18,328	–	–	221,974
B Gallagher [1]	55,583	–	–	5,002	–	–	60,585
J L Davies [2]	153,333	–	–	13,800	–	–	167,133
A Field [2]	16,771	–	–	1,509	–	–	18,280
Executives							
G Sumner [1]	351,267	158,844	7,252	12,401	176	–	529,940
B Grant [1]	32,128	–	–	1,205	20	–	33,353
R Stanton	363,636	80,000	40,007	36,364	11,455	–	531,462
S Ellich	339,705	288,000	5,954	14,462	10,016	–	658,137
R Blinko [1]	73,957	–	–	2,966	34	–	76,957
A Haynes [1]	81,519	106,350	–	7,231	99	–	195,199
M Doery [2,6]	370,731	–	12,188	8,436	13,606	–	404,961
P J Flannigan [2,5]	85,611	–	6,322	1,205	31,119	685,208	809,465
C Boutas [4]	285,538	150,000	–	14,462	9,335	–	459,335
J Gramc [2]	293,002	–	17,527	17,607	6,805	–	334,941
J Ryan [2,6]	195,846	–	14,211	10,847	6,823	–	227,727

1 Appointed as director/senior manager during the year
2 Resigned from position of director/senior manager during the year
3 S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which S Wilks has a beneficial interest.
4 This executive is not considered to be key management personnel but is included in the above table as he is one of the five relevant group executives with the highest remuneration for the year.
5 Termination relates to payment in lieu of notice period.
6 These executives did not receive termination payments as they acted as an employee/consultant post ceasing to be a member of senior management.

Directors' Report

Remuneration report continued

2009	Short-term employee benefits Salary and fees $	Bonus $	Non-monetary $	Post-employment benefits Super-annuation $	Long-term employee benefits Long Service Leave $	Termination Benefits $	Total $
Non-executive directors							
J L Davies	244,375	–	–	21,994		–	266,369
A Field	83,375	–	–	7,504		–	90,879
R Small	158,125	–	–	14,231		–	172,356
S Wilks [1]	106,375	–	–	9,574		–	115,949
Executives							
P J Flannigan	874,862	227,500	18,966	13,475	17,704	–	1,152,507
M Doery	636,255	119,000	22,430	83,475	12,091	–	873,251
R Stanton	363,636	200,000	31,855	36,364	8,292	–	640,147
C Boutas [2]	286,255	100,000	–	13,642	6,396	–	406,293
S Ellich	312,197	250,000	9,889	13,642	5,937	–	591,665
J Gramc	256,775	80,000	17,721	23,110	5,062	–	382,668
J Ryan	261,845	253,000	19,050	13,694	7,991	–	555,580
C Orr [2]	249,885	91,743	26,295	30,746	467	–	399,136

1 S Wilks' remuneration is paid to High Expectations Pty Ltd, a company in which S Wilks has a beneficial interest.
2 These executives are not considered to be key management personnel but are included in the above table as they are one of the five relevant group executives with the highest remuneration for the year.

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

Key terms of employment contracts

Except as detailed below, the employment contracts for the senior managers listed in the remuneration table provide for the following key specific performance related elements:

- base remuneration including non-monetary and post-employment benefits;
- payment of a short-term bonus if the agreed short-term annual targets, as determined by the Remuneration and Nomination Committee, are met;
- eligibility to be invited to participate in the LTIP.

Exceptions to the above are:

- Graeme Sumner's employment contract provides for the payment of a long-term bonus if the agreed long-term annual targets, as determined by the Remuneration and Nomination Committee, are met. These targets relate to the Company's ranking on the S&P/ASX 300, and the Absolute Return on Equity achieved. Part of this bonus must be used to purchase shares in the Company, on market. Mr Sumner's contract is for 3 years commencing 4 January 2010;
- Roger Blinko has a fixed-term 2 year contract and, as such, is not eligible for invitation to the LTIP or to receive a STIP;
- Rod Stanton has been provided with a motor vehicle for his personal use;
- Con Boutas is not considered to be a member of key management personnel and, as such, is not eligible for invitation to the LTIP.

Share-based payments granted as compensation for the current financial year

Executive option plan
Service Stream Limited operates an ownership-based scheme for executives and senior employees of the Group.

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

Option series	Grant date	Expiry date	Grant date fair value	Vesting date
Series 2	04/01/07	31/10/09	–	Vested 4 January 2007
Series 3	04/01/07	31/10/09	0.0063	Vested 4 January 2007
Series 4	04/01/07	31/10/09	–	Vested 4 January 2007
Series 5	04/01/07	01/01/10	0.1067	Vested 4 January 2007
Series 6	04/01/07	01/01/10	0.0063	Vested 4 January 2007
Series 7	04/01/07	01/01/10	–	Vested 4 January 2007
Series 9	04/01/07	07/03/10	0.1235	Vested 4 January 2007
Series 10	04/01/07	31/10/09	0.0373	Vested 4 January 2007
Series 11	04/01/07	31/10/09	0.3197	Vested 4 January 2007
Series 12	04/01/07	01/01/11	0.2833	Vested 30 September 2007
Series 13	04/01/07	01/01/11	0.2355	Vested 30 September 2008
Series 14	04/01/07	01/01/11	0.1815	Vested 30 September 2009
Series 15	04/01/07	31/10/11	0.0767	Vested 4 January 2007
Series 16	04/01/07	31/10/11	0.1006	Vested 4 January 2007
Series 17	23/10/07	01/03/12	0.0823	Vested 23 October 2007
Series 18	23/10/07	01/03/13	0.1423	Vested 23 October 2007

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

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

On behalf of the Directors

S Wilks
Chairman
Melbourne, 27 August 2010

G Sumner
Managing Director
Melbourne, 27 August 2010

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Service Stream Limited
Level 1, 355 Spencer Street
WEST MELBOURNE VIC 3003

27 August 2010

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 financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

David A Watson
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Service Stream Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 29 to 78.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independent Auditor's Report

Deloitte.

Page 2
27 August 2010

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Service Stream Limited is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Service Stream Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

David A Watson
Partner
Chartered Accountants
Melbourne, 27 August 2010

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) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

(c) 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 consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

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

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 28 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

S Wilks
Chairman
Melbourne, 27 August 2010

G Sumner
Managing Director
Melbourne, 27 August 2010

Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Continuing Operations			
Revenue	5	517,746	558,240
Other income	6	3,035	(24)
		520,781	558,216
Share of profits/(losses) of investment in associate	12	(11)	436
Company administration and insurance expenses		(10,285)	(7,141)
Site and construction costs		(35,820)	(34,857)
Salaries and employee benefits		(121,781)	(134,131)
Temporary staff and subcontractor fees		(244,323)	(269,076)
Raw materials and finished goods used		(53,060)	(49,633)
Motor vehicles expenses		(7,248)	(8,154)
Consulting and directors' fees		(573)	(597)
Technology and communication services		(5,389)	(5,983)
Occupancy expenses		(8,354)	(7,902)
Finance costs	7	(7,198)	(8,346)
Depreciation and amortisation	8.1	(7,339)	(7,426)
Write down in respect to McCourt Dando GCDA claim	8.4	(14,814)	–
Other expenses		(11,901)	(10,106)
Profit/(Loss) before tax		(7,315)	15,300
Income tax benefit/(expense)	9	4,760	(4,182)
Profit/(Loss) for the year from continuing operations		(2,555)	11,118
Other comprehensive income			
Exchange differences on translating foreign investment		247	(323)
Total comprehensive income for the year		(2,308)	10,795
Profit/(Loss) attributable to the equity holders of the parent		(2,555)	11,118
Total comprehensive income attributable to equity holders of the parent		(2,308)	10,795
Earnings per share			
Basic (cents per share)	24	(0.99)	5.93
Diluted (cents per share)	24	(0.99)	5.93

Notes to the Financial Statements are included on pages 34 to 78.

Consolidated Statement of Financial Position as at 30 June 2010

	Note	2010 $'000	2009 $'000
Assets			
Current assets			
Cash and cash equivalents	30.1	–	9,034
Trade and other receivables	10	72,003	78,166
Inventories	11	14,936	13,461
Other	16	50,817	63,201
Total current assets		137,756	163,862
Non-current assets			
Investments accounted for using the equity method	12	1,445	1,209
Plant and equipment	13	13,193	17,649
Deferred tax assets	9	5,121	1,289
Goodwill	14	205,362	205,368
Other intangible assets	15	2,250	2,574
Total non-current assets		227,371	228,089
Total assets		365,127	391,951
Liabilities			
Current liabilities			
Trade and other payables	18	58,973	67,750
Borrowings	19	4,917	6,165
Current tax liabilities	9	611	1,702
Provisions	20	8,308	5,886
Total current liabilities		72,809	81,503
Non-current liabilities			
Borrowings	19	54,422	105,423
Provisions	20	1,978	1,945
Total non-current liabilities		56,400	107,368
Total liabilities		129,209	188,871
Net assets		235,918	203,080
Equity			
Capital and reserves			
Issued capital	21	227,106	191,960
Reserves	22	1,267	1,020
Retained earnings	23	7,545	10,100
Total equity		235,918	203,080

Notes to the Financial Statements are included on pages 34 to 78.

Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2010

	Share capital $'000	Employee-equity settled benefits reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	183,903	1,338	(197)	12,365	197,409
Dividends paid	–	–	–	(13,383)	(13,383)
Profit for the period	–	–	–	11,118	11,118
Other comprehensive income	–	–	(323)	–	(323)
Total comprehensive income for the period	–	–	(323)	11,118	10,795
Equity-settled share based payment	–	202	–	–	202
Issue of shares as consideration for business acquisitions	4,189	–	–	–	4,189
Net costs associated with share issues	(62)	–	–	–	(62)
Income tax associated with issue of shares	(257)	–	–	–	(257)
Issue of share capital	212	–	–	–	212
Issue of shares – dividend reinvestment plan	3,975	–	–	–	3,975
Balance at 30 June 2009	**191,960**	**1,540**	**(520)**	**10,100**	**203,080**
(Loss) for the period	–	–	–	(2,555)	(2,555)
Other comprehensive income	–	–	247	–	247
Total comprehensive income for the period	–	–	247	(2,555)	(2,308)
Issue of share capital	32,908	–	–	–	32,908
Issue of shares as consideration for business combinations	4,000	–	–	–	4,000
Costs associated with the issue of shares	(1,517)	–	–	–	(1,517)
Income tax associated with issue of shares	(245)	–	–	–	(245)
Balance at 30 June 2010	**227,106**	**1,540**	**(273)**	**7,545**	**235,918**

Notes to the Financial Statements are included on pages 34 to 78.

Consolidated Statement of Cash Flows
for the financial year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		571,887	609,075
Payments to suppliers and employees (including GST)		(548,289)	(591,545)
Cash generated from operations		23,598	17,530
Interest received		19	782
Interest paid		(6,396)	(8,203)
Income taxes paid		(408)	(1,870)
Net cash provided by operating activities	30.3	16,813	8,239
Cash flows from investing activities			
Additional interests acquired in joint venture arrangements		–	(606)
Payments for plant and equipment		(3,418)	(5,134)
Proceeds from sale of plant and equipment		1,550	1,653
Payment for intangible assets		(1,110)	(268)
Proceeds from sale of intangible assets		2,888	–
Payment for businesses	30.2	(4,900)	(3,642)
Net cash used in investing activities		(4,990)	(7,997)
Cash flows from financing activities			
Proceeds from issues of shares		32,908	106
Payment for share issue costs		(1,517)	(37)
Proceeds from borrowings		10,000	58,841
Repayment of borrowings		(62,939)	(31,898)
Dividends paid		–	(9,410)
Net cash (used in)/provided by financing activities		(21,548)	17,602
Net (decrease)/increase in cash and cash equivalents		(9,725)	17,844
Cash and cash equivalents at the beginning of the financial year		9,034	(8,810)
Cash and cash equivalents at the end of the financial year	30.1	(691)	9,034

Notes to the Financial Statements are included on pages 34 to 78.

Notes to the Financial Statements for the financial year ended 30 June 2010

1. General information

Service Stream Limited (the Company) is a limited company incorporated in Australia and listed on the Australian Stock Exchange (ASX: SSM). The addresses of its registered office and principal place of business are disclosed in the corporate directory of the Annual Financial Report. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' report.

2. Significant accounting policies

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in individual accounting policy notes set out below.

2.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

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

The financial statements were authorised for issue by the directors on 27 August 2010.

2.2 Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

2.3 Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.4 Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income, and as a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Comparative information has also been re-presented in relation to the provision of doubtful debts to more appropriately reflect the nature of the provision. The impact of the reclassification is a decrease in prior period allowance for doubtful debts of $3,454,983 and a corresponding increase in sundry creditors and accruals.

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

2.5 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). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The Company and its subsidiaries together are referred to in this financial report as the Group.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.6 Business combinations

After 1 July 2009

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;

– liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 *Share-based Payments*; and

– assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Prior to 1 July 2009

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 AASB 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are held for resale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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

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

Notes to the Financial Statements for the financial year ended 30 June 2010

2. Significant accounting policies continued

2.7 Investments in associates

Investments in entities where the Group does not have control over the entity are accounted for as an available-for-sale financial asset or, if the Group has significant influence, by using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

2.8 Foreign currencies

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 Group and for the presentation of the consolidated financial statements.

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur (therefore forming part of the net investment in a foreign operation). These differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.9 Goods and services tax

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

2.10 Revenue

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

Rendering of services

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

– installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date

– revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy set out in note 2.11.

Dividend and interest revenue
Dividend revenue from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

2.11 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 end of the reporting period This is measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.12 Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

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

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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 parties other than employees are measured at the fair value of the goods or services received, except where that 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 is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2.13 Income tax

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Notes to the Financial Statements
for the financial year ended 30 June 2010

2. Significant accounting policies continued

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

Refer to note 9.5.

2.14 Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.15 Financial assets

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

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

Effective interest method

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

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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

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

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

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

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Notes to the Financial Statements for the financial year ended 30 June 2010

2. Significant accounting policies continued

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

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

2.18 Leasing

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, 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.

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.

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

2.19 Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash generating units). An impairment loss recognised for goodwill is recognised immediately in the profit or loss and is not reversed in a subsequent accounting period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

2.20 Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

Software

Software is carried at cost less accumulated amortisation and accumulated impairment. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual accounting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives used in the calculation of amortisation range from between 2 and 4 years.

2.21 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

2.22 Employee benefits

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

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

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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

2.23 Provisions

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

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

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

Notes to the Financial Statements
for the financial year ended 30 June 2010

2. Significant accounting policies continued

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

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

2.24 Financial liabilities and equity instruments issued by the Group

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

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

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

Financial liabilities at FVTPL
Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated at FVTPL.

A financial liability is held for trading if:

– it has been incurred principally for the purpose of repurchasing it in the near term; or

– on initial recognition it is part of an identified portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses recognised in profit or loss. The net gain or loss arising on measurement recognised in the profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in the statement of comprehensive income. Fair value is determined in the manner described in note 31.

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2.25 Adoption of new and revised Accounting Standards
From 1 July 2009 the consolidated entity has adopted the following Standards and Interpretations. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

- AASB 101 *Presentation of Financial Statements* (revised September 2007).
- AASB 128 *Borrowing Costs* (revised).
- AASB 2008-1 *Amendments to Australian Accounting Standard* – Share-based payments: Vesting Conditions and Cancellations.
- Revised AASB 3 *Business Combinations* and revised AASB 127 *Consolidated and Separate Financial Statements*.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process*.
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process*.
- AASB 2008-7 *Amendments to Australian Accounting Standards* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity of Associate.
- AASB 2009-2 *Amendments to Australian Accounting Standards* – Improving Disclosures about Financial Instruments (2009).
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process*.
- AASB 2009-7 *Amendments to Australian Accounting Standards*.

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

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

Standard/Interpretation	Effective for annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 January 2010	30 June 2011
AASB 124 *Related Party Disclosures* (revised December 2009), AASB 2009-12 *Amendments to Australian Accounting Standards*	1 January 2011	30 June 2012
AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*	1 January 2013	30 June 2014

Notes to the Financial Statements
for the financial year ended 30 June 2010

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3.1 Critical judgements in applying accounting policies

The following are the critical judgements that, apart from those involving estimations (see 3.2 below), the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

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

3.2 Key sources of estimation uncertainty

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Useful lives of plant and equipment

As described at 2.17 above, the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period.

McCourt Dando GCDA dispute

In 2007, a subsidiary company, McCourt Dando Pty Ltd entered into an agreement with GCD Alliance whereby McCourt Dando Pty Ltd agreed to carry out construction and supply of pipe laying and associated works as part of the Gold Coast Desalination Project.

The Company is currently completing a legal review to determine what action may be taken to pursue the payment claim of some 40 separate sub-claims for latent conditions variation claims and other minor variation claims.

The Company originally recorded $14.8 million of revenue in relation to these claims in a prior year. In December 2009 management subsequently reversed this position and the amount has been expensed in the year ended 30 June 2010 financial statements. Any recovery therefore represents a benefit to the current accounting position.

TCI Ericsson Jersey dispute

In 2006, the Company and Ericsson Australia Pty Limited ("Ericsson") entered into a contract for the installation of telecommunications services at sites in Queensland and New South Wales.

Ericsson has sought to recover part of the $50 million remitted to Service Stream for this project. Whilst the Company expects to be successful at arbitration, the Company has not yet recognised the full amount received as revenue, with only $45 million recognised to-date. The balance of $5 million has been provided in trade and other payables as at balance date.

The Company believes that these claims have been appropriately recorded in the financial statements in accordance with its principles of revenue recognition.

4. Segment information

4.1 Products and services from which reportable segments derive their revenues

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

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

4.2 Adoption of AASB 8 '*Operating Segments*'

The directors have elected under s.334(5) of the *Corporations Act 2001* to apply Amendments to AASB 8 '*Operating Segments*' provided in AASB 2009-5 in advance of its effective date. This amendment is not required to be applied until annual reporting periods beginning on or after 1 January 2010. The impact of the adoption of this amendment is that the consolidated entity is not required to disclose information regarding segment assets and liabilities where that information is not reported to the Chief Operating Decision Maker.

4.3 Segment revenues and results

	Segment revenue		Segment result	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Customer Care	79,846	78,309	9,008	6,820
Specialist Field Services	446,764	479,125	4,428	32,080
Total of all segments	**526,610**	**557,434**	**13,436**	**38,900**
Eliminations	(5,848)	–	–	–
Unallocated	–	–	(7,035)	(8,753)
Earnings before interest, tax, depreciation and amortisation	**–**	**–**	**6,401**	**30,147**
Net Interest received/(paid)	19	782	(6,377)	(7,421)
Depreciation/Amortisation	–	–	(7,339)	(7,426)
Total Revenue	**520,781**	**558,216**	**–**	**–**
Profit/(Loss) before income tax expense			**(7,315)**	**15,300**
Income tax benefit/(expense)			4,760	(4,182)
Profit/(Loss) for the period			**(2,555)**	**11,118**

Notes to the Financial Statements for the financial year ended 30 June 2010

4. Segment information continued

4.4 Segment assets and liabilities

	Assets		Liabilities	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Customer Care	11,726	13,314	4,728	7,400
Specialist Field Services	236,750	293,230	46,268	52,461
Total of all segments	**248,476**	**306,544**	**50,996**	**59,861**
Unallocated	116,651	85,407	78,213	129,010
Consolidated	**365,127**	**391,951**	**129,209**	**188,871**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates (see note 12) and tax assets. Goodwill is allocated to reportable segments as described in note 14; and
- all liabilities are allocated to reportable segments other than other financial liabilities, current and deferred tax liabilities, and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

4.5 Other Segment information

	Depreciation and amortisation		Additions to non-current assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Customer Care	1,571	1,986	362	471
Specialist Field Services	5,372	4,507	3,552	3,994
Total of all segments	**6,943**	**6,493**	**3,914**	**4,465**
Unallocated	396	933	628	936
Consolidated	**7,339**	**7,426**	**4,542**	**5,401**

Information about major customers

Included in revenues arising from rendering of services of $517,727 thousand are revenues of approximately $302,361 thousand which arose from sales to the Group's largest customer.

Information on geographical segments

The Group carries out its business entirely within Australia except for an investment in Total Comm Infra Services Pvt Ltd incorporated in India (refer note 12).

5. Revenue

	2010 $'000	2009 $'000
Revenue from the rendering of services	517,727	557,458
Interest revenue	19	782
	517,746	558,240

6. Other income

Gain/(loss) on disposal of plant, equipment and intangible assets	3,035	(24)
	3,035	(24)

7. Finance costs

Interest on bank overdrafts and loans	5,146	6,997
Interest on obligations under finance leases	1,214	1,206
Facility costs	802	143
Other interest expense	36	–
	7,198	8,346

Notes to the Financial Statements
for the financial year ended 30 June 2010

8. Profit/(Loss) for the year before tax

Profit/(Loss) before income tax includes the following expenses:

8.1 Depreciation and amortisation expense

Depreciation of non-current assets	5,255	5,798
Amortisation of intangible assets	1,284	1,628
Impairment of assets	800	–
	7,339	7,426

8.2 Operating lease rental expenses

Minimum lease payments	5,982	5,820
	5,982	5,820

8.3 Employee benefit expense

Post employment benefits:		
Defined contribution plans	8,294	8,721
Share-based payments:		
Equity settled share-based payments	–	202
	8,294	8,923

8.4 Write down in respect to McCourt Dando GCDA claim

Per the announcement of 28 January 2010, a substantial non-cash provision in relation to the disputed claim on the McCourt Dando Gold Coast Desalination Project (GCDA Project) has been taken to account. As is the case with any legal proceeding there are numerous costs and uncertainties in pursuing the claim, and an increasing risk that (regardless of the underlying merits) the Company may not be fully successful in any arbitration or court proceeding. Whilst the Company continues to vigorously pursue the $14.8 million claim, management believes it is prudent to make a provision for this amount. Legal fees relating to this claim are shown within the category of company administration and insurance expenses.

9. Income taxes

9.1 Income tax recognised in profit or loss

	2010 $'000	2009 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	3,704	4,433
Adjustments recognised in the current year in relation to the current tax of prior years	(1,303)	(384)
	2,401	4,049
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(7,161)	133
	(7,161)	133
Total tax expense/(benefit) relating to continuing operations	(4,760)	4,182

The tax expense/(benefit) for the year can be reconciled to accounting profit as follows:

	2010 $'000	2009 $'000
Profit/(loss) from continuing activities	(7,315)	15,300
Income tax expense/(benefit) calculated at 30%	(2,195)	4,590
Effect of expenses that are not deductible in determining taxable profit	83	329
Items deducted for tax purposes only	(332)	(317)
Accounting profit on sale of assets not assessable for tax purposes	(1,005)	–
Other	(8)	(36)
	(3,457)	4,566
Adjustments recognised in the current year in relation to the current tax of prior years	(1,303)	(384)
	(4,760)	4,182

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.

9.2 Income tax recognised directly in equity

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

	2010 $'000	2009 $'000
Current tax		
Share-issue expenses	245	257
	245	257

Notes to the Financial Statements for the financial year ended 30 June 2010

9. Income taxes continued

9.3 Current tax assets and liabilities

	2010 $'000	2009 $'000
Current tax liabilities		
Income tax payable attributable to:		
Parent entity	–	–
Entities in the tax-consolidated group	611	1,702
	611	1,702

9.4 Deferred tax balances

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

2010	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Charged to equity $'000	Closing balance $'000
Temporary differences					
Trade and other receivables	863	987	(3,084)	–	(1,234)
Trade, other payables and provision	(107)	6,174	–	–	6,067
Share issue costs	533	–	–	(245)	288
	1,289	7,161	(3,084)	(245)	5,121

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax (liability)	–
Deferred tax asset	5,121
	5,121

2009	Opening balance $'000	Charged to income $'000	Timing difference related to prior periods $'000	Charged to equity $'000	Closing balance $'000
Temporary differences					
Trade and other receivables	527	336	–	–	863
Trade, other payables and provision	362	(469)	–	–	(107)
Share issue costs	790	–	–	(257)	533
	1,679	(133)	–	(257)	1,289

Deferred tax balances are presented in the statement of financial position as follows:

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

9.5 Tax consolidation

Relevance of tax consolidation to the Group

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Service Stream Limited is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 28. Tax expense/benefit, 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.

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.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Service Stream Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

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

10. Trade and other receivables

	2010 $'000	2009 $'000
Trade receivables	67,368	74,263
Allowance for doubtful debts	(1,429)	(1,792)
	65,939	72,471
Goods and services tax recoverable	3,616	4,411
Other	2,448	1,284
	72,003	78,166
Disclosed in the financial statements as:		
Current trade and other receivables	72,003	78,166
Non-current trade and other receivables	–	–
	72,003	78,166

Notes to the Financial Statements
for the financial year ended 30 June 2010

10. Trade and other receivables continued

The ageing of trade receivables as at 30 June 2010 is detailed below:

	2010		2009	
	Gross $'000	Allowance $'000	Gross $'000	Allowance $'000
Not past due	58,372	–	51,004	–
Past due 0–30 days	4,675	–	12,403	–
Past due 31–60 days	1,723	–	2,942	–
Past due 61–90 days	808	–	1,190	–
Past 90 days	1,790	(1,429)	6,724	(1,792)
	67,368	(1,429)	74,263	(1,792)

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

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

	2010 $'000	2009 $'000
Balance at the beginning of the year	(1,792)	(105)
Impairment losses recognised on receivables	–	(1,687)
Impairment losses reversed during the year	363	–
Balance at the end of the year	(1,429)	(1,792)

All new customers are subject to an external credit check to ascertain their risk profile against both internal and industry benchmarks. Additionally, credit checks determine appropriate internal credit limits to be applied. The average credit period on sales of goods and rendering of services is 30 days.

Trade receivables are periodically assessed for recoverability on an account by account basis, with appropriate provisions made for specific impairments. All risks associated with trade receivables have been provided for in the Statement of Financial Position. Included in the Group's trade receivables balance are debtors with a carrying amount of $7.6 million (2009: $21.5 million) which are past due at the reporting date for which the Group has not provided. These trade receivables have a good debt history and are considered recoverable.

Of the trade receivables balance at the end of the year, $29 million (2009: $34 million) is due from Telstra Corporation Ltd, $12 million (2009: $10.8 million) is due from SingTel Optus Pty Ltd and $6 million (2009: $5.2 million) from the Vodafone group. Of the balance, 71% is held with top 50 ASX companies with solid credit ratings. There are no other customers who represent more than 5% of the total balance of trade receivables.

11. Inventories

	2010 $'000	2009 $'000
Finished goods:		
At cost	14,936	13,461

12. Investments accounted for using the equity method

	2010 $'000	2009 $'000
Investments in associates	1,445	1,209
Balance at 1 July	1,209	490
Share of profit/(loss) for the year	(11)	436
	1,198	926
Foreign exchange currency movements	247	(323)
Additions	–	606
Balance at 30 June	1,445	1,209

		Ownership interest	
Name of entity	Country of incorporation	2010 %	2009 %
Total Comm Infra Services Pvt Ltd	India	40	40

Summarised financial information in respect of the Group's investment in associate is set out below:

	2010 $'000	2009 $'000
Financial position:		
Total assets	5,774	5,105
Total liabilities	(2,162)	(2,081)
Net assets	3,612	3,024
Group's share of associate net assets	1,445	1,209
Financial performance:		
Income	6,540	9,690
Expenses	(6,568)	(8,599)
Group's share of associate profit/(loss)	(11)	436

Dividends received from associates
During the year, the Group received no dividends (2009: Nil) from the investment in the associate.

Capital commitments
The Group's share of capital commitments and other expenditure commitments of associates is nil.

Notes to the Financial Statements for the financial year ended 30 June 2010

13. Plant and equipment

	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Equipment under finance lease at cost $'000	Motor Vehicles at cost $'000	Motor Vehicles under finance lease at cost $'000	Total $'000
Gross carrying amount						
Balance at 1 July 2008	4,733	10,335	12,701	3,882	517	32,168
Additions	362	877	2,091	261	1,543	5,134
Transfers	–	171	785	(956)	–	–
Disposals	–	(1,318)	(1,402)	(658)	(130)	(3,508)
Balance at 1 July 2009	5,095	10,065	14,175	2,529	1,930	33,794
Additions	212	1,502	3	1,715	–	3,432
Transfers	17	(138)	154	(33)	–	–
Disposals	(3)	(714)	(2,614)	(475)	(47)	(3,853)
Balance at 30 June 2010	5,321	10,715	11,718	3,736	1,883	33,373
Accumulated depreciation and impairment						
Balance at 1 July 2008	(1,599)	(4,129)	(4,364)	(1,743)	(127)	(11,962)
Transfers	–	(133)	(224)	357	–	–
Disposals	–	485	627	478	25	1,615
Depreciation expense	(932)	(1,686)	(1,906)	(465)	(809)	(5,798)
Balance at 1 July 2009	(2,531)	(5,463)	(5,867)	(1,373)	(911)	(16,145)
Disposals	3	385	1,224	383	25	2,020
Impairment losses recognised in the profit or loss	–	(690)	–	(110)	–	(800)
Depreciation expense	(914)	(1,548)	(1,946)	(569)	(278)	(5,255)
Balance at 30 June 2010	(3,442)	(7,316)	(6,589)	(1,669)	(1,164)	(20,180)
Net book value						
As at 30 June 2009	2,564	4,602	8,308	1,156	1,019	17,649
As at 30 June 2010	1,879	3,399	5,129	2,067	719	13,193

Impairment losses recognised in the year
A review of the recoverable amount of the heavy earth moving equipment and related motor vehicles used in the Group's Specialist Field Services segment led to the recognition of an impairment loss of $0.8 million, which has been recognised in the Statement of Financial Performance as depreciation and amortisation. The recoverable amount of the relevant assets has been determined on the basis of fair value less cost to sell approach.

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

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

14. Goodwill

	2010 $'000	2009 $'000
Gross carrying amount		
Balance at beginning of financial year	205,368	206,422
Reduction in deferred consideration on business combinations previously recognised [1]	(6)	(1,054)
Balance at end of financial year	205,362	205,368
Net book value		
At the beginning of the financial year	205,368	206,422
At the end of the financial year	205,362	205,368

1 During the current and previous financial years, the Group determined that the deferred consideration associated with the following prior period acquisitions be reduced from the earn-out payable as calculated at the time of acquisition:

Year ended 30 June 2010:
- Radhaz Consulting Pty Ltd acquired in December 2006

Year ended 30 June 2009:
- Business trading as South East Qld Underroad Drillers (SEQUD) acquired in February 2008
- Fibercom Technology Pty Ltd acquired in July 2006

Allocation of goodwill to cash-generating units

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

- Customer Care, including customer contact centre operations – $8,718,678
- Specialist Field Services, including maintenance and construction of infrastructure assets – $196,642,867

Customer Care

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board and past experience. A discount rate of 14.4% has been applied (2009: 12.0%).

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

Specialist Field Services

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board and past experience. A discount rate of 14.4% has been applied (2009: 12.0%).

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

Notes to the Financial Statements
for the financial year ended 30 June 2010

15. Other intangible assets

	Software $'000	Software under finance lease $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2008	3,023	2,147	5,170
Additions	267	–	267
Balance at 1 July 2009	3,290	2,147	5,437
Additions	1,110	–	1,110
Disposals	(1,671)	–	(1,671)
Balance at 30 June 2010	2,729	2,147	4,876
Accumulated amortisation			
Balance at 1 July 2008	(2,027)	–	(2,027)
Amortisation expense	(602)	(234)	(836)
Balance at 1 July 2009	(2,629)	(234)	(2,863)
Amortisation expense	(523)	(761)	(1,284)
Disposals	1,521	–	1,521
Balance at 30 June 2010	(1,631)	(995)	(2,626)
Net book value			
At the beginning of the financial year	661	1,913	2,574
At the end of the financial year	1,098	1,152	2,250

16. Other assets

	2010 $'000	2009 $'000
Current		
Accrued Income	48,475	61,503
Prepayments	2,146	1,555
Other	196	143
	50,817	63,201

17. Assets pledged as security

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

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

18. Trade and other payables

	2010 $'000	2009 $'000
Current		
Trade creditors [1]	22,620	23,412
Deferred purchase consideration	–	9,148
Goods and services tax payable	6,278	6,600
Sundry creditors and accruals	28,471	25,404
Income in advance	1,604	3,186
	58,973	67,750

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

19. Borrowings

	2010 $'000	2009 $'000
Secured – at amortised cost		
Current		
Bank overdrafts	691	–
Finance lease liabilities [1] (note 26)	4,226	6,165
	4,917	6,165
Non-current		
Commercial bills [2]	49,000	95,000
Finance lease liabilities [1] (note 26)	5,422	10,423
	54,422	105,423
	59,339	111,588
Disclosed in the financial statements as:		
Current borrowings	4,917	6,165
Non-current borrowings	54,422	105,423
	59,339	111,588

Summary of borrowing arrangements:

1 Secured by the assets leased and hire purchased, the current value of which exceeds the value of the finance lease liability.

2 The Commercial bill facility matures in July 2012. See note 17 in relation to assets pledged as security.

Notes to the Financial Statements for the financial year ended 30 June 2010

20. Provisions

	2010 $'000	2009 $'000
Current		
Employee benefits	8,308	5,886
	8,308	5,886
Non-current		
Employee benefits	1,978	1,945
	10,286	7,831

21. Issued capital

283,418,867 fully paid ordinary shares (2009: 186,431,746)	227,106	191,960

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

21.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 July 2008	173,389	183,903
Issue of shares as partial consideration for business combinations	4,520	4,189
Issue of shares in accordance with the Scheme of Arrangement	241	212
Net costs associated with issue of shares	–	(319)
Exercise of options	–	–
Dividend reinvestment plan	8,282	3,975
Balance 30 June 2009	186,432	191,960
Issue of shares as partial consideration for business combinations	10,387	4,000
Issue of shares during the year – rights issue	86,600	32,908
Net costs associated with issue of shares	–	(1,762)
Balance at 30 June 2010	283,419	227,106

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

21.2 Share options

As at 30 June 2010, founders and employees have 7,370,000 options over ordinary shares in aggregate, with 6,060,000 of those options expiring up to 1 January 2011 and the remainder expiring up to 31 March 2013.

Share options carry no rights to dividends and no voting rights. Further details of the executive option plan are contained in the Directors' report.

22. Reserves

	2010 $'000	2009 $'000
Equity-settled employee benefits	1,540	1,540
Foreign currency translation	(273)	(520)
	1,267	1,020

Employee equity-settled benefits reserve

Balance at beginning of financial year	1,540	1,338
Share-based payment from prior periods	–	202
Balance at end of financial year	1,540	1,540

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the executive option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments is disclosed in note 32 to the financial statements.

Foreign currency translation reserve

Balance at beginning of financial year	(520)	(197)
Translation of foreign investment	247	(323)
Balance at end of financial year	(273)	(520)

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

23. Retained earnings

	2010 $'000	2009 $'000
Balance at beginning of financial year	10,100	12,365
Net profit attributable to members of the parent entity	(2,555)	11,118
Dividends provided for or paid (note 25)	–	(13,383)
Balance at end of financial year	7,545	10,100

Notes to the Financial Statements
for the financial year ended 30 June 2010

24. Earnings per share

	2010 Cents per share	2009 Cents per share
Basic earnings per share:		
Total basic earnings per share	(0.99)	5.93
Diluted earnings per share:		
Total diluted earnings per share	(0.99)	5.93

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:

	2010 $'000	2009 $'000
Net profit/(loss)	(2,555)	11,118
Earnings used in the calculation of basic EPS	(2,555)	11,118

	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share [1]	257,002	187,567

Diluted earnings per share [2]

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

	2010 $'000	2009 $'000
Net profit	(2,555)	11,118
Earnings used in the calculation of diluted EPS	(2,555)	11,118

	2010 No.'000	2009 No.'000
Weighted average number of ordinary shares for the purposes of basic EPS [1]	257,002	187,567

1 2009 weighted average number of ordinary shares has been recalculated to reflect the October 2009 rights issue.
2 Both the Diluted earnings per share and Basic earnings per share calculations remain at (0.99) cents as the exercise price of options is above the value of those shares as at 30 June 2010.

25. Dividends

	2010		2009	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend:				
Fully franked at a 30% tax rate	–	–	3.5	6,283
Final dividend:				
Fully franked at a 30% tax rate	–	–	4.0	7,100
	–	–	7.5	13,383
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	–	–	–	–

	Company	
	2010 $'000	2009 $'000
Adjusted franking account balance as at 30 June	7,048	7,994

Notes to the Financial Statements for the financial year ended 30 June 2010

26. Obligations under finance leases

26.1 Leasing arrangements

The Group leases plant and equipment, a number of motor vehicles and software with lease terms of between 1 to 4 years. The Group has options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

26.2 Finance lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not longer than 1 year	4,928	7,384	4,226	6,165
Later than 1 year and not later than 5 years	5,941	11,754	5,422	10,423
Minimum future lease payments [1]	10,869	19,138	9,648	16,588
Less future finance charges	(1,221)	(2,550)	–	–
Present value of minimum lease payments	9,648	16,588	9,648	16,588
Included in the financial statements as: (note 19)				
Current borrowings			4,226	6,165
Non-current borrowings			5,422	10,423
			9,648	16,588

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

26.3 Fair value

The fair value of the finance lease liabilities is shown at note 31.10.

27. Operating lease arrangements

27.1 Leasing arrangements

The Group 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.

27.2 Non-cancellable operating lease commitments

	2010 $'000	2009 $'000
Not longer than 1 year	4,352	5,886
Longer than 1 year and not longer than 5 years	3,044	5,761
Longer than 5 years	69	47
	7,465	11,694

28. Subsidiaries

Details of the Company's subsidiaries at 30 June 2010 are as follows:

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity			
Service Stream Limited [1]	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd [2,8]	Australia	100	100
Service Stream Communications Pty Ltd [2,3,8]	Australia	100	100
Resourcing Solutions Pty [2,4,8]	Australia	100	100
Total Communications Infrastructure Pty Limited [2,3,8]	Australia	100	100
Service Stream Solutions Pty Ltd [2,3,8]	Australia	100	100
Radhaz Consulting Pty Ltd [2,8]	Australia	100	100
General Purpose Group Pty Ltd [2,3,8]	Australia	100	100
Fibercom Technology Pty Limited [2,3,8]	Australia	100	100
Service Stream Infrastructure Services Pty Ltd [2,3,8]	Australia	100	100
Milcom Communications Pty Ltd [2,3,8]	Australia	100	100
Total Communications Infrastructure (Singapore) Pte Ltd [5]	Singapore	100	100
McCourt Dando Pty Ltd [2,6,8]	Australia	100	100
McCourt Dando Civil Pty Ltd [2,6,8]	Australia	100	100
McCourt Dando Plant Hire Pty Ltd [2,6,8]	Australia	100	100
Metering Services Australasia Pty Ltd [2,3,8]	Australia	100	100
MSA Plant Pty Ltd [2,7,8]	Australia	100	100
AMRS (Aust) Pty Ltd [2,7,8]	Australia	100	100
Service Stream Financial Services Pty Ltd [2,3,8]	Australia	100	–

1 Service Stream Limited is the head entity within the tax-consolidated group.
2 These companies are members of the tax-consolidated group.
3 These companies are wholly-owned subsidiaries of Service Stream Holdings Pty Ltd.
4 This company is a wholly-owned subsidiary of Service Stream Communications Pty Ltd.
5 This company is a wholly-owned subsidiary of Total Communications Infrastructure Pty Ltd.
6 These companies are wholly-owned subsidiaries of Service Stream Infrastructure Services Pty Ltd.
7 These companies are wholly-owned subsidiaries of Metering Services Australasia Pty Ltd.
8 These wholly-owned subsidiaries have entered into a deed of cross guarantee with Service Stream Limited pursuant to ASIC Class Order 98/1418 and are relieved of the requirement to prepare and lodge an audited financial report.

Notes to the Financial Statements
for the financial year ended 30 June 2010

28. Subsidiaries continued

The consolidated statement of comprehensive income of the entities party to the deed of cross guarantee are:

Statement of comprehensive income	2010 $'000	2009 $'000
Revenue	517,746	558,240
Other income	3,035	(24)
	520,781	558,216
Company administration and insurance expenses	(10,285)	(7,141)
Site and construction costs	(35,820)	(34,857)
Salaries and employee benefits	(121,781)	(134,131)
Temporary staff costs and subcontractor fees	(244,323)	(269,076)
Changes in inventory of finished goods	(53,060)	(49,633)
Motor vehicles expenses	(7,248)	(8,154)
Consulting and directors' fees	(573)	(597)
Technology services	(5,389)	(5,983)
Occupancy expenses	(8,354)	(7,902)
Finance costs	(7,198)	(8,346)
Depreciation and amortisation	(7,339)	(7,426)
Other expenses	(11,901)	(10,106)
Provision in respect to McCourt Dando claim	(14,814)	–
Profit before tax	(7,304)	14,864
Income tax expense	4,760	(4,182)
Profit for the year from continuing operations	(2,544)	10,682
Profit for the year from discontinued operations	–	–
Profit for the year	(2,544)	10,682
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	(2,544)	10,682

The consolidated statement of financial position of the entities party to the deed of cross guarantee are:

Statement of financial position	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	–	9,034
Trade and other receivables	72,003	78,166
Inventories	14,936	13,461
Other	50,817	63,201
Total current assets	137,756	163,862
Non-current assets		
Other financial assets	1,347	1,347
Property, plant and equipment	13,193	17,649
Deferred tax assets	5,121	1,289
Goodwill	205,362	205,368
Other intangible assets	2,250	2,574
Total non-current assets	227,273	228,227
Total assets	365,029	392,089
Current liabilities		
Trade and other payables	58,972	67,750
Borrowings	4,917	6,165
Current tax liabilities	611	1,702
Provisions	8,308	5,885
Total current liabilities	72,808	81,502
Non-current liabilities		
Borrowings	54,422	105,423
Provisions	1,978	1,945
Total non-current liabilities	56,400	107,368
Total liabilities	129,208	188,870
Net Assets	235,821	203,219
Equity		
Issued capital	227,106	191,960
Reserves	1,540	1,540
Retained earnings *	7,175	9,719
Total equity	235,821	203,219

*Retained earnings		
Retained earnings as at beginning of the financial year	9,719	12,42
Net profit/(loss)	(2,544)	10,682
Dividends provided for or paid	–	(13,383)
Retained earnings as at end of the financial year	7,175	9,719

Notes to the Financial Statements
for the financial year ended 30 June 2010

29. Business combinations

There have been no acquisitions completed for the current financial year, and terms for all prior period acquisitions have now been finalised with the issuing of 10,386,912 shares (see Note 21.1) and the payment of $4,900,000 in cash (refer Note 30.2).

30. Notes to the cash flow statement

30.1 Reconciliation of cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank	–	9,034
Bank overdraft	(691)	–
Cash and cash equivalents	(691)	9,034

30.2 Businesses acquired

No acquisitions have been completed for the current financial year, however, the net cash outflow on deferred consideration payments was $4,900,000 (2009: $3,642,000) which relates to prior period acquisitions. In addition to this cash payment, 10,386,912 shares were issued (see Note 21.1).

30.3 Reconciliation of profit/(loss) for the period to net cash flows from operating activities

	2010 $'000	2009 $'000
Profit/(loss) for the year	(2,555)	11,118
(Gain)/loss on sale of disposal of non-current assets	265	24
(Gain)/loss on sale of disposal of intangible assets	(3,300)	–
Depreciation and amortisation	7,339	7,426
Share of joint venture arrangements' (profit)/loss	11	(436)
Equity-settled share-based payment	–	202
Company contributions to Employee Share Scheme	–	106
Write down in respect to McCourt Dando GCDA claim	14,814	–
Doubtful debts expense	2,094	1,687
(Increase)/decrease in deferred tax balances	(4,077)	391
(Decrease)/increase in current tax liability	(1,091)	1,922
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease in receivables	4,067	10,664
(Increase) in other assets	(1,380)	(19,235)
(Increase) in inventories	(1,476)	(2,078)
(Decrease) in trade and other payables	(466)	(304)
Increase/(decrease) in provisions	2,568	(3,248)
Net cash generated by operating activities	16,813	8,239

31. Financial instruments

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

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

31.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 31.3 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22 and 23).

The Group is not subject to any externally imposed capital requirements.

The Group's Board and senior management review the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio in line with the industry norm determined as the proportion of net debt to equity. The gearing ratio at 30 June 2010 of 20.1% (see below).

31.1.1 Gearing ratio

The gearing ratio at end of the reporting period was as follows.

	2010 $'000	2009 $'000
Debt [1]	58,648	111,588
Bank overdraft	691	–
Cash at bank	–	(9,034)
Net debt	59,339	102,554
Equity [2]	235,918	203,080
Net debt to net debt plus equity ratio	20.1%	33.6%

1 Debt is defined as long and short-term borrowings, as detailed in note 19.
2 Equity includes all capital and reserves.

31.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Notes to the Financial Statements for the financial year ended 30 June 2010

31. Financial instruments continued

31.3 Categories of financial instruments

	2010 $'000	2009 $'000
Financial assets		
Cash at bank	–	9,034
Receivables	72,003	78,166
Financial liabilities		
Trade and other payables	58,973	58,602
Deferred purchase consideration	–	9,148
Bank overdraft	691	–
Commercial bills	49,000	95,000
Finance lease/hire purchase liabilities	9,648	16,588

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

31.4 Financial risk management objectives

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

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

31.5 Market risk

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

The Group's activities expose it to the financial risks of changes in interest rates (refer note 31.6). This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

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

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

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

31.6 Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate forecasts and defined risk appetite.

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

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

net profit before tax would decrease by $165,955 and increase by $165,955 (2009: decrease by $466,000 and increase by $466,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period due to the decrease in debt instruments.

31.7 Credit risk management

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

As stated in note 10, a significant portion of revenue is derived from major telecommunications companies such as Telstra Corporation Ltd, Vodafone Hutchison Group, and Singtel Optus Group. These are large entities with high credit ratings and a good trading history and therefore the credit risk associated with these receivables is classified as low. The remaining Trade receivables balance consists of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

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

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

31.8 Foreign exchange risk

The Group operates predominantly within Australia, however, does have exposure to foreign exchange risk arising from currency fluctuations of the Australian Dollar to the Indian Rupee from investments in associates.

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

31.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 31.9.2 is a listing of additional undrawn facilities that the Company/Group has at its disposal to further reduce liquidity risk.

Notes to the Financial Statements
for the financial year ended 30 June 2010

31. Financial instruments continued

31.9.1 Liquidity and interest rate risk tables

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

	Weighted average interest rate $'000	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6–12 months $'000	1–2 years $'000	2–5 years $'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	(58,973)	(58,973)	(58,973)	–	–	–
Finance lease liabilities	8.3%	(9,648)	(10,869)	(2,464)	(2,464)	(3,788)	(2,153)
Variable interest rate instruments	8.1%	(32,500)	(37,791)	(1,323)	(1,323)	(2,645)	(32,500)
Fixed interest rate instruments	8.2%	(16,500)	(19,203)	(676)	(676)	(1,351)	(16,500)
		(117,621)	(126,836)	(64,436)	(4,463)	(7,784)	(51,153)
2009							
Non-derivative financial liabilities							
Trade and other payables	–	(58,602)	(58,602)	(58,602)	–	–	–
Deferred consideration	–	(9,148)	(9,148)	(9,148)	–	–	–
Finance lease liabilities	7.6%	(16,588)	(19,138)	(4,307)	(3,077)	(2,939)	(8,815)
Variable interest rate instruments	5.9%	(78,500)	(83,132)	(2,316)	(2,316)	(78,500)	–
Fixed interest rate instruments	8.1%	(16,500)	(19,173)	(668)	(668)	(1,337)	(16,500)
		(179,338)	(189,193)	(75,041)	(6,061)	(82,776)	(25,315)

31.9.2 Financing facilities

	2010 $'000	2009 $'000
Secured bank guarantees:		
– amount used	8,624	12,073
– amount unused	1,376	2,927
	10,000	15,000
Secured bank overdraft:		
– amount used	691	–
– amount unused	9,309	–
	10,000	–

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

	2010 $'000	2009 $'000
– amount used	58,648	111,588
– amount unused	22,626	46,628
	81,274	158,216

31.10 Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash	–	–	9,034	9,034
Trade and other receivables	72,003	72,003	78,166	78,166
Financial liabilities				
Trade and other payables	58,973	58,973	58,602	58,602
Deferred purchase consideration	–	–	9,148	9,148
Bank overdraft	691	691	–	–
Commercial bills – variable	32,500	32,500	78,500	78,500
Commercial bills – fixed	16,500	14,710	16,500	15,831
Finance lease/hire purchase liabilities	9,648	8,189	16,588	15,552

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

- The fair values 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 (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Notes to the Financial Statements
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32. Share-based payments

32.1 Executive share option plan

Executive share options carry no rights to dividends and no voting rights. In accordance with the terms of the executive share option scheme, all options vested at various dates from the date of grant up to 30 September 2009. Options on issue expire at various time up to 1 March 2013, as detailed in the below table.

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

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

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
Series 2	2,320,000	04/01/07	31/10/09	0.5761	–
Series 3	640,000	04/01/07	31/10/09	0.8886	0.0063
Series 4	640,000	04/01/07	31/10/09	1.2011	–
Series 5	96,000	04/01/07	01/01/10	0.5761	0.1067
Series 6	32,000	04/01/07	01/01/10	0.8886	0.0063
Series 7	32,000	04/01/07	01/01/10	1.2011	–
Series 9	80,000	04/01/07	07/03/10	0.6011	0.1235
Series 10	200,000	04/01/07	31/10/09	0.9261	0.0373
Series 11	20,000	04/01/07	31/10/09	0.5761	0.3197
Series 12	2,020,000	04/01/07	31/10/11	0.9411	0.2833
Series 13	2,020,000	04/01/07	31/10/11	1.0311	0.2355
Series 14	2,020,000	04/01/07	31/10/11	1.1511	0.1815
Series 15	500,000	04/01/07	31/10/11	1.0761	0.0767
Series 16	730,000	04/01/07	31/10/11	1.6311	0.1006
Series 17	40,000	23/10/07	01/03/12	0.9611	0.0823
Series 18	40,000	23/10/07	01/03/13	1.7111	0.1423

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

On 16 September 2009 the exercise price of existing options were amended as a result of the new issue of shares under the renounceable rights offer announced to the market on 14 September 2009. The table above reflects the new exercise price.

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

	2010		2009	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	13,030,000	0.9950	13,030,000	0.9950
Expired during the financial year	(5,660,000)	–	–	–
Balance at end of the financial year	7,370,000	1.1051	13,030,000	0.9950
Exercisable at end of the financial year	4,350,000	1.1111	10,010,000	0.9497

32.2 Exercised during the financial year

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

32.3 Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $1.1051 (2009: $0.9950) and a weighted average remaining contractual life of 491 days (2009: 398 days).

33. Key management personnel compensation

Details of key management personnel

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

- Mr S Wilks (Chairman)
- Mr G Sumner (Managing Director – appointed 4 January 2010)
- Mr R Small (Non-Executive Director)
- Mr B Gallagher (Non-Executive Director – appointed 29 April 2010)
- Mr B Grant (Chief Financial Officer – appointed 1 June 2010)
- Mr R Stanton (Managing Director – TCI) (resigned from the Board on 6 January 2010)
- Mr S Ellich (Executive General Manager – Service Stream Communications)
- Mr R Blinko (Executive General Manager – Customer Care (formerly Service Stream Solutions) – appointed 19 April 2010)
- Mr J Gramc (Executive General Manager – Service Stream Solutions – resigned 26 March 2010)
- Mr A Haynes (Executive General Manager – AMRS – appointed 1 January 2010)
- Mr JL Davies (Chairman – resigned 29 April 2010)
- Mr PJ Flannigan (Managing Director and Chief Executive Officer – resigned 31 July 2009
- Mr M Doery (Acting Managing Director, Chief Operating Officer and Chief Financial Officer – resigned 1 February 2010)
- Mr A Field (Non-Executive Director – resigned 25 February 2010)
- Mr J Ryan (Executive General Manager Infrastructure Services – resigned 29 March 2010)

Notes to the Financial Statements
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33. Key management personnel compensation continued

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

	2010 $	2009 $
Short-term employee benefits	3,483,725	4,547,231
Post-employment benefits	163,093	237,062
Other long-term benefits	80,153	57,077
Termination benefits	685,208	–
Share-based payment	–	202,737
	4,412,179	5,044,107

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

34. Related party disclosures

35.1 Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 to the financial statements.

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

34.2 Transactions with key management personnel

34.2.1 Key management personnel compensation
Details of key management personnel compensation are disclosed in note 33 to the financial statements.

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

34.2.3 Key management personnel equity holdings

Fully paid ordinary shares of Service Stream Limited

	Balance at 1 July No.	Granted as compensation No.	Balance as at date of appointment No.	Net other change No.	Balance as at date of resignation No.	Balance at 30 June No.
2010						
G Sumner [1]	–	–		300,000	–	300,000
B Grant [1]	–	–	–	104,166	–	104,166
B Gallagher [1]	–	–	9,914,661	–	–	9,914,661
JL Davies [2]	341,771	–		150,380	(492,151)	–
PJ Flannigan [2]	1,003,052	–		–	(1,003,052)	–
M Doery [2]	1,242,764	–		499	(1,243,263)	–
R Stanton	460,000	–		–	–	460,000
A Field [2]	5,631,555	–		1,042,685	(6,674,240)	–
R Small	5,791,954	–		(1,385,493)	–	4,406,061
S Wilks	–	–		–	–	–
S Ellich	356,521	–		11,134	–	367,655
J Gramc [2]	105,406	–		–	(105,406)	–
J Ryan [2]	101,747	–		(100,000)	(1,747)	–
R Blinko [1]	–	–		50,000	–	50,000
A Haynes [1]	–	–	1,134	240,154	–	241,288
2009						
JL Davies	256,891	–		84,880	–	341,771
PJ Flannigan	1,003,052	–		–	–	1,003,052
M Doery	1,203,052	–		39,712	–	1,242,764
R Stanton	460,000	–		–	–	460,000
A Field	5,618,082	–		13,473	–	5,631,555
R Small	5,573,147	–		218,807	–	5,791,954
S Wilks	–	–		–	–	–
S Ellich	309,946	–		46,575	–	356,521
J Gramc	103,713	–		1,693	–	105,406
J Ryan	87,364	–		14,383	–	101,747

The movement in equity holdings disclosed reflects only those movements which took place during the period that persons were regarded as key management personnel.

1 The balance of securities held as at 1 July is nil as this person was not a key management person at that date.
2 The balance of securities held as at 30 June is nil as this person is no longer a key management person.

Notes to the Financial Statements
for the financial year ended 30 June 2010

34. Related party disclosures continued

Share options of Service Stream Limited

	Balance at 1 July No.	Granted as comp-ensation No.	Balance as at date of resignation No.	Net other change No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2010									
PJ Flannigan	4,200,000	–	(4,200,000)	–	–	–	–	–	–
M Doery	3,800,000	–	(3,800,000)	–	–	–	–	–	–
R Stanton	2,000,000	–	–	–	2,000,000	2,000,000	1,500,000	500,000	–
S Ellich	120,000	–	–	(120,000)	–	–	–	–	–
J Gramc	80,000	–	(80,000)	–	–	–	–	–	–
J Ryan	160,000	–	–	(160,000)	–	–	–	–	–
2009									
PJ Flannigan	4,200,000	–	–	–	4,200,000	4,200,000	800,000	3,400,000	–
M Doery	3,800,000	–	–	–	3,800,000	3,800,000	720,000	3,080,000	–
R Stanton	2,000,000	–	–	–	2,000,000	2,000,000	1,500,000	500,000	–
S Ellich	120,000	–	–	–	120,000	120,000	–	120,000	–
J Gramc	80,000	–	–	–	80,000	80,000	–	80,000	–
J Ryan	160,000	–	–	–	160,000	160,000	–	160,000	–

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

During the financial year, no options (2009: nil) were exercised by key management personnel.

Further details of the employee share option plan and of share options granted during 2010 and 2009 financial years are contained in notes 32 to the financial statements.

34.2.4 Other transactions with key management personnel of the Group

Consulting fees of $175,000 (2009: $365,000) were paid to Communication Services Australia (Holdings) Pty Ltd, in which Mr Small and Mr Field have a beneficial interest. This was in accordance with a consultancy agreement that has subsequently been concluded.

During the year the Mobile Real Time Monitoring ("MRTM") Intelligent Network Platform was sold to Tel.Pacific Limited. Stephe Wilks currently is a director of this company.

34.3 Transactions with other related parties

34.3.1 Transactions between Service Stream Limited and its related parties

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

- Service Stream Limited recognised tax payable in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to/from the Company are made in accordance with the terms of the tax funding arrangement.
- Service Stream Limited received dividends of $Nil (2009: $14,722,000) from its subsidiaries.

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

- Loans receivable totaling $105,394,003 are receivable from subsidiaries (2009: $73,843,000)

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

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

35. Remuneration of auditors

	2010 $	2009 $
Auditor of the parent entity		
Audit or review of the financial report	359,000	343,604
Other non-audit services		
Other review services	–	230,000
Tax advice	15,000	33,862
Technical review	–	15,000
	374,000	622,466

The auditor of Service Stream Limited is Deloitte Touche Tohmatsu.

36. Commitments for expenditure

36.1 Lease commitments
Finance lease liabilities and non-cancellable operating lease commitments are disclosed in notes 26 to 27 to the financial statements.

37. Contingent assets and liabilities

McCourt Dando GCDA dispute
In 2007, a subsidiary company, McCourt Dando Pty Ltd entered into an agreement with GCD Alliance, whereby McCourt Dando Pty Ltd agreed to carry out construction and supply of pipe laying and associated works as part of the Gold Coast Desalination Project.

The Company is currently completing a legal review to determine what action may be taken to pursue the payment claim of some 40 separate sub-claims for latent conditions variation claims and other minor variation claims.

The Company originally recorded $14.8 million of revenue in relation to these claims in a prior year. In December 2009 management subsequently reversed this position and the amount has been expensed in the year ended 30 June 2010 financial statements. Any recovery therefore represents a benefit to the current accounting position.

TCI Ericsson Jersey dispute
In 2006, the Company and Ericsson Australia Pty Limited ("Ericsson") entered into a contract for the installation of telecommunications services at sites in Queensland and New South Wales.

Ericsson has sought to recover part of the $50 million remitted to Service Stream for this project. Whilst the Company expects to be successful at arbitration, the Company has not yet recognised the full amount received as revenue, with only $45 million recognised to-date. The balance of $5 million has been provided in trade and other payables as at balance date.

The Company believes that these claims have been appropriately recorded in the financial statements in accordance with its principles of revenue recognition.

Notes to the Financial Statements
for the financial year ended 30 June 2010

38. Subsequent events

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

39. Parent entity disclosures

39.1 Financial position

	2010 $'000	2009 $'000
Current Assets	–	–
Non-current assets	215,521	181,484
Total Assets	215,521	181,484
Current liabilities	632	1,740
Non-current liabilities	–	–
Total liabilities	632	1,740
Net Assets	214,889	179,744
Issued capital	210,346	175,201
Retained earnings	3,042	3,042
Reserves – Equity settled employee benefits	1,501	1,501
Equity	214,889	179,744

39.2 Financial performance

Profit for the year	–	14,722
Other comprehensive income	–	–
Total comprehensive income	–	14,722

ASX Additional Information
for the financial year ended 30 June 2010

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 1 September 2010

Category (size of holding)	Holders
1 – 1,000	518
1,001 – 5,000	1,460
5,001 – 10,000	869
10,001 – 100,000	1,915
100,001 +	286
	5,048

B. There are 5,048 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 951.

D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 1 September 2010 are:

Shareholder	Ordinary	%
Thorney Investment Group Australia Pty Ltd	35,872,542	12.66
Maple-Brown Abbott	27,488,864	9.70
Gandel Springwest Pty Ltd	15,797,924	5.57

E. Voting Rights

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

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

Options
These securities have no voting rights.

F. Net Tangible Assets

The net tangible assets per security is $0.0999 (2009: ($0.0261))

ASX Additional Information
for the financial year ended 30 June 2010

G. 20 Largest Shareholders as at 1 September 2010 — Ordinary Shares

	Name of 20 largest shareholders in each class of share	Ordinary shares Fully paid number of shares held	% Held
1	HSBC Custody Nominees (Australia) Limited	40,488,061	14.29
2	RBC Dexia Investor Services Australia Nominees Pty Limited	27,498,564	9.70
3	UBS Wealth Management Australia Nominees Pty Ltd	20,414,766	7.20
4	Gandel Springwest Pty Ltd <The Gandel Invest No 1 A/C>	15,797,924	5.57
5	National Nominees Limited	10,338,923	3.65
6	Citicorp Nominees Pty Limited	5,405,101	1.91
7	Field Enterprises (Aust) Pty Ltd <The Field Management A/C>	4,076,086	1.44
8	Blazzed Pty Ltd <Gaunt Management A/C>	3,609,600	1.27
9	Small Enterprises (Aust) Pty Ltd <Small Management A/C>	3,525,235	1.24
10	J P Morgan Nominees Australia Limited	2,643,974	0.93
11	Dr Roger Graham Brooke & Mrs Sally Ann Brooke <SALROG Super Fund A/C>	2,640,372	0.93
12	Miclod Holdings Pty Ltd <Miclod Super Fund A/C>	1,241,630	0.44
13	Mr Angelos Giannakopoulos & Mrs Anastasia Giannakopoulos	1,220,177	0.43
14	Moat Investments Pty Ltd <Moat Investment A/C>	1,200,000	0.42
15	RBC Dexia Investor Services Australia Nominees Pty Limited <Mlci A/C>	1,196,083	0.42
16	Mrs Maree Helen Theiler	1,117,760	0.39
17	Pan Australian Nominees Pty Limited	1,049,382	0.37
18	Mr Anthony John Andreatta + Mrs Helen Marion Andreatta <Andreatta Super Fund A/C>	1,000,000	0.35
19	Equitas Nominees Pty Limited <Pb-600762 A/C>	1,000,000	0.35
20	Mr David John Nancarrow <Super Fund A/C>	1,000,000	0.35
		146,463,638	**51.68**

Corporate Directory

Directors
Brett Gallagher
Russell Small
Graeme Sumner
Stephe Wilks (Chairman)

Company Secretary
Stephen Campbell

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Commonwealth Bank of Australia

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Fax: +61 3 9473 2500

Auditors
Deloitte Touche Tohmatsu

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