# STREAM GROUP LIMITED
# AND CONTROLLED ENTITIES

**ABN: 57 010 597 672**

**Annual Report**
**For the year ended 30 June 2019**

# STREAM GROUP LIMITED
# AND CONTROLLED ENTITIES

**ABN: 57 010 597 672**

## Annual Report
## For the year ended 30 June 2019

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The Company’s Corporate Governance Statement can be viewed on the website at:
https://www.streamgroupltd.com.au

Dear Shareholder,

On behalf of the Board I submit the 2019 Annual Report for Stream Group Limited. As the Consolidated Statement of Comprehensive Income shows, the Group incurred a net loss of $3.0 million for the year compared to a net comprehensive loss of $29,000 in 2018. Included in the loss were the following non-cash items: an impairment charge of $2.7 million relating to the write down of the Group's software, a bad debt of $0.2 million and a foreign exchange gain of $0.5 million.

When Stream Group Limited's New Zealand subsidiary sold its claims management business in 2017 the Group became entitled to an earn-out payment based on the profitability of the sold business in the year to 31 December 2018. Due primarily to exceptionally benign weather conditions during the 2018 calendar year, this level of profitability was not achieved; however there is an ongoing discussion with the purchaser regarding the terms of an extension of our supply contract with them which may have an impact on the earn-out.

Our top priority for 2020 remains growing the Qusol Technology business either organically or by way of acquisition. This is discussed further in the following Operating and Financial Review. To this end the Company is currently investigating a number of acquisitions that would achieve our goal of increased scale.

Finally I would like to thank our staff for their support and contribution during the year. As a small company, Stream relies on staff members who are competent, capable of multi-tasking and committed to the success of the business.

L Case

Lawrence Case (Chairman)

Dated: 27 September 2019

**Principal Activities**

The principal activities of the consolidated group during the financial year were the development and deployment of insurance claims management and workflow management software to the insurance and construction industries. We supply our proprietary software on a Software-as-a-Service basis to clients in Australia, New Zealand and the UK.

**Significant Changes to Activities**

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

**Operating Results**

For the year to 30 June 2019 Stream Group Ltd incurred a comprehensive loss of $3.0 million. Included in the loss was a non-cash impairment charge of $2.9 million and a foreign exchange gain of $0.5 million. $2.7 million of the impairment charge related to the write down of the carrying value of the Group's software.

In the previous financial year the Group commenced development of a modified version of BuildAssist, the Company's core product. The objective is to develop a BuildAssist version suitable for insurance brokers and other industry participants. This process involves creating a number of new modules and integrating them into the existing software. During the current financial year it was decided to expand this project to include rewriting substantial portions of the software and upgrading to the most recent version of the language in which the software is written. Rather than outsource this process the Company resolved to hire additional staff and do the process internally. This project is scheduled to be completed by end of November, 2019. When complete BuildAssist v.2. will be much more user friendly and have a much wider addressable market.

During the year the Qusol business generated a small trading profit excluding $393,000 of expenses associated with the rewrite of the software. Consistent with our accounting policies, all expenditure associated with the rewrite of our software has been expensed as incurred. Revenues for the year were lower than in 2018 due to exceptionally benign weather conditions in New Zealand, and the direct expenses of the Qusol business were in line with last year.

**Financial Position**

The net assets of the Group decreased from $8.2 million to $5.2 million primarily as the result of the $2.9 million impairment charges mentioned above. As previously disclosed at this stage there is a significant risk that Stream will not achieve an earn-out payment from the sale of the New Zealand claims management business in 2017. The cash balance at 30 June 2019 was $2.7 million compared to $3.1 million as at 30 June 2018.

**Significant Changes in State of Affairs and Changes in Controlled Entities**

There were no significant changes in the state of affairs of the Group during the financial year.

**Events after the Reporting Period**

No matter or circumstances have arisen since the end of the financial year to the date of this report that have significantly affected or may significantly affect the activities of the Consolidated Group, the results of those activities or the state of affairs of the Consolidated Group in the ensuing or any subsequent financial year.

**Future Developments**

The Directors plan to use some of its cash reserves to develop further and expand the reach of both its core BuildAssist software platform. This may or may not include the acquisition of a compatible business. Any acquisition, however, will be undertaken only if it is demonstrably profit accretive.

**Business Risks**

As at the date of this report the Group's most significant business risk is the dependence of its technology business on its largest customer. This risk is mitigated by the fact that this customer is a former subsidiary which relies heavily on Stream's claims management software which is mission critical to their operations.

**Environmental Issues**

Stream Group Limited's operations are not subject to significant environmental regulation under the law of any jurisdiction.

**Directors**

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Stream Group Limited and its controlled entities for the financial year ended 30 June 2019. The information in the preceding Operating and Financial Review forms part of this Directors Report for the financial year ended 30 June 2019 and is to be read in conjunction with the following information:

The following persons were directors of Stream Group Limited during or since the end of the financial year up to the date of this report:

Lawrence Case
Christian Bernecker
Daniel Barrins

Particulars of each Director's experience and qualifications are set out later in this report.

**Dividends Paid or Recommended**

No dividends were paid or declared for payment during the financial year.

**Indemnifying Officers or Auditor**

Pursuant to its Constitution, the Company indemnifies the Directors and all officers of the Company against a liability to a person (other than the Company or a related body corporate), that may arise from their position as Directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. During the financial year, Stream Group Limited paid premiums to insure officers of Stream Group Limited and their controlled entities. The indemnity includes liability for costs and expenses incurred in defending civil or criminal proceedings in which judgement is given in favour of that person or in which that person is acquitted, or in connection with an application in relation to this proceeding in which the court grants relief to that person under the law.

**Proceedings on Behalf of Company**

No person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Non-audit Services**

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor’s independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to PKF for non-audit services provided during the year ended 30 June 2019:

| | $ |
|---|---|
| Taxation Services | 44,000 |

**Auditor’s Independence Declaration**

The lead auditor’s independence declaration for the year ended 30 June 2019 has been received and can be found on page 11 of the Financial Report.

**Options**

At the date of this report, there were no share options on issue.

**Information relating to current Directors and Company Secretary**

| | |
|---|---|
| **Lawrence Case** | **Chairman** |
| Qualifications | Master of Business Administration (University of Pennsylvania) and Bachelor of Science (University of Illinois) |
| Experience | 40 years experience in the management of small listed and unlisted companies |
| Interest in Shares and Options | 5,403,442 shares held in Stream Group Limited |
| Special Responsibilities | Audit and Risk Management Committee, Nomination and Remuneration Committee |
| Directorships held in other listed entities during the three years prior to the current year | Flat Glass Industries Ltd |

| | |
|---|---|
| **Christian Bernecker** | **Non-Executive Director** |
| Qualifications | Chartered Accountant, Bachelor of Commerce (Ballarat University) |
| Experience | More than 15 years broad investment experience across capital raising, acquisitions and divestments |
| Interest in Shares and Options | 5,675,820 shares held in Stream Group Limited |
| Special Responsibilities | Audit and Risk Management Committee, Nomination and Remuneration Committee. |
| Directorships held in other listed entities during the three years prior to the current year | Uscom Limited |

| | |
|---|---|
| **Daniel Barrins** | **Non-Executive Director (appointed 14 September 2017)** |
| Qualifications | Masters of Business Administration (University of Melbourne), Bachelor of Law (Monash University) and Bachelor of Arts (Monash University) |
| Experience | More than 10 years' experience across the Financial Services, Legal and Consulting industries |
| Interest in Shares and Options | Nil |
| Special Responsibilities | Audit and Risk Management Committee, Nomination and Remuneration Committee |
| Directorships held in other listed entities during the three years prior to the current year | Nil |

**Company Secretary**

The Company Secretary is Brett Crowley.

**Meetings of Directors**

During the financial year, 7 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

| **Meetings of Directors** | Directors' Meetings | | Audit and Risk Committee | | Nomination and Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Number Eligible to attend | Number Attended | Number Eligible to attend | Number Attended | Number Eligible to attend | Number Attended |
| Lawrence Case | 7 | 7 | 1 | 1 | 1 | 1 |
| Christian Bernecker | 7 | 7 | 1 | 1 | 1 | 1 |
| Daniel Barrins | 7 | 7 | 0 | 0 | 0 | 0 |

**Remuneration Report (Audited)**

This remuneration report has been prepared by the Directors of Stream Group Limited to comply with the Corporations Act 2001 and the key management personnel (KMP) disclosures required under Australian Accounting Standards AASB 124 - Related Party Disclosures.

**Key management personnel**

The following were key management personnel of the Group at the end of the financial year:

**Non-executive Chairman**

Lawrence Case

**Non-executive Directors**

Christian Bernecker

Daniel Barrins

**Remuneration policy**

The remuneration policy of Stream Group Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Stream Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders.
- In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed at least annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive, at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. KMP do not receive any retirement benefits.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

KMP are also entitled and encouraged to participate in the employee share loan plan to align directors' interests with shareholders' interests.

**Performance-based Remuneration**

The KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

**Employment Details of Members of Key Management Personnel**

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

| ***Group KMP*** | **Position Held as at 30 June 2019 and any change during the year** | **Contract details (duration & termination)** |
|---|---|---|
| Lawrence Case | Non-executive Director | Duration: Indefinite |
| Christian Bernecker | Non-executive Director | Duration: Indefinite |
| Daniel Barrins | Non-executive Director | Duration: Indefinite |
| Lindsay Phillips | Director of Qusol NZ Limited | Duration: Indefinite |

| | **Proportions of elements of Remuneration related to performance** | | | **Proportions of elements of remuneration not related to performance** | |
|---|---|---|---|---|---|
| | **Non-salary cash based incentives %** | **Shares/ Units %** | **Options/ Rights %** | **Fixed Salary/Fees %** | **Total %** |
| ***Group KMP*** | | | | | |
| Lawrence Case | - | - | - | 100 | 100 |
| Christian Bernecker | - | - | - | 100 | 100 |
| Daniel Barrins | - | - | - | 100 | 100 |
| Lindsay Phillips | - | - | - | 100 | 100 |
| Total | - | - | - | 100 | 100 |

The employment terms and conditions of all KMP are formalised in contracts of employment.

**Note A:**
Non-executive directors are subject to similar contractual arrangements whereby at least 3 months' notice is required to be given on termination. Termination payments are at the discretion of the Board.

**Changes in Directors and Executives Subsequent to year-end**

There were no changes to directors subsequent to year-end.

**Remuneration Expense Details for the Year Ended 30 June 2019**

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards:

**Table of Benefits and Payments for the year ended 30 June 2019**

| | Short-Term Benefits | | | | Post-Employment Benefits | |
|---|---|---|---|---|---|---|
| | Salary, Fees and Leave $ | Profit Share and bonuses $ | Termination Payment $ | Other $ | Pension and superannuation $ | Other $ |
| **2019 Group KMP** | | | | | | |
| Lawrence Case | 50,000 | - | - | - | - | - |
| Christian Bernecker | 25,000 | - | - | - | - | - |
| Daniel Barrins | 25,000 | - | - | - | - | - |
| Lindsay Phillips | 34,410 | - | - | - | - | - |
| **Total KMP** | **134,410** | **-** | **-** | **-** | **-** | **-** |

| | Long-Term Benefits | | Equity-settled share-based payments | | | | |
|---|---|---|---|---|---|---|---|
| | Incentive Plans $ | LSL $ | Shares / Units $ | Options/Rights $ | Cash-Settled Share Based Payments $ | Termination Benefits $ | **Total $** |
| **2019 Group KMP** | | | | | | | |
| Lawrence Case | - | - | - | - | - | - | 50,000 |
| Christian Bernecker | - | - | - | - | - | - | 25,000 |
| Daniel Barrins | - | - | - | - | - | - | 25,000 |
| Lindsay Phillips | - | - | - | - | - | - | 34,410 |
| **Total KMP** | - | - | - | - | - | - | **134,410** |

**Table of Benefits and Payments for the year ended 30 June 2018**

| | Short-Term Benefits | | | | Post-Employment Benefits | |
|---|---|---|---|---|---|---|
| | Salary, Fees and Leave $ | Profit Share and bonuses $ | Termination Payment $ | Other $ | Pension and superannuation $ | Other $ |
| **2018 Group KMP** | | | | | | |
| Lawrence Case | 50,000 | - | - | - | - | - |
| Christian Bernecker | 25,000 | - | - | - | - | - |
| Daniel Barrins | 18,750 | - | - | - | - | - |
| **Total KMP** | **93,750** | **-** | **-** | **-** | **-** | **-** |

| | Long-Term Benefits | | Equity-settled share-based payments | | | | |
|---|---|---|---|---|---|---|---|
| | Incentive Plans $ | LSL $ | Shares / Units $ | Options/Rights $ | Cash-Settled Share Based Payments $ | Termination Benefits $ | **Total $** |
| **2018 Group KMP** | | | | | | | |
| Lawrence Case | - | - | - | - | - | - | 50,000 |
| Christian Bernecker | - | - | - | - | - | - | 25,000 |
| Daniel Barrins | - | - | - | - | - | - | 18,750 |
| **Total KMP** | - | - | - | - | - | - | **93,750** |

**Table of Shares Held by Key Management Personnel**

The table below summarises the shares held by KMP as at the date of this report.

| | Opening Balances | Movements | (2019) Closing Balances |
|---|---|---|---|
| Lawrence Case | 5,403,442 | - | 5,403,442 |
| Christian Bernecker | 5,675,820 | - | 5,675,820 |
| Daniel Barrins | - | - | - |
| Lindsay Phillips | 1,609,479 | - | 1,609,479 |
| **Total KMP** | **12,688,741** | **-** | **12,688,741** |

**Securities Received that are not Performance Related**

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

**Share-based Payments**

No shares were granted to KMP during the year.

**Other Equity-related KMP Transactions**

There were no equity related transactions with key management personnel during the year.

**Other transactions with KMP and/or their related parties**

There were no other transactions conducted between the Group and parties related to key management personnel during the financial year.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director: L Case

Lawrence Case

Dated: 27 September 2019

Stream Group Limited and Controlled Entities

ABN: 57 010 597 675

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

STobutt

SCOTT TOBUTT
PARTNER

DATE 27TH SEPTEMBER 2019
SYDNEY, NSW

PKF Newcastle Pty Limited
ABN 64 090 945 681

Liability limited by a scheme approved under Professional Standards Legislation

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STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| Revenue | 3 | 1,012,903 | 1,255,633 |
| Other income | 3 | 233,513 | 191,103 |
| Employee benefits expense | | (558,364) | (435,613) |
| Depreciation and amortisation expense | 4 | (3,043) | (1,945) |
| Finance costs | 4 | (151) | (185) |
| Impairment of assets/bad debts written off | 4 | (2,912,243) | - |
| Gain on derecognition of subsidiaries | | - | 109,551 |
| Other expenses | 4 | (1,340,984) | (1,163,122) |
| **Loss before income tax** | | (3,568,369) | (44,578) |
| Income tax benefit / (expense) | 5 | 48,267 | (83,324) |
| **Net (Loss)/ Profit for the year from continuing operations** | | (3,520,102) | (127,902) |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | 514,844 | 98,819 |
| **Other comprehensive income/(loss) for the year** | | 514,844 | 98,819 |
| | | | |
| **Total comprehensive income/(loss) for the year** | | (3,005,258) | (29,083) |
| | | | |
| Net profit/(loss) attributable to: | | | |
| Members of the parent entity | | (3,520,102) | (127,902) |
| Non-controlling interest | | - | - |
| | | (3,520,102) | (127,902) |
| Total comprehensive income/(loss) attributable to: | | | |
| Members of the parent entity | | (3,005,258) | (29,083) |
| Non-controlling interest | | - | - |
| | | (3,005,258) | (29,083) |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | 8 | (1.38) | (0.01) |
| Diluted earnings per share (cents) | 8 | (1.38) | (0.01) |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

| | Note | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 2,666,038 | 3,102,185 |
| Trade and other receivables | 10 | 537,825 | 528,300 |
| Other assets | 14 | 68,150 | 101,456 |
| **TOTAL CURRENT ASSETS** | | 3,272,013 | 3,731,941 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 12 | 2,586 | 3,664 |
| Deferred tax assets | 16 | 243,643 | 181,038 |
| Intangible assets | 13 | 2,082,679 | 4,448,003 |
| Other non-current assets | | 110,091 | 107,676 |
| **TOTAL NON-CURRENT ASSETS** | | 2,438,999 | 4,740,381 |
| **TOTAL ASSETS** | | 5,711,012 | 8,472,322 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 407,550 | 183,146 |
| Provisions | 17 | 74,437 | 54,893 |
| **TOTAL CURRENT LIABILITIES** | | 481,987 | 238,039 |
| **TOTAL LIABILITIES** | | 481,987 | 238,039 |
| **NET ASSETS** | | 5,229,025 | 8,234,283 |
| **EQUITY** | | | |
| Issued capital | 18 | 514,483 | 8,014,483 |
| Reserves | 24 | (256,247) | (771,091) |
| Retained Earnings / (Accumulated losses) | | 4,970,789 | 990,891 |
| **TOTAL EQUITY** | | 5,229,025 | 8,234,283 |

The accompanying notes form part of these financial statements.

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

| | Issued Capital $ | Reserves $ | Retained Earnings $ | Total $ | Non-Controlling Interests $ | Total Equity $ |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2017** | 18,014,483 | (312,408) | (9,116,788) | 8,585,287 | - | 8,585,287 |
| **Profit/(loss) for the period** | - | - | (127,902) | (127,902) | - | (127,902) |
| Other comprehensive income/(loss) for the period | - | - | 98,819 | 98,819 | - | 98,819 |
| **Total comprehensive income/(loss) for the period** | **-** | **-** | **(29,083)** | **(29,083)** | **-** | **(29,083)** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Write off Accumulated Losses | (10,000,000) | - | 10,000,000 | - | - | - |
| Foreign currency translation reserve | - | (321,921) | - | (321,921) | - | (321,921) |
| Share based payment reserve | - | (136,762) | 136,762 | - | - | - |
| **Balance at 30 June 2018** | **8,014,483** | **(771,091)** | **990,891** | **8,234,283** | **-** | **8,234,283** |
| **Balance at 1 July 2018** | 8,014,483 | (771,091) | 990,891 | 8,234,283 | - | 8,234,283 |
| **Profit/(loss) for the period** | - | - | (3,520,102) | (3,520,102) | - | (3,520,102) |
| Other comprehensive income/(loss) for the period | - | 514,844 | - | 514,844 | - | 514,844 |
| **Total comprehensive income/(loss) for the period** | **-** | **514,844** | **(3,520,102)** | **(3,005,258)** | **-** | **(3,005,258)** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Write off Accumulated Losses | (7,500,000) | - | 7,500,000 | - | - | - |
| Revaluation Reserve | - | - | - | - | - | - |
| Foreign currency translation reserve | - | - | - | - | - | - |
| Share based payment reserve | - | - | - | - | - | - |
| **Balance at 30 June 2019** | **514,483** | **(256,247)** | **4,970,789** | **5,229,025** | **-** | **5,229,025** |

The accompanying notes form part of these financial statements.

STREAM GROUP LIMITED ABN: 57 010 597 672
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 962,571 | 2,273,083 |
| Interest received | | 62,807 | 68,855 |
| Payments to suppliers and employees | | (1,682,703) | (1,968,686) |
| Income tax paid | | - | - |
| **Net cash provided by / (used in) operating activities** | 21 | **(657,325)** | **373,252** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of business | | - | - |
| Payments for property, plant and equipment | | (1,965) | (5,609) |
| Loans repaid to related parties | | - | - |
| Loans received from related parties | | - | - |
| Net cash provided by / (used in) investing activities | | **(1,965)** | **(5,609)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | - | - |
| Proceeds from issue of shares | | - | - |
| **Net cash provided by financing activities** | | **-** | **-** |
| Net increase/(decrease) in cash held | | (659,290) | 367,643 |
| Cash and cash equivalents at beginning of financial year | | 3,102,185 | 2,803,008 |
| Effects of exchange rate on the balance of cash held in foreign currencies | | 223,143 | (68,466) |
| **Cash and cash equivalents at end of financial year** | 9 | **2,666,038** | **3,102,185** |

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Stream Group Limited and Controlled Entities (the "consolidated group" or "group"). The separate financial statements of the parent entity, Stream Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 27 September 2019 by the directors of the company.

**Note 1 Summary of Significant Accounting Policies**

**Basis of Preparation**
These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**New or amended Accounting Standards and Interpretations adopted**
The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the company:

*AASB 9 Financial Instruments*
The company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

*AASB 15 Revenue from Contracts with Customers*
The company has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

*Impact of adoption*
AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 July 2018.

**(a) Principles of Consolidation**
The consolidated financial statements incorporate all of the assets, liabilities and results of Stream Group Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

**Note 1 Summary of Significant Accounting Policies (Continued)**

**(b) Income Tax**

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(c) Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight- line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| **Class of Fixed Asset** | **Depreciation Rate** |
| --- | --- |
| Plant and equipment | 50% |

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**Note 1 Summary of Significant Accounting Policies (Continued)**

**(d) Non-current assets held for sale and discontinued operations**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale, and; represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversals of impairment recognised on classification as held for sale or prior to such classification are recognised as a gain in profit or loss in the period in which it occurs.

**(e) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Note 1 Summary of Significant Accounting Policies (Continued)**

**(f) Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment)*. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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. Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

**(g) Other Intangible Assets**

**Recognition of internally developed software**

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred. Costs that are directly attributable include employees' (other than Directors') costs incurred on software development, along with an appropriate portion of relevant overheads and borrowing costs.

**Subsequent measurement**

All intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

The following useful lives are applied:

- Computer software: 7 years
- Software IP: indefinite useful life

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

**(h) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

**Note 1 Summary of Significant Accounting Policies (Continued)**

**(i) Employee Benefits**

**Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**Termination benefits**

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

**Equity-settled compensation**

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**(j) Provisions, contingent liabilities and contingent assets**

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

**(l) Revenue Recognition**

The company recognises revenue as follows:

**Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises

**Note 1 Summary of Significant Accounting Policies (Continued)**

revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

**Sale of goods**
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

**Rendering of services**
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

**Interest**
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**Other revenue**
Other revenue is recognised when it is received or when the right to receive payment is established.

**(m) Trade and Other Receivables**
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**(n) Trade and Other Payables**
Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(o) Borrowing Costs**
Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(p) Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(q) Segment Reporting**
The accounting policies of the reportable segments are the same as the Group's accounting policies described in this note (Note 1). Segment profit represents the profit before tax earned by each segment without, share of profit of associates, share of profit of joint ventures, gain recognised on disposal of interest in former associate, investment income, and finance costs. All central administration costs have been allocated accordingly on a reasonable basis. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**(r) Contributed Equity**
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.
Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

**Note 1 Summary of Significant Accounting Policies (Continued)**

**(s) Earnings Per Share (EPS)**

Basic EPS is calculated as net profit or loss attributable to members of the Parent, adjusted to exclude any costs of servicing the entity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to member of the Parent, adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Net profit of loss attributable to members of the Parent is divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(t) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements.

**(u) Critical Accounting Estimates and Judgements**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and with the company. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revision affects both current and future periods. The key areas in which critical estimates are applied are described below:

**Key Estimates**

*(i) Impairment - General*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key Judgements**

*(i) Recognition of deferred tax asset for carried forward tax losses*

The group has recognised a deferred tax asset for unused tax losses as at 30 June 2019. Refer to note 16. The Group has concluded that future taxable profit will be available against which the unused tax losses can be utilised. This is supported by approved budgets and business plans.

*(ii) Capitalisation of internally developed software*

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

*(iii) Intangible assets with indefinite useful lives*

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. Software IP is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which it is expected to generate net cash flows. We consider the technology is highly unlikely to become obsolete, and since it is continually refreshed and enhanced the value is maintained, especially as it is a core technology to our customers and is integrated into their operations. An impairment assessment is performed annually to ensure the value is supportable, and in 2019 the Group recognized an impairment loss.

**(v) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2019. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The company will adopt this standard from 1 July 2019 and its impact on adoption is not expected to be significant.

**Note 2 Parent Entity Financial Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | 2019 | 2018 |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | $ | $ |
| ASSETS | | |
| Current Assets | 5,065,067 | 544,768 |
| Non-current Assets | - | - |
| TOTAL ASSETS | 5,065,067 | 544,768 |
| | | |
| LIABILITIES | | |
| Current Liabilities | 473,295 | 2,311,541 |
| Non-current Liabilities | - | - |
| TOTAL LIABILITIES | 473,295 | 2,311,475 |
| | | |
| EQUITY | | |
| Issued Capital | 514,483 | 8,014,483 |
| Retained Earnings / (Accumulated Losses) | 152,655 | (9,781,256) |
| Revaluation Reserve | 3,924,634 | - |
| TOTAL EQUITY | 4,591,772 | (1,766,773) |
| | | |
| **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | |
| Total profit/(loss) | 2,433,910 | (329,833) |
| | | |
| Total comprehensive income | 2,433,910 | (329,833) |

**Significant Accounting Policies**
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1.

**Guarantees**
Stream Group Limited has not entered into any guarantees in the current or previous financial year in relation to the debts of its subsidiaries.

**Contingent assets/liabilities**
During the 2017 financial year Stream Group Ltd's subsidiary Symetri Ltd sold its business and assets other than cash and software. Pursuant to that agreement Symetri Ltd was entitled to an earnout payment based on the level of profitability of the sold business for the year to 31 December 2018. This level of profitability was not achieved; however, the earn-out is part of an ongoing discussions with the purchaser regarding the terms of an extension of our supply contract with them. Other than that, as at 30 June 2019 Stream Group Limited did not have any known contingent assets or liabilities.

**Contractual commitments**
At 30 June 2019 Stream Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2018: Nil).

**Note 3 Revenue and Other Income**

| **Revenue from continuing operations** | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Sales revenue | | |
| — contract revenue | 1,012,903 | 1,255,633 |
| — provision of services | - | - |
| | 1,012,903 | 1,255,633 |
| Other revenue | | |
| — interest received | 72,963 | 83,427 |
| — recognition of assets | 160,550 | 107,675 |
| | 233,513 | 191,103 |
| | | |
| Total revenue | 1,246,416 | 1,446,736 |
| | | |
| Other income | | |
| — gain (loss) on foreign exchange | 514,844 | 98,819 |
| Total other income | 514,844 | 98,819 |
| Interest revenue from: | | |
| — financial institutions | 61,570 | 50,249 |
| Total interest revenue on financial assets | 61,570 | 50,249 |

**Note 4 Profit/(Loss) for the Year**

Profit/(loss) before income tax from continuing operations includes the following specific expenses:

| | 2019 | 2018 |
|---|---|---|
| (a) Expenses | $ | $ |
| Interest expense on financial liabilities: | | |
| — Financial institutions | 145 | 9 |
| Employee benefits expense | 558,364 | 435,613 |
| Loss on impairment of assets | 2,912,243 | - |
| Other Expenses | | |
| — IT hosting | 214,592 | 165,096 |
| — Accounting and audit | 101,907 | 112,023 |
| — External contractors | 417,041 | 277,659 |
| — Legal expenses | 90,806 | 125,228 |
| — Interest paid | - | - |
| Depreciation and amortisation expense | | |
| — Depreciation of property, plant & equipment | 3,043 | 1,945 |

**Note 5 Income Tax Expense**

| | 2019 | 2018 |
|---|---|---|
| The components of tax (income)/expense | $ | $ |
| Comprise: | | |
| Current Tax | - | - |
| Deferred Tax | 48,267 | (83,324) |
| | 48,267 | (83,324) |
| The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax payable on loss from ordinary activities before income tax at 27.5% (2018: 27.5%) | | |
| — consolidated group | (981,301) | (12,259) |
| Add: | | |
| Tax effect of: | | |
| — non-allowable items | 288 | 35,788 |
| Less: | | |
| Tax effect of: | | |
| — current year losses not recognised | 1,029,280 | (106,853) |
| Income tax attributable to entity | 48,267 | (83,324) |

The deferred tax asset not brought to account relate to tax losses relating to the Group's Australian operations. The deferred tax asset recognised in Note 16 relate to the Group's NZ operations.

**Note 6 Related Party Transactions**

**Transactions with related parties**

There were no transactions occurring with related parties except for those with key management personnel as disclosed below.

**Loans to/from related parties**

There were no loans to or from related parties at the current and previous reporting date.

**Terms and conditions**

All transactions were made on normal commercial terms and conditions and at market rates

**Key Management Personnel Compensation**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2019.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 134,410 | 93,750 |
| Post-employment benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | - | - |
| Total KMP compensation | 134,410 | 93,750 |

Short-term employee benefits

- these amounts include fees and benefits paid to the non-executive chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits

- these amounts are the current year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Further information in relation to KMP remuneration can be found in the Director's Remuneration Report.

**Note 7 Auditors' Remuneration**

| **PKF** | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Remuneration of the auditor for: | | |
| — auditing or reviewing the financial report | 37,500 | 37,500 |
| — taxation services | 44,000 | - |
| | 81,500 | 37,500 |

**Note 8 Earnings per Share**

| | | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| (a) | Reconciliation of earnings to profit or loss | | |
| | Profit/(loss) | (3,005,258) | (29,083) |
| | Profit attributable to non-controlling equity interest | - | - |
| | Earnings used to calculate basic and dilutive EPS | (3,005,258) | (29,083) |
| (b) | Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 218,305,344 | 219,329,753 |
| | Weighted average number of dilutive options outstanding | - | - |
| | Weighted average number of dilutive converting preference shares on issue | - | - |
| | Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 218,305,344 | 219,329,753 |
| (c) | Calculation of basic and diluted EPS | Cents | Cents |
| | Basic earnings per | (1.38) | (0.01) |
| | Diluted earnings per share | (1.38) | (0.01) |

**Note 9 Cash and Cash Equivalents**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Cash at bank and on hand | 2,666,038 | 3,102,185 |
| **Reconciliation of cash** | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents | 2,666,038 | 3,102,185 |

**Note 10 Trade and Other Receivables**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Trade receivables | 261,362 | 224,605 |
| Less: Allowance for expected credit losses | (4,224) | - |
| | 257,138 | 224,605 |
| Add: | | |
| Other receivables | 280,687 | 303,695 |
| Interest receivable | - | |
| Total Trade and Other Receivables | 537,825 | 528,300 |

Allowance for expected credit losses

The company has recognised a loss of $4,224 in profit or loss in respect of the expected credit losses for the year ended 30 June 2019

| **Financial Assets Classified as Loans and Receivables** | 2019 | 2018 |
|---|---|---|
| Trade receivables | $ | $ |
| — Total current | 242,772 | 224,605 |
| — Total non-current | - | - |
| Financial assets | 242,772 | 224,605 |

The ageing of the receivables and allowance for expected credit losses provided for the above are as follows

| | Expected credit loss rate<br>2019<br>% | Carrying amount<br>2019<br>$ | Allowance for expected credit losses<br>2019<br>$ |
|---|---|---|---|
| Not overdue | 0% | 162,105 | - |
| 30-60 Days | 0% | 1,100 | - |
| 60-90 Days | 0% | 832 | - |
| 90 Days + | 4% | 97,325 | 4,224 |
| Total | | 261,362 | 4,224 |

**Note 11 Interests in Subsidiaries**

**(a) Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group. Each subsidiary's country of incorporation is also its principal place of business.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

The consolidated financial statements of Stream Group Limited incorporate the assets, liabilities and results of the following subsidiaries.

| | | | Ownership Interest | |
|---|---|---|---|---|
| | | | **2019** | **2018** |
| **Name of subsidiary** | **Principal activity** | **Country of incorporation** | **%** | **%** |
| Qusol NZ Ltd (Formerly Symetri Ltd) | Software development and deployment | New Zealand | 100% | 100% |
| Qusol Technology Ltd (formerly Symetri Technology Ltd | Owner of software | New Zealand | 100% | 100% |

**(b) Disposal of Controlled Entities**

No entities were disposed of during the year

**Note 12 Property, Plant and Equipment**

| **PLANT AND EQUIPMENT** | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Plant and equipment: | | |
| At cost | 7,574 | 5,609 |
| Accumulated depreciation | (4,988) | (1,945) |
| **Total plant and equipment** | **2,586** | **3,664** |

**(a) Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Plant and Equipment | Total |
|---|---|---|
| **Consolidated Group:** | $ | $ |
| Additions | 5,609 | 5,609 |
| Disposals | - | - |
| Revaluation increments / (decrements) | - | - |
| Movement in foreign currency | - | - |
| Depreciation expense | (1,945) | (1,945) |
| **Balance at 30 June 2018** | **3,664** | **3,664** |
| Additions | 1,965 | 1,965 |
| Disposals | - | - |
| Revaluation increments / (decrements) | - | - |
| Movement in foreign currency | - | - |
| Depreciation expense | (3,043) | (3,043) |
| **Balance at 30 June 2019** | **2,586** | **2,586** |

**Note 13 Intangible Assets**

| | 2019 | 2018 |
|---|---|---|
| **Software IP** | $ | $ |
| Cost | 4,448,003 | 4,966,353 |
| Foreign exchange rate movement | 331,198 | (190,216) |
| Accumulated amortisation and impairment losses | (2,696,522) | (328,134) |
| **Net Carrying Amount** | **2,082,679** | **4,448,003** |
| | | |
| **Total Intangibles** | **2,082,679** | **4,448,003** |

The recoverable amounts of Software IP were determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using the growth rates determined by management, being 2%. The present value of the expected cash flows was determined by applying a suitable discount rate, being 20.0%.

| | Software IP<br>$ | Total<br>$ |
|---|---|---|
| **Year ended 30 June 2018** | | |
| Balance at the beginning of the year | 4,592,663 | 4,592,663 |
| Additions | - | - |
| Foreign exchange rate movements | (144,660) | (144,660) |
| Disposals | - | - |
| Amortisation/impairment charge | - | - |
| Closing value at 30 June 2018 | 4,448,003 | 4,448,003 |
| **Year ended 30 June 2019** | | |
| Balance at the beginning of the year | 4,448,003 | 4,448,003 |
| Additions | - | - |
| Foreign exchange rate movements | 331,198 | 331,198 |
| Disposals | - | - |
| Amortisation/impairment charge | (2,696,522) | (2,696,522) |
| Closing value at 30 June 2019 | 2,082,679 | 2,082,679 |

The Group's intangible assets consist of the BuildAssist and Qusol computer software owned by a wholly-owned subsidiary, Qusol Technology Ltd. Refer to Note 1 (u) for further detail of judgement. Due to the loss of a substantial amount of our second largest customer's business resulting from regulatory changes in the UK, the Directors have determined that the carrying value of the software exceeds the in-use value by $2,696,522 and have impaired the value of the software by that amount.

**Note 14 Other Assets**

| | 2019 | 2018 |
|---|---|---|
| **CURRENT** | $ | $ |
| Prepayments | 66,426 | 96,895 |
| Accrued income | 1,724 | 4,561 |
| | 68,150 | 101,456 |

**Note 15 Trade and Other Payables**

| | 2019 | 2018 |
|---|---|---|
| **CURRENT** | $ | $ |
| Trade payables | 99,344 | 83,701 |
| Sundry payables and accrued expenses | 308,206 | 99,445 |
| | 407,550 | 183,146 |

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| (a) Financial liabilities at amortised cost classified as trade and other payables | | |
| Trade and other payables | | |
| — Total current | 407,550 | 183,146 |
| — Total non-current | - | - |
| Financial liabilities as trade and other payables | 407,550 | 183,146 |

**Note 16 Tax**

| | 2019 | 2018 |
|---|---|---|
| **CURRENT** | $ | $ |
| Income tax payable | - | - |
| | - | - |

| **NON-CURRENT** **Consolidated Group** | Opening Balance $ | Charged to Income $ | Charged directly to Equity $ | Changes in Tax Rate $ | Exchange Differences $ | Closing Balance $ |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Provisions | 73,157 | (32,269) | - | - | - | 40,888 |
| Unused tax losses | 199,567 | (59,417) | - | - | - | 140,150 |
| Accruals | - | - | - | - | - | - |
| **Balance at 30 June 2018** | 272,724 | (91,686) | - | - | - | 181,038 |
| Provisions | 40,888 | 23,771 | - | - | - | 64,659 |
| Unused tax losses | 140,150 | 38,834 | - | - | - | 178,984 |
| Accruals | - | - | - | - | - | - |
| **Balance at 30 June 2019** | 181,038 | 62,605 | - | - | - | 243,643 |

**Note 17 Provisions**

| | 2019 | 2018 |
|---|---|---|
| Employee Benefits | $ | $ |
| Opening balance | 54,893 | 52,789 |
| Acquired (reduced) through business combination | - | - |
| Additional provisions | 35,752 | 28,726 |
| Amounts used | (16,208) | (26,622) |
| Closing Balance | 74,437 | 54,893 |
| Total Provisions | 74,437 | 54,893 |

**Provision for Employee Benefits**

Provision for employee benefits represents amounts accrued for annual and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements. Based on past experience the Group does not expect the full amount of annual leave classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

**Note 18 Issued Capital**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| 215,996,420 (2018: 219,329,753) fully paid ordinary shares | 514,483 | 8,014,483 |
| | 514,483 | 8,014,483 |

During the year the Board resolved to reduce the Group's share capital by $7,500,000 in accordance with Section 258F of the Corporations Act. The capital reduction will have the effect of reducing the share capital account and reducing the Group's accumulated accounting losses. The capital reduction has no impact on the Group's assets, net assets, financial results or cash flow. The number of shares on issue will not change as a result of the capital reduction.

Under section 258F(1) of the Corporations Act, a company may reduce its share capital without shareholder approval by cancelling any paid-up share capital that is not represented by available assets.

**(a) Ordinary Shares**

| | 2019 | 2018 |
|---|---|---|
| | No. | No. |
| At the beginning of the reporting period | 219,329,753 | 219,329,753 |
| Shares issued during the year | | |
| Cancellation of shares (27/03/2019) | (3,333,333) | - |
| At the end of the reporting period | 215,996,420 | 219,329,753 |

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Note 19 Contingent Liabilities and Contingent Assets**

When Stream Group Ltd's NZ subsidiary sold its claims management business and assets in 2017 it provided normal warranties and indemnities with respect to the sold business. Notwithstanding that the Group has taken out appropriate insurance policies to cover such contingencies, there is a residual contingent liability with respect to warranties and indemnities provided to the purchaser of the business.

**Note 20 Operating Segments**

**General Information**

**Identification of reportable segments**

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

The Group is managed primarily on the basis of geographic location as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The geographic operating segments identified are as follows:

— Australia;
— New Zealand;

Each of these segments is described below:

Australia

The Australian operating segment consists of the Qusol software division providing IT services to Gallagher Bassett NZ Ltd, Stream Claims Services UK and other clients.

New Zealand

The New Zealand (NZ) operating segment is made up entirely of the results of Qusol NZ Ltd (Formerly Symetri Ltd).

**Basis of accounting for purposes of reporting by operating segments**

**(a) Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

**(b) Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segment's consumption of head office expenditure.

**(c) Unallocated items**

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Equity accounted share of associates net profit/(loss)
- Payments under employee share plans
- Impairment of assets/bad debts written off
- Exchange differences on translation of foreign operations

**(d) Segment performance**

| 30 June 2019 | Australia $ | New Zealand $ | Eliminations/ Unallocated Items $ | Total $ |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Sales | 43,970 | 968,933 | - | 1,012,903 |
| Other Revenue | 3,238,452 | 160,435 | (3,238,337) | 160,550 |
| **Total segment revenue** | **3,282,422** | **1,129,368** | **(3,238,337)** | **1,173,453** |
| **SEGMENT RESULT** | | | | |
| Operating Expenses | (468,354) | (1,430,994) | - | (1,899,348) |
| **Earnings before interest, tax, depreciation and amortisation** | **2,814,068** | **(301,626)** | **(3,238,337)** | **(725,895)** |
| Depreciation and amortisation | (3,043) | - | - | (3,043) |
| **Earnings before interest and tax (EBIT)** | **2,811,025** | **(301,626)** | **(3,238,337)** | **(728,938)** |
| Gain (loss) on derecognition | - | - | - | - |
| Interest (income) | 15,836 | 140,392 | (83,265) | 72,963 |
| Interest (expense) | (84,962) | (144) | 84,955 | (151) |
| Income tax benefit/(expense) | - | 48,267 | - | 48,267 |
| Exchange differences on translation of foreign operations | - | - | - | 514,844 |
| Impairment of Assets | - | - | - | (2,912,243) |
| Net profit/(loss) for the year | **2,741,899** | **(113,111)** | **(3,236,647)** | **(3,005,258)** |

| 30 June 2018 | Australia $ | New Zealand $ | Eliminations/ Unallocated Items $ | Total $ |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Sales | 77,588 | 1,178,045 | - | 1,255,633 |
| Other Revenue | 124,712 | 176,917 | (110,527) | 191,103 |
| **Total segment revenue** | **202,300** | **1,354,962** | **(110,527)** | **1,446,736** |
| **SEGMENT RESULT** | | | | |
| Operating Expenses | (463,272) | (1,185,005) | (148,361) | (1,499,916) |
| **Earnings before interest, tax, depreciation and amortisation** | **(260,972)** | **169,957** | **37,834** | **(53,180)** |
| Depreciation and amortisation | (1,945) | - | - | (1,945) |
| **Earnings before interest and tax (EBIT)** | **(262,917)** | **169,957** | **37,834** | **(55,125)** |
| Gain (loss) on derecognition | (66,912) | - | 176,463 | 109,551 |
| Interest (income) | - | - | - | - |
| Interest (expense) | - | (185) | - | (185) |
| Income tax benefit/(expense) | - | (83,324) | - | (83,324) |
| Exchange differences on translation of foreign operations | - | - | - | - |
| Impairment of Assets | - | - | - | - |
| Net profit/(loss) for the year | **(329,829)** | **86,448** | **214,298** | **(29,083)** |

Please note that the above segment analysis provides the results for each geographical segment before elimination of inter-entity transactions to accurately demonstrate the profit in each different segment. This is due to the costs incurred by the Australian entities that relate to the operational activities in New Zealand.

**(e) Segment assets and liabilities**

| 30 June 2019 | Australia $ | New Zealand $ | United Kingdom $ | Eliminations on consolidation $ | Total $ |
|---|---|---|---|---|---|
| Assets | 5,050,208 | 4,817,423 | - | (4,156,619) | 5,711,012 |
| Liabilities | 458,436 | 254,535 | - | (230,984) | 481,987 |

| 30 June 2018 | Australia $ | New Zealand $ | United Kingdom $ | Eliminations on consolidation $ | Total $ |
|---|---|---|---|---|---|
| Assets | 544,768 | 10,113,391 | - | (2,185,837) | 8,472,322 |
| Liabilities | 2,311,541 | 133,560 | - | (2,207,062) | 238,039 |

**Note 21 Cash Flow Information**

(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit/(Loss) after income tax | (3,005,258) | (29,083) |
| Non-cash flows in profit/(loss) | | |
| Depreciation | 3,043 | 1,945 |
| Non-cash interest | - | 14,572 |
| Currency loss /(gain) | (223,143) | 68,466 |
| Impairment of assets/bad debts written off | 2,365,324 | - |
| Effect of foreign exchange on asset values | - | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| (Increase)/decrease in trade and other receivables | (9,525) | 704,099 |
| (Increase)/decrease in other assets | 30,891 | (239,685) |
| Increase/(decrease) in trade payables and accruals | 224,404 | (240,852) |
| Increase/(decrease) in deferred income taxes | (62,605) | 91,686 |
| Increase/(decrease) in other liabilities | 19,544 | 2,104 |
| Cash flow from operating activities | (657,325) | 373,252 |

(b) See Note 9 for reconciliation of cash to the statement of financial position.

**Note 22 Events After the Reporting Period**

There have been no significant events after the reporting period.

**Note 23 Financial Risk Management**

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

| | | Consolidated Group | |
|---|---|---|---|
| **Financial Assets** | **Note** | 2019 $ | 2018 $ |
| Cash and cash equivalents | 9 | 2,666,038 | 3,102,185 |
| Loans and receivables | 10 | 242,772 | 528,300 |
| **Total Financial Assets** | | 2,908,810 | 3,630,485 |
| **Financial Liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| — Trade and other payables | 15 | 407,550 | 183,146 |
| — Borrowings | | - | - |
| **Total Financial Liabilities** | | 407,550 | 183,146 |

**Financial Risk Management Policies**

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not maintain any derivative instruments at 30 June 2019.

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are vary between the different business however, do not exceed 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

*Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

This credit risk is managed through the significant influence that the Group has over the entity allowing it to actively participate in the operating decisions and oversight of the business. The Group also has preferred creditor status over all other creditors but behind the bank.

The Group has other no significant concentration of credit risk with any single counterparty or group of counterparties.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

| | **Note** | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| Cash and cash equivalents | | | |
| - AA Rated | | 2,666,038 | 3,102,185 |
| - A Rated | | - | - |
| - BBB Rated | | - | - |
| - Other | | - | - |
| | 9 | 2,666,038 | 3,102,185 |

**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- on-going review of cash flow;
- obtaining funding from a variety of sources, e.g. equipment financing;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

**c. Market Risk**

**i. *Interest rate risk***

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings, shares in listed companies and cash and cash equivalents. This risk is considered in the sensitivity analysis below.

***Sensitivity Analysis***

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| **Year ended 30 June 2019** | Profit<br>$ | Equity<br>$ |
|---|---|---|
| +/- 2% in interest rates | - | - |
| +/- 10% in AUD/NZD | 252,233 | 1,373,778 |

| **Year ended 30 June 2018** | Profit<br>$ | Equity<br>$ |
|---|---|---|
| +/- 2% in interest rates | - | - |
| +/- 10% in AUD/NZD | 6,694 | 1,925,032 |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

**Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (i.e. trade receivables, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

| | | 2019 | | 2018 | |
|---|---|---|---|---|---|
| | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | $ | $ | $ | $ |
| Cash and cash equivalents | 9 | 2,666,038 | 2,666,038 | 3,102,185 | 3,102,185 |
| Trade and other receivables | 10 | 537,825 | 537,825 | 528,300 | 528,300 |
| **Total financial assets** | | 3,203,863 | 3,203,863 | 3,630,485 | 3,630,485 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | 15 | 407,550 | 407,550 | 183,146 | 183,146 |
| Related Party Loan | | - | - | - | - |
| **Total financial liabilities** | | 407,550 | 407,550 | 183,146 | 183,146 |

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values. Trade and other payables exclude amounts relating to the provision of annual leave, which is outside the scope of AASB 9.

(ii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying amounts largely represent movements in the effective interest rate determined on initial recognition and current market rates.

(iii) For listed financial assets, closing quoted bid prices at the end of the reporting period are used. In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

(iv) Discounted cash flow models are used that incorporate a yield curve appropriate to the remaining maturity of the debenture, bill or promissory note.

(v) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair value of fixed rate bank debt will differ to carrying amounts.

**Capital management**

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position and cash flow hedges recognised in other comprehensive income.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

**Note 24 Reserves**

**a. Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Opening balance | (771,091) | (312,408) |
| Translation of financial statements of foreign entities | 514,844 | (458,683) |
| Closing balance | (256,247) | (771,091) |

**b. Share-based Payments Reserve**

The share-based payments reserve recognises share-based payment transactions with employees or other parties to be settled in the future.

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Opening balance | - | 136,762 |
| Lapse of Share-based payments | - | (136,762) |
| Closing balance | - | - |
| | | |
| Total reserves | (256,247) | (771,091) |

**Note 25 Capital and Lease Commitments**

There were no capital or lease commitments at the year end.

**Note 26 Company Details**

The registered office of the company is:
Stream Group Limited
Level 3
22 Market Street
Sydney NSW 2000
www.streamgroupltd.com.au

STREAM GROUP LIMITED ABN: 57 010 597 672

AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Stream Group Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 12 to 34, are in accordance with the Corporations Act 2001 and:
   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Director: ______________________

Lawrence Case

Dated: 27 September 2019

## SHAREHOLDER INFORMATION

Additional information required by Australian Stock Exchange Listing Rules is as follows. The following information is current as at 9 September 2019:

1. **Shareholding**

a. **Distribution schedule of shareholders**

| **Category (size of holding)** | **Number of Holders** | **Ordinary Share** | **Percentage** |
|---|---|---|---|
| | | Number | |
| 1 - 1,000 | 204 | 53,274 | 0.03% |
| 1,001 - 5,000 | 178 | 420,412 | 0.20% |
| 5,001 - 10,000 | 83 | 739,529 | 0.34% |
| 10,001 - 100,000 | 170 | 5,274,318 | 2.44% |
| 100,001 - and over | 79 | 209,508,887 | 96.99% |
| **TOTAL** | **714** | **215,996,420** | **100.00%** |

b. **The names of the substantial shareholders listed in the holding company's register are:**

| Shareholder | Ordinary Share Number | Percentage |
|---|---|---|
| PHOENIX DEVELOPMENT FUND LTD | 36,143,320 | 16.48% |
| GISELA FELSTEAD | 29,791,444 | 13.58% |
| NIGHTINGALE PARTNERS PTY LTD | 25,559,842 | 11.65% |
| JULIUS NEISER | 12,219,848 | 5.57% |
| PAUL NEISER | 12,219,848 | 5.57% |
| TOM NEISER | 12,219,848 | 5.57% |

c. **Class of shares and voting Rights**

All shares are 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.

d. **20 Largest Shareholders — Ordinary Shares**

| **Balance as at 9 September 2019** | **Number of Ordinary Shares Held** | **Percentage %** |
|---|---|---|
| 1. BNP PARIBAS NOMS PTY LTD | 82,425,312 | 38.16% |
| 2. NIGHTINGALE PARTNERS PTY LTD | 25,559,842 | 11.83% |
| 3. NATIONAL NOMINEES LIMITED | 10,234,135 | 4.74% |
| 4. PHOENIX DEVELOPMENT FUND LTD | 10,583,478 | 4.90% |
| 5. DONWOOD PTY LTD | 6,514,912 | 3.02% |
| 6. CONTEMPLATOR PTY LTD | 5,000,000 | 2.31% |
| 7. NOTRON (NO 91) PTY LTD | 5,403,442 | 2.50% |
| 8. DMX CAPITAL PARTNERS LTD | 4,577,311 | 2.12% |
| 9. CHRISTIAN BERNECKER & K THOMPSON | 4,999,996 | 2.31% |
| 10. MIEI RAGAZZI PTY LTD | 3,000,000 | 1.39% |
| 11. STORMCLASSIC PTY LTD | 2,973,685 | 1.38% |
| 12. C BERNECKER & K THOMPSON | 2,642,027 | 1.22% |
| 13. C BERNECKER & K THOMPSON | 2,357,969 | 1.09% |
| 13. ROBERT ALLWELL PTY LTD | 2,730,736 | 1.26% |
| 13. RISTOLLE PTY LTD | 2,333,334 | 1.08% |
| 14. FERNANE PTY LTD | 2,333,333 | 1.08% |
| 15. PACIFIC ATLANTIC COMMERCE PTY LTD | 2,060,519 | 0.95% |
| 16. TRANSITION PROPERTY GROUP PTY LTD | 1,647,487 | 0.75% |
| 17. PETHOL (VIC) PTY LTD <MACDY NO. 5 SUPERFUND A/C> | 3,000,000 | 1.39% |
| 18.BOND STREET CUSTODIANS LTD | 1,440,000 | 0.67% |
| 19. SUULEISA NOMINEES PTY LTD | 1,755,555 | 0.81% |
| 20. MR JENS NEISER | 1,750,022 | 0.81% |
| | 185,323,095 | 85.77% |

2. The name of the company secretary is Brett Crowley (commenced on 10 May 2016).

3. The address of the principal registered office in Australia is Level 3, 22 Market St, Sydney, 2000. Telephone +61 422 432 441

4. A register of securities is held at the following address:

Advanced Share Registry Services
110 Stirling Highway, Nedlands, WA, Australia, 6009 http://www.advancedshare.com.au
(08) 9389 8033

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

PKF

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF STREAM GROUP LIMITED

## Report on the Financial Report

### Opinion

We have audited the accompanying financial report of Stream Group Limited (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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.

In our opinion, the financial report of Stream Group 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 2019 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

### Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

PKF Newcastle Pty Limited
ABN 64 090 945 681

Liability limited by a scheme approved under Professional Standards Legislation

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f +61 2 4962 3245

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

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## Key Audit Matters

**1. Impairment testing of Intangible Asset (Software IP)**

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Within the group's intangible assets is a balance of $2,082,679 relating to the BuildAssist/Qusol Intellectual Property rights. This asset has been subject to an impairment loss of $2,696,522 during the year.<br><br>This Software IP has been considered by the Directors to have an indefinite useful life, and under AASB 138 *Intangible Assets,* any intangible asset with an indefinite useful life, must be tested for impairment annually, and additionally whenever there is an indication that the asset may be impaired. in accordance with AASB 136 *Impairment of Assets.* Details of impairment testing are included in Note 13.<br><br>In addition, the Software IP is the major asset within the Group, and currently the only source of revenue going forward, therefore it is important that the asset value is an accurate reflection of the revenues and cashflows which it will generate in the future.<br><br>Management have determined that there is no foreseeable limit to the period over which the Software IP is expected to generate net cash flows, and consider the technology is highly unlikely to become obsolete, and since it is continually been refreshed and enhanced, the value is being maintained, especially as it is a core technology to their customers and is integrated into their operations.<br><br>Based on the above we have considered that the carrying value of intangibles and related impairment testing is a key audit matter. | Our work has included, but not been limited to, the following procedures:<br><br>• Reviewing Management's assessment regarding the Software IP having an indefinite useful life;<br>• Analysing Management's board approved NPV cash flow model and considering for reasonableness, including adequacy and appropriateness of impairment of $2,696,522;<br>• Performing audit work on the key assumptions used by Management in preparation of their financial cash flow forecast, and seeking additional audit evidence where necessary to gain sufficient assurance over the reasonableness of the assumptions (refer to Note 13);<br>• Reviewing Management's sensitivity testing and applied additional sensitivity criteria to further challenge the carrying value of the asset;<br>• Ensuring the requirements of AASB 138 *Intangible Assets* have been satisfied, including recognition and subsequent measurement of the intangible assets, and the additional requirements with regard to intangible assets with an indefinite useful life; and<br>• Considering the impairment testing with regard to the requirements of AASB 136 *Impairment of Assets.* |

## Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

## Other Information (cont'd)

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 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 of the financial report that gives a true and fair view 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.

## Auditor’s Responsibilities for the Audit of the Financial Report (cont’d)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Stream Group Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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.

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SCOTT TOBUTT
PARTNER

27 SEPTEMBER 2019
SYDNEY, NSW