

**STREAM GROUP LIMITED  
AND CONTROLLED ENTITIES**

ABN: 57 010 597 672



**Annual Report  
For the year ended 30 June 2017**

# STREAM GROUP LIMITED AND CONTROLLED ENTITIES

ABN: 57 010 597 672

## Annual Report For the year ended 30 June 2017

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The Company's Corporate Governance Statement can be viewed on the website at:  
[www.qusol.com.au/stream-group-ltd-investor-centre/](http://www.qusol.com.au/stream-group-ltd-investor-centre/)

Dear Shareholder,

On behalf of the Board, I am pleased to submit the 2017 Annual Report for Stream Group Ltd. 2017 was a watershed year for the Stream Group. In April 2017 our wholly-owned New Zealand subsidiary, Symetri Ltd, sold the last of the Group's claims management businesses to Gallagher Bassett NZ Ltd, a subsidiary of one of the world's largest insurance and risk management businesses. The purchase price is payable in two tranches. An initial payment of \$NZ 7 million was received on completion. In addition, an earn-out amount calculated as the excess (if any) by which 10 times that business's net profit after tax for the year to 31 December 2018 exceeds \$NZ 7 million will be payable in early 2019. The earn-out payment is capped at \$NZ 18 million. After allowing for associated costs, the sale of the Symetri claims management business generated a capital profit of \$A4.45 million. The sale of the claims management business has also enabled the Stream Group to repay all of its interest-bearing debt.

Subsequent to the sale of its claims management business, Symetri Ltd and its wholly-owned subsidiary Symetri Technology Ltd changed their names to Qusol NZ Ltd and Qusol Technology Ltd ("QTL") respectively to better reflect the change in the focus of the business from managing insurance claims to providing claims management and workflow management software to the insurance and construction industries. QTL has two software offerings. BuildAssist is a web-based claims management and repair management platform designed to allow proactive management of insurance claims across the entire claim lifecycle. The Qusol workflow management software was developed as an adjunct to BuildAssist and is designed to enable proactive management of jobs in the construction and other service-based industries. QTL provides its technology on a software-as-a-service basis and both the BuildAssist and Qusol platforms are available on a fully-hosted or client-hosted basis. QTL has clients in Australia, New Zealand and the U.K.

Having sold the NZ claims management business, the Stream Group now has the financial stability and resources necessary to develop its technology business. The software has been used successfully over the past decade and has a proven track record. Directors believe that there is considerable scope to grow this business, either organically or by way of acquisition.

Finally, I would like to thank the staff of both our continuing technology business and the sold claims management business for their support and contribution to the successful transition of the Stream Group from a claims management business to a technology business supplying software to the claims management industry in what has been a trying and difficult two years.



Lawrence Case (Chairman)

Dated: 30 October 2017

### **Principal Activities**

The principal activities of the consolidated group during the financial year were:

- management of insurance claims;
- development and deployment of software for the insurance and construction industries.

The operations were conducted in Australia, New Zealand and the United Kingdom.

### **Significant Changes to Activities**

As referred to above, during the year the Group exited its last remaining claims management business when it sold the claims management business conducted by its New Zealand subsidiary, Symetri Ltd. Symetri has since changed its name to Qusol NZ Ltd and is solely focused on the supply of 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. There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

### **Operating Results**

The operating profit after tax of the consolidated group for the year was \$3.66 million compared to a loss of \$1.16 million for the year ended 30 June 2016. Included in the profit was a gain of \$4.45 million on the sale by our New Zealand subsidiary of its claims management business as discussed previously.

### **Review of Operations**

As discussed above during the year the Group discontinued its remaining claims management business and is now solely a technology business, providing mission critical software to claims management businesses in New Zealand, Australia and the United Kingdom. The technology business is profitable on its existing client base, and we believe there is significant growth potential for this Division.

### **Financial Position**

The net assets of the Group increased substantially from \$4.61 million as at 30 June 2016 to \$8.59 million as at 30 June 2017 as a result of the sale of the NZ claims management business. In addition, there is an off-Balance Sheet contingent asset in the form of the earn-out, as discussed above.

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

The following significant changes in the state of affairs of the Group occurred during the financial year:

- i. During the year Promissory Notes with a face value of \$525,000 were issued to provide working capital required by the Group prior to the sale of Symetri's claims management business. Each Note had an attached option to acquire 555,555 ordinary shares in Stream Group Ltd at a price of \$0.04 per share. The options expired on 30 June 2017 and as at that date 8,888,880 options had been exercised and 2,777,775 options were allowed to lapse.
- ii. As disclosed above, during the year the Group exited the last of its insurance claims management businesses. As at 30 June 2017 all previously controlled entities of Stream Group Limited had been disposed of other than the following wholly-owned entities:
  - Qusol Pty Ltd (incorporated in Australia)
  - Qusol NZ Ltd (formerly Symetri Ltd) (incorporated in New Zealand)
  - Qusol Technology Ltd (formerly Symetri Technology Ltd) (incorporated in New Zealand).

### **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 BuildAssist and Qusol software platforms. 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 a small number of large clients. This risk is mitigated by the fact that the group's largest customers are both former subsidiaries and both rely heavily on Stream's claims management software.

**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 2017. The information in the preceding Operating and Financial Review forms part of this Directors Report for the financial year ended 30 June 2017 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 (commenced on 14 September 2017)

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 2017:

|                   |              |
|-------------------|--------------|
|                   | \$           |
| Taxation Services | <u>5,000</u> |

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 12 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**

|  |   |
|--|---|
| <u>Lawrence Case</u>   | - 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   | - 4,256,103 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   |
| <u>Christian Bernecker</u>   | - 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   |
| <u>Daniel Barrins</u>  | - Non-Executive Director (appointed 14 September 2017)  |
| Qualifications   | - Masters of Business Administration (University of Melbourne), Bachelor of Laws (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, 4 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             | 4               | 4                         | 1               | 1                                     | 1               |
| Christian Bernecker   | 4                         | 4               | 1                         | 1               | 1                                     | 1               |
| Daniel Barrins        | 0                         | 0               | 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:

#### **Senior Executive**

Katherine Johnson (nee Woollard)

#### **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.

| <i>Group KMP</i>           | Position Held as at 30 June 2017 and any change during the year |               | Contract details (duration & termination) |                   |       |
|----------------------------|---|---------------|---|-------------------|-------|
|                            |   |               |   |                   |       |
|                            | Non-salary cash based incentives                                | Shares/ Units | Options/ Rights                           | Fixed Salary/Fees | Total |
|                            | %   | %             | %   | %                 | %     |
| Lawrence Case              | -   | -             | -   | 100               | 100   |
| Christian Robert Bernecker | -   | -             | -   | 100               | 100   |
| Katherine Johnson          | -   | -             | -   | 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

Daniel Barrins was appointed as Director on 14 September 2017.

### Remuneration Expense Details for the Year Ended 30 June 2017

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 2017**

|                       | Short-Term Benefits    |                          |                     | Post-Employment Benefits |                            |          |
|-----------------------|------------------------|--------------------------|---------------------|--------------------------|----------------------------|----------|
|                       | Salary, Fees and Leave | Profit Share and bonuses | Termination Payment | Other                    | Pension and superannuation | Other    |
|                       | \$                     | \$                       | \$                  | \$                       | \$                         | \$       |
| <b>2017 Group KMP</b> |                        |                          |                     |                          |                            |          |
| Lawrence Case         | 50,000                 | -                        | -                   | -                        | -                          | -        |
| Christian Bernecker   | 25,000                 | -                        | -                   | -                        | -                          | -        |
| Katherine Johnson     | 139,938                | 50,000                   | -                   | -                        | 6,380                      | -        |
| <b>Total KMP</b>      | <b>214,938</b>         | <b>50,000</b>            | <b>-</b>            | <b>-</b>                 | <b>6,380</b>               | <b>-</b> |

|                       | Long-Term Benefits |          |                | Equity-settled share-based payments |                                   |                      | Total \$       |
|-----------------------|--------------------|----------|----------------|-------------------------------------|-----------------------------------|----------------------|----------------|
|                       | Incentive Plans    | LSL      | Shares / Units | Options/Rights                      | Cash-Settled Share Based Payments | Termination Benefits |                |
|                       | \$                 | \$       | \$             | \$                                  | \$                                | \$                   |                |
| <b>2017 Group KMP</b> |                    |          |                |                                     |                                   |                      |                |
| Lawrence Case         | -                  | -        | -              | -                                   | -                                 | -                    | 50,000         |
| Christian Bernecker   | -                  | -        | -              | -                                   | -                                 | -                    | 25,000         |
| Katherine Johnson     | -                  | -        | -              | -                                   | -                                 | -                    | 196,318        |
| <b>Total KMP</b>      | <b>-</b>           | <b>-</b> | <b>-</b>       | <b>-</b>                            | <b>-</b>                          | <b>-</b>             | <b>271,318</b> |

**Table of Benefits and Payments for the year ended 30 June 2016**

|                       | Short-Term Benefits    |                          |                     | Post-Employment Benefits |                            |          |
|-----------------------|------------------------|--------------------------|---------------------|--------------------------|----------------------------|----------|
|                       | Salary, Fees and Leave | Profit Share and bonuses | Termination Payment | Other                    | Pension and superannuation | Other    |
|                       | \$                     | \$                       | \$                  | \$                       | \$                         | \$       |
| <b>2016 Group KMP</b> |                        |                          |                     |                          |                            |          |
| Lawrence Case         | 48,337                 | -                        | -                   | -                        | -                          | -        |
| Christian Bernecker   | 25,000                 | -                        | -                   | -                        | -                          | -        |
| Jens Neiser           | -                      | -                        | -                   | -                        | -                          | -        |
| Katherine Johnson     | 157,538                | -                        | -                   | -                        | 11,028                     | -        |
| <b>Total KMP</b>      | <b>230,875</b>         | <b>-</b>                 | <b>-</b>            | <b>-</b>                 | <b>11,028</b>              | <b>-</b> |

|                       | Long-Term Benefits |          |                | Equity-settled share-based payments |                                   |                      | Total \$       |
|-----------------------|--------------------|----------|----------------|-------------------------------------|-----------------------------------|----------------------|----------------|
|                       | Incentive Plans    | LSL      | Shares / Units | Options/Rights                      | Cash-Settled Share Based Payments | Termination Benefits |                |
|                       | \$                 | \$       | \$             | \$                                  | \$                                | \$                   |                |
| <b>2016 Group KMP</b> |                    |          |                |                                     |                                   |                      |                |
| Lawrence Case         | -                  | -        | -              | -                                   | -                                 | -                    | 48,337         |
| Christian Bernecker   | -                  | -        | -              | -                                   | -                                 | -                    | 25,000         |
| Jens Neiser           | -                  | -        | -              | -                                   | -                                 | -                    | -              |
| Katherine Johnson     | -                  | -        | -              | -                                   | -                                 | -                    | 168,566        |
| <b>Total KMP</b>      | <b>-</b>           | <b>-</b> | <b>-</b>       | <b>-</b>                            | <b>-</b>                          | <b>-</b>             | <b>241,903</b> |

### 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        | (2017) Closing Balances |
|----------------------------|------------------|------------------|-------------------------|
| Lawrence Case              | 2,070,943        | 2,185,160        | 4,256,103               |
| Christian Robert Bernecker | 5,675,820        | -                | 5,675,820               |
| Katherine Johnson          | -                | -                | -                       |
| <b>Total KMP</b>           | <b>7,746,763</b> | <b>2,185,160</b> | <b>9,931,923</b>        |

### 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

During the year Stream Group Ltd borrowed \$525,000 to fund its ongoing obligations by issuing 21 Promissory Notes with Attached Options ("Notes") with a face value of \$25,000 per Note. The Notes were issued on an arms-length basis to the 20 largest shareholders. Nine shareholders accepted the offer. Each Note entitled the holder to subscribe for 555,555 ordinary shares in Stream Group Ltd at a price of \$0.04 per share. Notron (No. 91) Pty Ltd ATF the Lawrence Case Family Trust, which is an entity controlled by Lawrence Case, subscribed for four Notes and subsequently exercised its options to acquire 2,222,220 shares at the exercise price of \$0.04 per share, subject to shareholder approval. Shareholders holding 16 Notes exercised their attached options and shareholders holding five Notes allowed them to lapse. Other than that transaction there have been no other transactions involving equity instruments.

### 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



Lawrence Case

Dated: 30 October 2017

Stream Group Limited and Controlled Entities  
ABN: 57 010 597 675

Auditor's Independence Declaration under  
Section 307C of the Corporations Act 2001 to the Directors of Stream Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

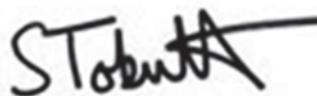
- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



**PKF**  
Chartered Accountants

Sydney

Dated: 30<sup>th</sup> October 2017



**SCOTT TOBUTT**  
Partner

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 2017

|  |      | 2017      | Restated<br>2016 |
|--|------|-----------|------------------|
|  | Note | \$        | \$               |
| Revenue  | 3    | 622,495   | 14,517,839       |
| Other income   | 3    | 6,171     | 57,737           |
| Change in work in progress   |      | -         | (1,691,823)      |
| Cost of goods sold   |      | -         | (1,957,770)      |
| Employee benefits expense  |      | (487,229) | (10,815,931)     |
| Depreciation and amortisation expense                                      |      | (74,025)  | (1,025,114)      |
| Finance costs  |      | (8,945)   | (368,364)        |
| Impairment of assets/bad debts written off                                 |      | (254,109) | (110,269)        |
| Gain on derecognition of subsidiaries                                      |      | -         | 9,734,715        |
| Other expenses   |      | (549,094) | (4,858,308)      |
| <b>Loss before income tax</b>  | 4    | (744,736) | 3,482,712        |
| Income tax expense   | 5    | -         | (3,324,637)      |
| <b>Net (Loss)/ Profit for the year from continuing operations</b>          | 4    | (744,736) | 158,075          |
| <b>Discontinued Operations</b>   |      |           |                  |
| Profit/(Loss) from discontinued operations, after tax                      | 29   | 4,398,759 | (1,312,233)      |
| <b>Net Profit/(Loss) for the year</b>                                      |      | 3,654,023 | (1,154,158)      |
| <b>Other comprehensive income:</b>   |      |           |                  |
| <b>Items that will not be reclassified subsequently to profit or loss:</b> |      |           |                  |
| Exchange differences on translation of foreign operations                  |      | 3,053     | (2,333)          |
| <b>Other comprehensive income/(loss) for the year</b>                      |      | 3,053     | (2,333)          |
| <b>Total comprehensive income/(loss) for the year</b>                      |      | 3,657,076 | (1,156,491)      |
| Net profit/(loss) attributable to:   |      |           |                  |
| Members of the parent entity   |      | 3,654,023 | (1,154,158)      |
| Non-controlling interest   |      | -         | -                |
|  |      | 3,654,023 | (1,154,158)      |
| Total comprehensive income/(loss) attributable to:                         |      |           |                  |
| Members of the parent entity   |      | 3,657,076 | (1,156,491)      |
| Non-controlling interest   |      | -         | -                |
|  |      | 3,657,076 | (1,156,491)      |
| <b>Earnings per share</b>  |      |           |                  |
| Basic earnings per share (cents)   | 8    | 1.74      | (0.55)           |
| Diluted earnings per share (cents)   | 8    | 1.74      | (0.55)           |
| Basic earnings per share from continuing operations (cents)                | 8    | (0.35)    | 0.08             |
| Diluted earnings per share from continuing operations (cents)              | 8    | (0.35)    | 0.08             |
| Basic earnings per share from continuing operations (cents)                | 8    | 2.09      | (0.63)           |
| Diluted earnings per share from continuing operations (cents)              | 8    | 2.09      | (0.63)           |

The accompanying notes form part of these financial statements.

STREAM GROUP LIMITED ABN: 57 010 597 672

AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017

|                                      | Note | 2017<br>\$       | 2016<br>\$       |
|--------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                        |      |                  |                  |
| <b>CURRENT ASSETS</b>                |      |                  |                  |
| Cash and cash equivalents            | 9    | 2,803,008        | 453,402          |
| Trade and other receivables          | 10   | 1,409,456        | 1,465,899        |
| Inventories                          | 11   | -                | 668,898          |
| Current tax assets                   | 18   | -                | 221,162          |
| Other assets                         | 15   | 114,837          | 228,302          |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>4,327,301</b> | <b>3,037,663</b> |
| <b>NON-CURRENT ASSETS</b>            |      |                  |                  |
| Property, plant and equipment        | 13   | -                | 308,982          |
| Deferred tax assets                  | 18   | 272,724          | 210,289          |
| Intangible assets                    | 14   | 4,592,633        | 5,697,140        |
| Other non-current assets             |      | -                | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>4,865,357</b> | <b>6,216,411</b> |
| <b>TOTAL ASSETS</b>                  |      | <b>9,192,658</b> | <b>9,254,074</b> |
| <b>LIABILITIES</b>                   |      |                  |                  |
| <b>CURRENT LIABILITIES</b>           |      |                  |                  |
| Trade and other payables             | 16   | 554,582          | 2,293,160        |
| Borrowings                           | 17   | -                | 1,999,723        |
| Other financial liabilities          |      | -                | -                |
| Current tax liabilities              |      | -                | -                |
| Provisions                           | 19   | 52,789           | 351,414          |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>607,371</b>   | <b>4,644,297</b> |
| <b>NON-CURRENT LIABILITIES</b>       |      |                  |                  |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>-</b>         | <b>-</b>         |
| <b>TOTAL LIABILITIES</b>             |      | <b>607,371</b>   | <b>4,644,297</b> |
| <b>NET ASSETS</b>                    |      | <b>8,585,287</b> | <b>4,609,777</b> |
| <b>EQUITY</b>                        |      |                  |                  |
| Issued capital                       | 20   | 18,014,483       | 17,658,928       |
| Reserves                             | 28   | (312,408)        | (275,287)        |
| Accumulated losses                   |      | (9,116,788)      | (12,773,864)     |
| <b>TOTAL EQUITY</b>                  |      | <b>8,585,287</b> | <b>4,609,777</b> |

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 2017

|  | Issued<br>Capital<br>\$ | Reserves<br>\$   | Accumulated<br>Losses<br>\$ | Total<br>\$        | Non-<br>Controlling<br>Interests<br>\$ | Total<br>Equity<br>\$ |
|--|-------------------------|------------------|-----------------------------|--------------------|--|-----------------------|
| <b>Balance at 1 July 2015</b>                                | 16,785,928              | (429,206)        | (11,617,373)                | 4,739,349          | -                                      | 4,739,349             |
| <b>Profit/(loss) for the period</b>                          | -                       | -                | (1,151,258)                 | (1,151,258)        | -                                      | (1,151,258)           |
| Other comprehensive income for the period                    | -                       | -                | (5,233)                     | (5,233)            | -                                      | (5,233)               |
| <b>Total comprehensive income for the period</b>             | -                       | -                | <b>(1,156,491)</b>          | <b>(1,156,491)</b> | -                                      | <b>(1,156,491)</b>    |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                  |                             |                    |  |                       |
| Shares issued during the period                              | 873,000                 | -                | -                           | 873,000            | -                                      | 873,000               |
| Derecognition of subsidiaries                                | -                       | (19,518)         | -                           | (19,518)           | -                                      | (19,518)              |
| Foreign currency translation reserve                         | -                       | 173,437          | -                           | 173,437            | -                                      | 173,437               |
| Share based payment reserve                                  | -                       | -                | -                           | -                  | -                                      | -                     |
| Dividends provided for or paid                               | -                       | -                | -                           | -                  | -                                      | -                     |
| <b>Balance at 30 June 2016</b>                               | <b>17,658,928</b>       | <b>(275,287)</b> | <b>(12,773,864)</b>         | <b>4,609,777</b>   | -                                      | <b>4,609,777</b>      |
| <b>Balance at 1 July 2016</b>                                | 17,658,928              | (275,287)        | (12,773,864)                | 4,609,777          | -                                      | 4,609,777             |
| <b>Profit/(loss) for the period</b>                          | -                       | -                | 3,654,023                   | 3,654,023          | -                                      | 3,654,023             |
| Other comprehensive income/(loss) for the period             | -                       | -                | 3,053                       | 3,053              | -                                      | 3,053                 |
| <b>Total comprehensive income/(loss) for the period</b>      | -                       | -                | <b>3,657,076</b>            | <b>3,657,076</b>   | -                                      | <b>3,657,076</b>      |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                  |                             |                    |  |                       |
| Shares issued during the period                              | 355,555                 | -                | -                           | 355,555            | -                                      | 355,555               |
| Foreign currency translation reserve                         | -                       | (37,121)         | -                           | (37,121)           | -                                      | (37,121)              |
| Share based payment reserve                                  | -                       | -                | -                           | -                  | -                                      | -                     |
| Dividends provided for or paid                               | -                       | -                | -                           | -                  | -                                      | -                     |
| <b>Balance at 30 June 2017</b>                               | <b>18,014,483</b>       | <b>(312,408)</b> | <b>(9,116,788)</b>          | <b>8,585,287</b>   | -                                      | <b>8,585,287</b>      |

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 2017

|   | Note | 2017               | 2016               |
|---|------|--------------------|--------------------|
|   |      | \$                 | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |      |                    |                    |
| Receipts from customers                                   |      | 13,526,008         | 37,476,337         |
| Interest received   |      | (336,332)          | (144,773)          |
| Payments to suppliers and employees                       |      | (16,836,718)       | (41,674,177)       |
| Income tax paid   |      | 221,162            | (319,256)          |
| <b>Net cash (used in) operating activities</b>            | 24   | <u>(3,425,880)</u> | <u>(4,661,869)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |      |                    |                    |
| Proceeds from sale of business                            |      | 7,122,163          | 660,707            |
| Payments for intangible assets                            |      | -                  | (379,239)          |
| Loans repaid to related parties                           |      | (2,258,527)        | (1,533,707)        |
| Loans received from related parties                       |      | 556,295            | 1,983,000          |
| <b>Net cash provided by investing activities</b>          |      | <u>5,419,931</u>   | <u>730,761</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |      |                    |                    |
| Repayment of borrowings                                   |      | -                  | (3,433,637)        |
| Proceeds from issue of shares                             |      | 355,555            | 873,000            |
| <b>Net cash provided by financing activities</b>          |      | <u>355,555</u>     | <u>(2,560,637)</u> |
| Net increase/(decrease) in cash held                      |      | 2,349,606          | (6,491,745)        |
| Cash and cash equivalents at beginning of financial year  |      | 453,402            | 6,945,147          |
| <b>Cash and cash equivalents at end of financial year</b> | 9    | <u>2,803,008</u>   | <u>453,402</u>     |

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 30 October 2017 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.

### **(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 12.

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.

### **Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### **Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest’s proportionate share of the subsidiary’s identifiable net assets (proportionate interest

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

method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**(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.

Stream Group is a tax consolidated group.

**(c) Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking

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

into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**(d) Inventories and Work in Progress**

Inventories are measured at the lower of cost and net realisable value. Work in progress is measured at cost based on the proportion of the project completed as at balance date. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

**(e) 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(i) 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:

| <b>Class of Fixed Asset</b> | <b>Depreciation Rate</b> |
|-----------------------------|--------------------------|
| Leasehold improvements      | 2.5%                     |
| Plant and equipment         | 2.5% - 80%               |
| Leased plant and equipment  | 2.5% - 80%               |

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.

**(f) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

**(g) 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.

**(h) Financial Instruments**

**Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

**Classification and Subsequent Measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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

**(iv) Available-for-sale investments**

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

**(v) Financial Liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Derivative instruments**

The Group designates certain derivatives as either:

- (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (ii) hedges of highly probable forecast transactions (cash flow hedge).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

**(i) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

**(ii) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in the hedge reserve in equity are transferred to profit or loss in the periods when the hedged item affects 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.

**Financial Guarantees**

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent

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

Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

**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.

**(i) 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.

**(j) Investments in Associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals, or exceeds, its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**(k) Interests in Joint Arrangements**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

**(l) Other Intangible Assets**

**Recognition of other intangible assets**

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

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

- 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.

**(m) 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.

**(n) 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.

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

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.

**(o) 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.

**(p) 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.

**(q) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax.

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

**(r) Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(l) for further discussion on the determination of impairment losses.

**(s) 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.

**(t) 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.

**(u) 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.

**(v) 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.

**(w) Borrowings**

The Group's borrowings, are measured subsequently at amortised cost using the effective interest method except for borrowings held for trading or designated at fair value through profit or loss (FVTPL), which are measured initially at fair value. All of the Group's borrowings are held for trading and therefore have been measured at fair value. Refer to Note 17 for further details in relation to the Group's borrowings.

**(x) 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.

**(y) 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 or 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.

**(z) 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, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

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

**(aa) 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) Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria, which applies to all subsidiaries of the Group, must also be met before revenue is recognised:

— Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of goods have passed to the buyer and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Risk and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the consumer.

— Rendering of services

Revenue from rendering of services is recognised by reference to the stage of the completion of a contract. State of completion is measured by reference to the labour hours and total cost incurred to date as a percentage of total estimated labour hours and total costs for each contract.

— Integrated goods and services contracts

Revenue from contracts where the goods and rendering services are integrated as a single design and build product, is recognised by reference to the stage of the completion of a contract. Stage of completion is measured by reference to the total contract costs incurred to date as a percentage of total estimated contract cost for each contract.

— Interest income

Revenue is recognised as interest accrues using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

— Dividends

Revenue is recognised when the Groups' right to receive the payment is established.

*(ii) 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 2017. Refer to note 18. 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.

*(iii) 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.

*(iv) 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.

**(bb) New Accounting Standards for Application in Future Periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

— AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity,

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

it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**(cc) New and Revised Standards Effective for These Financial Statements**

There are no new or revised accounting standards that have been adopted in these financial statements.

**(dd) Profit or loss from discontinued Other intangible assets**

A discontinued operation is a component of the entity 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 a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale, is further analysed in Note 29.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

**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.

|   | 2017               | 2016               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>STATEMENT OF FINANCIAL POSITION</b>                                |                    |                    |
| ASSETS  |                    |                    |
| Current Assets  | 1,236,715          | 1,181,309          |
| Non-current Assets  | -                  | -                  |
| <b>TOTAL ASSETS</b>   | <b>1,236,715</b>   | <b>1,181,309</b>   |
| LIABILITIES   |                    |                    |
| Current Liabilities   | 2,648,561          | 2,801,090          |
| Non-current Liabilities   | -                  | -                  |
| <b>TOTAL LIABILITIES</b>  | <b>2,648,561</b>   | <b>2,801,090</b>   |
| EQUITY  |                    |                    |
| Issued Capital  | 18,014,483         | 17,658,928         |
| Retained earnings   | (19,563,091)       | (19,415,470)       |
| Share-based payments reserve  | 136,762            | 136,762            |
| <b>TOTAL EQUITY</b>   | <b>(1,411,846)</b> | <b>(1,619,780)</b> |
| <b>STATEMENT OF PROFIT OR LOSS<br/>AND OTHER COMPREHENSIVE INCOME</b> |                    |                    |
| Total profit/(loss)   | (147,620)          | (15,308,335)       |
| Total comprehensive income  | (147,620)          | (15,308,335)       |

**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 year Stream Group Ltd's subsidiary Symetri Ltd sold its business and assets other than cash and software. Pursuant to that agreement Symetri Ltd is entitled to an earnout payment equal to 10 times the amount if any by which the sold business's net profit for the 12 months to 31 December 2018 exceeds \$NZ 7 million. Other than that, as at 30 June 2017 Stream Group Limited did not have any known contingent assets or liabilities.

**Contractual commitments**

At 30 June 2017 Stream Group Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016: Nil).

**Note 3 Revenue and Other Income**

|  | 2017           | 2016              |
|--|----------------|-------------------|
|  | \$             | \$                |
| <b>Revenue from continuing operations</b>  |                |                   |
| Sales revenue                              |                |                   |
| — contract revenue                         | 622,495        | 14,517,839        |
| — provision of services                    | -              | -                 |
|  | <b>622,495</b> | <b>14,517,839</b> |
| Other revenue                              |                |                   |
| — interest received                        | 6,171          | 57,737            |
|  | <b>6,171</b>   | <b>57,737</b>     |
| Total revenue                              | <b>628,666</b> | <b>14,575,576</b> |
| Other income                               |                |                   |
| — gain (loss) on foreign exchange          | 3,053          | (2,332)           |
| Total other income                         | <b>3,053</b>   | <b>(2,332)</b>    |
| Interest revenue from:                     |                |                   |
| — financial institutions                   | -              | 57,737            |
| Total interest revenue on financial assets | <b>-</b>       | <b>57,737</b>     |

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

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

|   | 2017          | 2016           |
|---|---------------|----------------|
|   | \$            | \$             |
| (a) Expenses                                  |               |                |
| Cost of sales                                 | -             | -              |
| Interest expense on financial liabilities:    |               |                |
| — Financial institutions                      | 8,945         | 368,364        |
| Employee benefits expense                     | 487,229       | 10,815,931     |
| Loss on impairment of assets                  | 254,109       | 110,269        |
| Depreciation and amortisation expense         |               |                |
| — Depreciation of property, plant & equipment | -             | 574,281        |
| — Amortisation of intangible assets           | 74,025        | 450,833        |
|   | <u>74,025</u> | <u>450,833</u> |

**Note 5 Income Tax Expense**

|  | 2017      | 2016             |
|--|-----------|------------------|
|  | \$        | \$               |
| The components of tax (income)/expense   |           |                  |
| Comprise:  |           |                  |
| Current Tax  | -         | -                |
| Deferred Tax   | -         | 3,324,637        |
|  | <u>-</u>  | <u>3,324,637</u> |
| The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: |           |                  |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)                      |           |                  |
| — consolidated group   | (223,421) | 607,640          |
| Add:   |           |                  |
| Tax effect of:   |           |                  |
| — non-allowable items  | -         | 2,279,823        |
|  | <u>-</u>  | <u>3,324,637</u> |
| Less:  |           |                  |
| Tax effect of:   |           |                  |
| — current year losses not recognised   | 223,421   | -                |
| Income tax attributable to entity  | <u>-</u>  | <u>3,324,637</u> |

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 18 relate to the Group's NZ operations.

**Note 6 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 2017.

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

|                              | 2017           | 2016           |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Short-term employee benefits | 264,938        | 225,872        |
| Post-employment benefits     | 6,380          | 11,028         |
| Termination benefits         | -              | -              |
| Share-based payments         | -              | -              |
| Total KMP compensation       | <u>271,318</u> | <u>236,900</u> |

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**

| <b>PKF</b>                                   | 2017          | 2016          |
|--|---------------|---------------|
|  | \$            | \$            |
| Remuneration of the auditor for:             |               |               |
| — auditing or reviewing the financial report | 64,865        | 69,500        |
| — taxation services                          | 5,000         | 21,100        |
|  | <u>69,865</u> | <u>90,600</u> |

**Note 8 Earnings per Share**

|  | 2017               | 2016               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| (a) Reconciliation of earnings to profit or loss   |                    |                    |
| Profit/(loss)  | 3,654,023          | (1,154,158)        |
| Profit attributable to non-controlling equity interest   | -                  | -                  |
| Earnings used to calculate basic and dilutive EPS  | <u>3,654,023</u>   | <u>(1,154,158)</u> |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 210,440,873        | 207,969,366        |
| 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  | <u>210,440,873</u> | <u>207,969,366</u> |
| (c) Calculation of basic and diluted EPS   |                    |                    |
| Basic earnings per share – continuing and discontinuing (cents)  | 1.74               | (0.55)             |
| Diluted earnings per share – continuing and discontinuing (cents)  | 1.74               | (0.55)             |
| Basic earnings per share – continuing (cents)  | (0.35)             | 0.08               |
| Diluted earnings per share – continuing (cents)  | (0.35)             | 0.08               |
| Basic earnings per share – discontinuing (cents)   | 2.09               | (0.63)             |
| Diluted earnings per share – discontinuing (cents)   | 2.09               | (0.63)             |

**Note 9 Cash and Cash Equivalents**

|                          | 2017             | 2016           |
|--------------------------|------------------|----------------|
|                          | \$               | \$             |
| Cash at bank and on hand | 2,803,008        | 453,402        |
|                          | <u>2,803,008</u> | <u>453,402</u> |

**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 | 2,803,008        | 453,402        |
|                           | <u>2,803,008</u> | <u>453,402</u> |

**Note 10 Trade and Other Receivables**

|   | 2017             | 2016             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>CURRENT</b>                            |                  |                  |
| Trade and other receivables               | 1,409,456        | 1,465,899        |
| Provision for impairment                  | -                | -                |
|   | <u>1,409,456</u> | <u>1,465,899</u> |
| Total current trade and other receivables | <u>1,409,456</u> | <u>1,465,899</u> |

**Financial Assets Classified as Loans and Receivables**

|                     | 2017             | 2016             |
|---------------------|------------------|------------------|
|                     | \$               | \$               |
| Trade receivables   |                  |                  |
| — Total current     | 1,031,093        | 1,229,045        |
| — Total non-current | -                | -                |
| Financial assets    | <u>1,031,093</u> | <u>1,229,045</u> |

**Age of receivables that are past due but not impaired**

|              | 2017          | 2016           |
|--------------|---------------|----------------|
|              | \$            | \$             |
| 30-60 Days   | 8,427         | 278,948        |
| 60-90 Days   | 17,219        | 67,791         |
| 90 Days +    | 12,836        | 610,160        |
| <b>Total</b> | <u>38,482</u> | <u>956,899</u> |

**Note 11 Inventories**

|                  |      |         |
|------------------|------|---------|
| CURRENT          | 2017 | 2016    |
| At cost:         | \$   | \$      |
| Work in progress | -    | 668,898 |
|                  | -    | 668,898 |

Inventories are recorded at the lower of cost and net realisable value, refer to Note 1 (d) for further description.

**Note 12 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.

| Name of subsidiary                                     | Table note | Principal activity                  | Country of incorporation | Ownership Interest |      |
|--|------------|-------------------------------------|--------------------------|--------------------|------|
|  |            |                                     |                          | 2017               | 2016 |
|  |            |                                     |                          | %                  | %    |
| Qusol Pty Ltd  |            | Dormant                             | Australia                | 100%               | 100% |
| Qusol NZ Ltd (Formerly Symetri Ltd)                    | (i)        | Software development and deployment | New Zealand              | 100%               | 100% |
| Qusol Technology Ltd (formerly Symetri Technology Ltd) |            | Owner of software                   | New Zealand              | 100%               | 100% |

**Table Note**

(i) On 7 April 2017 Qusol NZ Ltd sold its claims management business and assets, other than its claims management software and cash. Qusol NZ Ltd continues to supply its claims management software to the purchaser on a fully hosted, software as a service basis.

**(b) Disposal of Controlled Entities**

No controlled entities were disposed of during the period.

**Note 13 Property, Plant and Equipment**

|                                  |      |                |
|----------------------------------|------|----------------|
| <b>PLANT AND EQUIPMENT</b>       | 2017 | 2016           |
|                                  | \$   | \$             |
| Plant and equipment:             |      |                |
| At cost                          | -    | 631,850        |
| Accumulated depreciation         | -    | (322,868)      |
| <b>Total plant and equipment</b> | -    | <b>308,982</b> |

**(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          |
|---------------------------------------|---------------------|----------------|
|                                       | \$                  | \$             |
| <b>Consolidated Group:</b>            |                     |                |
| Balance at 1 July 2015                | 1,120,562           | 1,120,562      |
| Additions                             | 162,716             | 162,716        |
| Disposals                             | -                   | -              |
| Revaluation increments / (decrements) | -                   | -              |
| Depreciation expense                  | (96,309)            | (96,309)       |
| <b>Balance at 30 June 2016</b>        | <b>308,982</b>      | <b>308,982</b> |
| Additions                             | 586,286             | 586,286        |
| Disposals                             | (796,327)           | (796,327)      |
| Revaluation increments / (decrements) | 21,135              | 21,135         |
| Movement in foreign currency          | (3,933)             | (3,933)        |
| Depreciation expense                  | (116,143)           | (116,143)      |
| <b>Balance at 30 June 2017</b>        | -                   | -              |

**Note 14 Intangible Assets**

|  | 2017             | 2016             |
|--|------------------|------------------|
| <b>Goodwill</b>                                | \$               | \$               |
| Cost   | -                | 730,787          |
| Accumulated impaired losses                    | -                | -                |
| <b>Net carrying amount</b>                     | <b>-</b>         | <b>730,787</b>   |
| <b>Software IP</b>                             |                  |                  |
| Cost   | 4,966,353        | 5,023,768        |
| Foreign exchange rate movement                 | (45,586)         | -                |
| Accumulated amortisation and impairment losses | (328,134)        | (57,415)         |
| <b>Net Carrying Amount</b>                     | <b>4,592,633</b> | <b>4,966,353</b> |
| <b>Total Intangibles</b>                       | <b>4,592,633</b> | <b>5,697,140</b> |

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 17.5%.

|                                      | Goodwill  | Client Lists | Trademarks &<br>Licences | Software<br>IP | Total       |
|--------------------------------------|-----------|--------------|--------------------------|----------------|-------------|
|                                      | \$        | \$           | \$                       | \$             | \$          |
| <b>Year ended 30 June 2016</b>       |           |              |                          |                |             |
| Balance at the beginning of the year | 730,787   | 4,859,861    | 20,154                   | 5,643,048      | 11,253,850  |
| Additions                            | -         | -            | -                        | 380,140        | 380,140     |
| Disposals                            | -         | (4,859,861)  | (20,154)                 | -              | (4,880,015) |
| Amortisation/depreciation charge     | -         | -            | -                        | (1,056,835)    | (1,056,835) |
| Impairment losses                    | -         | -            | -                        | -              | -           |
| Closing value at 30 June 2016        | 730,787   | -            | -                        | 4,966,353      | 5,697,140   |
| <b>Year ended 30 June 2017</b>       |           |              |                          |                |             |
| Balance at the beginning of the year | 730,787   | -            | -                        | 4,966,353      | 5,697,140   |
| Additions                            | -         | -            | -                        | -              | -           |
| Foreign exchange rate movements      | -         | -            | -                        | (45,586)       | (45,586)    |
| Disposals                            | (730,787) | -            | -                        | -              | (730,787)   |
| Amortisation/impairment charge       | -         | -            | -                        | (328,134)      | (328,134)   |
| Closing value at 30 June 2017        | -         | -            | -                        | 4,592,633      | 4,592,633   |

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 (aa) for further detail of judgement. Directors have also determined that the in-use value of the software exceeds its carrying value so that no impairment has been required.

**Note 15 Other Assets**

|  | 2017    | 2016    |
|--|---------|---------|
| <b>CURRENT</b>                             | \$      | \$      |
| Prepayments                                | 105,022 | 81,025  |
| Accrued income                             | 9,815   | -       |
| Makesafe, Excess and IAG Clearing Accounts | -       | 147,277 |
|  | 114,837 | 228,302 |

**Note 16 Trade and Other Payables**

|                                      | 2017    | 2016      |
|--------------------------------------|---------|-----------|
| <b>CURRENT</b>                       | \$      | \$        |
| Unsecured liabilities                |         |           |
| Trade payables                       | 45,571  | 585,030   |
| Sundry payables and accrued expenses | 509,011 | 1,708,130 |
|                                      | 554,582 | 2,293,160 |

|  | 2017    | 2016      |
|--|---------|-----------|
| (a) Financial liabilities at amortised cost classified as trade and other payables | \$      | \$        |
| Trade and other payables   |         |           |
| — Total current  | 554,582 | 2,293,160 |
| — Total non-current  | -       | -         |
| Financial liabilities as trade and other payables                                  | 554,582 | 2,293,160 |

**Note 17 Borrowings**

|  | 2017 | 2016      |
|--|------|-----------|
|  | \$   | \$        |
| CURRENT  |      |           |
| Related party loans                                    | -    | 1,999,723 |
| Total current borrowings                               | -    | 1,999,723 |
| Total borrowings                                       | -    | 1,999,723 |
|  | 2017 | 2016      |
|  | \$   | \$        |
| (a) Total current and non-current secured liabilities: |      |           |
| Related Party Loans                                    | -    | 1,999,723 |
|  | -    | 1,999,723 |

**Note 18 Tax**

|                                | 2017                       | 2016                |
|--------------------------------|----------------------------|---------------------|
|                                | \$                         | \$                  |
| CURRENT                        |                            |                     |
| Income tax payable             | -                          | (221,162)           |
|                                | -                          | (221,162)           |
| <b>NON-CURRENT</b>             |                            |                     |
| <b>Consolidated Group</b>      | <b>\$</b>                  | <b>\$</b>           |
|                                | Opening Balance            | Charged to Income   |
|                                | Charged directly to Equity | Changes in Tax Rate |
|                                | Exchange Differences       | Closing Balance     |
|                                | \$                         | \$                  |
| <b>Deferred tax assets</b>     |                            |                     |
| Provisions                     | 84,376                     | -                   |
| Unused tax losses              | 125,913                    | -                   |
| Accruals                       | -                          | -                   |
| <b>Balance at 30 June 2016</b> | <b>210,289</b>             | <b>-</b>            |
| Provisions                     | 84,376                     | (11,219)            |
| Unused tax losses              | 125,913                    | 73,654              |
| Accruals                       | -                          | -                   |
| <b>Balance at 30 June 2017</b> | <b>210,289</b>             | <b>62,433</b>       |

**Note 19 Provisions**

|   | 2017      | 2016        |
|---|-----------|-------------|
|   | \$        | \$          |
| Employee Benefits                               |           |             |
| Opening balance at 1 July 2016                  | 351,414   | 1,829,436   |
| Acquired (reduced) through business combination | (312,890) | (1,497,846) |
| Additional provisions                           | 30,931    | 609,851     |
| Amounts used                                    | (16,666)  | (590,027)   |
| Balance at 30 June 2017                         | 52,789    | 351,414     |
| General Provisions                              |           |             |
| Opening balance at 1 July 2016                  | -         | 499,939     |
| Additional provisions                           | -         | -           |
| Acquired (reduced) through business combination | -         | (499,939)   |
| Amounts used                                    | -         | -           |
| Balance at 30 June 2017                         | -         | -           |
| Total Provisions                                | 52,789    | 351,414     |

**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 20 Issued Capital**

|  | 2017               | 2016               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| 219,329,753 (2016: 210,440,873) fully paid ordinary shares | 18,014,483         | 17,660,195         |
|  | <u>18,014,483</u>  | <u>17,660,195</u>  |
| <b>(a) Ordinary Shares</b>                                 |                    |                    |
|  | 2017               | 2016               |
|  | No.                | No.                |
| At the beginning of the reporting period                   | 210,440,873        | 200,740,873        |
| Shares issued during the year                              |                    |                    |
| 2 October 2015 - Conversion of note                        | -                  | 9,700,000          |
| 30 June 2017 - Conversion of note                          | 8,888,880          | -                  |
| At the end of the reporting period                         | <u>219,329,753</u> | <u>210,440,873</u> |

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 21 Capital and Leasing Commitments**

|   | <b>Note</b> | 2017     | 2016           |
|---|-------------|----------|----------------|
|   |             | \$       | \$             |
| <b>(a) Finance Lease Commitments</b>    |             |          |                |
| Payable — minimum lease payments        |             |          |                |
| — not later than 12 months              |             | -        | 161,515        |
| — between 12 months and five years      |             | -        | 6,627          |
| — later than five years                 |             | -        | -              |
| Minimum lease payments                  |             | -        | 168,142        |
| Less future finance charges             |             | -        | (23,539)       |
| Present value of minimum lease payments |             | <u>-</u> | <u>144,603</u> |

The Group's leased assets were transferred with the sale of the Symetri Ltd business.

|  | 2017     | 2016           |
|--|----------|----------------|
|  | \$       | \$             |
| <b>(b) Operating Lease Commitments</b>   |          |                |
| Operating leases contracted for but not recognised in the financial statements |          |                |
| Payable — minimum lease payments   |          |                |
| — not later than 12 months   | -        | 319,859        |
| — between 12 months and five years   | -        | 135,477        |
| — later than five years  | -        | -              |
|  | <u>-</u> | <u>455,336</u> |
| Representing   |          |                |
| — Cancellable operating leases   | -        | 63,564         |
| — Non-cancellable operating leases   | -        | 336,724        |
|  | <u>-</u> | <u>399,028</u> |

**(c) Summary of Property Lease commitments**

The property leases held by the group were transferred with the Symetri Ltd business on its sale.

**(d) Capital Expenditure Commitments**

There were no material commitments for capital expenditure outstanding for the Group at balance date (2016: nil).

**Note 22 Contingent Liabilities and Contingent Assets**

There are no known contingent liabilities or assets as at the date of preparation of this financial report other than a contingent asset as disclosed in Note 2 in relation to potential deferred consideration on the sale of business. This has not been recognised due to uncertainty surrounding the accurate determination of future profitability.

## **Note 23 Operating Segments from Continuing Operations**

### **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). The claims management operations were sold during the year.

#### **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
- Share based payments
- Interest (expense)

(d) Segment performance

|   | Australia        | New Zealand      | United Kingdom | Eliminations/<br>Unallocated Items | Total            |
|---|------------------|------------------|----------------|------------------------------------|------------------|
|   | \$               | \$               | \$             | \$                                 | \$               |
| <b>30 June 2017</b>   |                  |                  |                |                                    |                  |
| <b>REVENUE</b>  |                  |                  |                |                                    |                  |
| Sales   | 222,929          | 399,566          | -              | -                                  | 622,495          |
| Other Revenue   | 6,171            | -                | -              | -                                  | 6,171            |
| <b>Total segment revenue</b>  | <b>229,100</b>   | <b>399,566</b>   | <b>-</b>       | <b>-</b>                           | <b>628,666</b>   |
| <b>SEGMENT RESULT</b>   |                  |                  |                |                                    |                  |
| Operating Expenses  | (490,346)        | (545,977)        | -              | -                                  | (1,036,323)      |
| <b>Earnings before interest, tax, depreciation and amortisation</b> | <b>(261,246)</b> | <b>(146,411)</b> | <b>-</b>       | <b>-</b>                           | <b>(407,657)</b> |
| Depreciation and amortisation                                       | (74,025)         | -                | -              | -                                  | (74,025)         |
| <b>Earnings before interest and tax (EBIT)</b>                      | <b>(335,271)</b> | <b>(146,411)</b> | <b>-</b>       | <b>-</b>                           | <b>(481,682)</b> |
| Impairment of assets  | -                | -                | -              | (254,109)                          | (254,109)        |
| Interest (expense)  | -                | -                | -              | (8,945)                            | (8,945)          |
| Income tax benefit/(expense)  | -                | -                | -              | -                                  | -                |
| Net profit/(loss) for the year                                      | <b>(335,271)</b> | <b>(146,411)</b> | <b>-</b>       | <b>(263,054)</b>                   | <b>(744,736)</b> |

|   | Australia          | New Zealand | United Kingdom   | Eliminations/<br>Unallocated Items | Total              |
|---|--------------------|-------------|------------------|------------------------------------|--------------------|
|   | \$                 | \$          | \$               | \$                                 | \$                 |
| <b>30 June 2016</b>   |                    |             |                  |                                    |                    |
| <b>REVENUE</b>  |                    |             |                  |                                    |                    |
| Sales   | 14,591,200         | -           | 2,787,405        | (2,860,767)                        | 14,517,839         |
| Other Revenue   | 57,737             | -           | -                | -                                  | 57,737             |
| <b>Total segment revenue</b>  | <b>14,648,938</b>  | <b>-</b>    | <b>2,787,405</b> | <b>(2,860,767)</b>                 | <b>14,575,576</b>  |
| <b>SEGMENT RESULT</b>   |                    |             |                  |                                    |                    |
| Operating Expenses  | (18,952,124)       | -           | (3,232,476)      | (2,860,767)                        | 19,323,833         |
| <b>Earnings before interest, tax, depreciation and amortisation</b> | <b>(4,305,518)</b> | <b>-</b>    | <b>(445,071)</b> | <b>-</b>                           | <b>(4,748,257)</b> |
| Depreciation and amortisation                                       | (976,951)          | -           | (48,163)         | -                                  | (1,025,114)        |
| <b>Earnings before interest and tax (EBIT)</b>                      | <b>(5,282,469)</b> | <b>-</b>    | <b>(493,234)</b> | <b>-</b>                           | <b>(5,773,370)</b> |
| Impairment of assets/bad debts written off                          | -                  | -           | -                | (110,269)                          | (110,269)          |
| Profit from discontinued operations after tax                       | -                  | -           | -                | 9,734,715                          | 9,734,715          |
| Interest (expense)  | -                  | -           | -                | (368,364)                          | (368,364)          |
| Income tax benefit/(expense)  | -                  | -           | -                | (3,324,637)                        | (3,324,637)        |
| Net profit/(loss) for the year                                      | <b>(5,282,469)</b> | <b>-</b>    | <b>(493,234)</b> | <b>5,931,445</b>                   | <b>158,075</b>     |

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

|                     | Australia | New Zealand | United Kingdom | Eliminations on<br>consolidation | Total     |
|---------------------|-----------|-------------|----------------|----------------------------------|-----------|
|                     | \$        | \$          | \$             | \$                               | \$        |
| <b>30 June 2017</b> |           |             |                |                                  |           |
| Assets              | 1,127,389 | 10,340,747  | -              | (2,275,478)                      | 9,192,658 |
| Liabilities         | 2,757,457 | 125,392     | -              | (2,275,478)                      | 607,371   |
| <b>30 June 2016</b> |           |             |                |                                  |           |
| Assets              | 1,500,585 | 6,802,540   | -              | 729,787                          | 9,032,912 |
| Liabilities         | 1,533,179 | 1,533,176   | -              | -                                | 4,423,135 |

**Note 24 Cash Flow Information**

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

|   | 2017               | 2016               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Profit/(Loss) after income tax  | 3,657,076          | (1,156,491)        |
| Non-cash flows in profit/(loss)   |                    |                    |
| Depreciation  | 190,168            | 1,092,537          |
| Non-cash interest   | (328,263)          | 402,845            |
| Impairment of assets/bad debts written off  | 1,773,405          | 9,145,682          |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: |                    |                    |
| (Increase)/decrease in trade and other receivables  | 86,513             | 9,869,042          |
| (Increase)/decrease in other assets   | (6,926,302)        | 710,055            |
| (Increase)/decrease in inventories  | -                  | 10,533             |
| Increase/(decrease) in trade payables and accruals  | (1,738,579)        | (24,721,467)       |
| Increase/(decrease) in income taxes payable   | 158,727            | 1,963,355          |
| Increase/(decrease) in other liabilities  | (298,625)          | (1,977,960)        |
| Cash flow from operating activities   | <u>(3,425,880)</u> | <u>(4,661,869)</u> |

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

**Note 25 Events After the Reporting Period**

There have been no significant events after the reporting period.

**Note 26 Related Party Transactions**

a) **The Group's main related parties are as follows:**

- i. **Entities exercising control over the Group:**  
The ultimate parent entity that exercises control over the Group is Stream Group Limited, which is incorporated in Australia.
- ii. **Key Management Personnel:**  
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel. For details of disclosures relating to key management personnel, refer to Note 6.
- iii. **Entities subject to significant influence by the Group:**  
An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.
- iv. **Entities accounted for under the equity method:**  
The Group no longer holds investments in entities that are accounted for under the equity method. The group wholly owns all subsidiaries.
- v. **Other Related Parties**  
Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b) **Amounts outstanding from related parties Trade and Other Receivables**

Unsecured loans are made to the ultimate parent entity, subsidiaries, directors, key management personnel and other related parties on an arm's length basis.

|  | 2017     | 2016      |
|--|----------|-----------|
|  | \$       | \$        |
| i. <b>Loans to Other Related Parties</b> |          |           |
| Beginning of the year                    | -        | 112,194   |
| Loan repayment received                  | -        | (112,194) |
| End of the year                          | <u>-</u> | <u>-</u>  |

(c) **Amounts payable to related parties Trade and Other Payables**

|  | 2017     | 2016     |
|--|----------|----------|
|  | \$       | \$       |
| i. <b>Loans from Other Key Management Personnel Related Entities</b> |          |          |
| Beginning of the year  | -        | 76,892   |
| Loans advanced   | -        | (76,892) |
| End of the year  | <u>-</u> | <u>-</u> |

| ii. <i>Loans from Other Related Parties</i> |             |             |
|---|-------------|-------------|
| Beginning of the year                       | 2,000,427   | 1,598,165   |
| Loans advanced                              | -           | 1,983,000   |
| Loan repayment                              | (2,158,647) | (1,748,215) |
| Interest charged                            | 158,220     | 167,477     |
| End of the year                             | -           | 2,000,427   |

#### Note 27 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 139 as detailed in the accounting policies to these financial statements, are as follows:

| Financial Assets                        | Note | Consolidated Group |                  |
|---|------|--------------------|------------------|
|   |      | 2017               | 2016             |
|   |      | \$                 | \$               |
| Cash and cash equivalents               | 9    | 2,803,008          | 453,402          |
| Loans and receivables                   | 10   | 1,409,456          | 1,456,899        |
| <b>Total Financial Assets</b>           |      | <b>4,212,464</b>   | <b>1,910,301</b> |
| <b>Financial Liabilities</b>            |      |                    |                  |
| Financial liabilities at amortised cost |      |                    |                  |
| — Trade and other payables              | 16   | 554,582            | 2,293,160        |
| — Borrowings                            | 17   | -                  | 1,999,723        |
| <b>Total Financial Liabilities</b>      |      | <b>554,582</b>     | <b>4,292,883</b> |

#### 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 2017.

#### 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 | 2017<br>\$ | 2016<br>\$ |
|---------------------------|------|------------|------------|
| Cash and cash equivalents |      |            |            |
| - AA Rated                |      | 2,803,008  | 453,402    |
| - A Rated                 |      | -          | -          |
| - BBB Rated               |      | -          | -          |
| - Other                   |      | -          | -          |
|                           | 9    | 2,803,008  | 453,402    |

**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.

|                                | Profit<br>\$ | Equity<br>\$ |
|--------------------------------|--------------|--------------|
| <b>Year ended 30 June 2017</b> |              |              |
| +/- 2% in interest rates       | -            | -            |
| +/- 10% in AUD/NZD             | 448,143      | 27,499       |
|                                | Profit<br>\$ | Equity<br>\$ |
| <b>Year ended 30 June 2016</b> |              |              |
| +/- 2% in interest rates       | 40,008       | 189,377      |
| +/- 10% in AUD/NZD             | 121,961      | 720,179      |

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.

|                                    |    | 2017                  |                  | 2016                  |                  |
|------------------------------------|----|-----------------------|------------------|-----------------------|------------------|
|                                    |    | Carrying Amount<br>\$ | Fair Value<br>\$ | Carrying Amount<br>\$ | Fair Value<br>\$ |
| <b>Financial assets</b>            |    |                       |                  |                       |                  |
| Cash and cash equivalents          | 9  | 2,803,008             | 2,803,008        | 453,402               | 453,402          |
| Trade and other receivables        | 10 | 1,409,456             | 1,409,456        | 1,682,447             | 1,682,447        |
| <b>Total financial assets</b>      |    | <b>4,212,464</b>      | <b>4,212,464</b> | <b>1,682,447</b>      | <b>1,682,447</b> |
| <b>Financial liabilities</b>       |    |                       |                  |                       |                  |
| Trade and other payables           | 17 | 554,582               | 554,582          | 2,293,160             | 2,293,160        |
| Related Party Loan                 | 18 | -                     | -                | 1,999,723             | 1,999,723        |
| <b>Total financial liabilities</b> |    | <b>554,582</b>        | <b>554,582</b>   | <b>4,292,883</b>      | <b>4,292,883</b> |

- (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 139.
- (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 available-for-sale and held-for-trading 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 28 Reserves

##### a. Foreign Currency Translation Reserve

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

|   | 2017<br>\$       | 2016<br>\$       |
|---|------------------|------------------|
| Opening balance   | (412,049)        | (565,968)        |
| Translation of financial statements of foreign entities | (37,121)         | 153,919          |
| Closing balance   | <b>(449,170)</b> | <b>(412,049)</b> |

##### 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.

|                             | 2017<br>\$       | 2016<br>\$       |
|-----------------------------|------------------|------------------|
| Opening balance             | 136,762          | 136,762          |
| Share based payment expense | -                | -                |
| Closing balance             | <b>136,762</b>   | <b>136,762</b>   |
| Total reserves              | <b>(312,408)</b> | <b>(275,287)</b> |

**Note 29 Discontinued Operations**

On 7th April 2017 the New Zealand subsidiary, Qusol NZ Ltd (formerly Symetri Ltd) divested its claims management business and assets other than its claims management software and cash. The consideration consisted of an initial payment of \$NZ 7 million, which was paid on completion, and an earn-out payment calculated as the excess (if any) by which 10 times the net profit of the sold business for the 12 months to 31 December 2018 exceeds \$NZ 7 million. The earn-out payment is payable in the first quarter of calendar 2019 and is currently treated as a contingent asset due to the uncertainty over future profitability. The gain on the sale of the business is a capital profit, and as such under New Zealand taxation law is not taxable.

Financial information relating to the discontinued operation to the date of sale is set out below.

The financial performance of the discontinued operation to the date of sale, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows.

|  | 2017<br>\$  | 2016<br>\$   |
|--|-------------|--------------|
| Revenue  | 8,363,652   | 13,031,719   |
| Expenses   | (8,417,489) | (14,491,866) |
| Loss before income tax   | (53,837)    | (1,460,147)  |
| Income tax benefit (expense)   | -           | 147,914      |
| Loss attributable to members of the parent entity                          | (53,837)    | (1,312,233)  |
| Profit on sale of business before income tax                               | 4,452,596   | -            |
| Income tax expense   | -           | -            |
| Profit/(loss) on sale after income tax                                     | 4,452,596   | (1,312,233)  |
| Total profit / (loss) after tax attributable to the discontinued operation | 4,398,759   | (1,312,233)  |

The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:

|   |             |             |
|---|-------------|-------------|
| Net cash inflow / (outflow) from operating activities             | (1,422,303) | 2,071,637   |
| Net cash inflow / (outflow) from investing activities             | 3,461,793   | (2,707,065) |
| Net cash inflow / (outflow) from financing activities             | -           | -           |
| Net cash increase in cash generated by the discontinued operation | 2,039,490   | (635,428)   |

**Note 30 Company Details**

The registered office of the company is:

Stream Group Limited  
 Level 3  
 22 Market Street  
 Sydney NSW 2000  
[www.qusol.com.au](http://www.qusol.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 13 to 41, 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 2017 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: 30 October 2017

## 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 "Company"), which comprises the consolidated statement of financial position as at 30 June 2017, 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 2017 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.

## Key Audit Matters (cont'd)

### 1. Sale of trade and assets of Qusol NZ Ltd (formerly Symetri Ltd)

#### Why significant

On 7 April 2017, the New Zealand subsidiary, Qusol NZ Ltd (formerly Symetri Ltd) sold its business and assets, other than its claims management software and cash, to Gallagher Bassett NZ, the New Zealand subsidiary of a major multi-national insurance and risk management business.

The purchase price is payable in cash in two tranches, being an initial amount of NZ\$7m which was paid on completion, and an earn-out based on future performance of the business. The deferred consideration element has not been recognised due to the inability to reliably and accurately measure future profitability, and has been treated as a contingent asset.

This transaction was considered material to the financial statements with a gain on sale of \$4,452,596 being reported.

Additionally, under AASB 5 *Held for Sale Assets and Discontinued Operations*, the disposal of the above business constitutes a discontinued operation, which must be disclosed separately in the Statement of Profit or Loss and Other Comprehensive Income in the current and prior year. Refer to Note 29 for disclosure on the discontinued operations.

Based on the sale of the business being a significant transaction to the Group we have considered this to be a key audit matter.

#### How our audit addressed the key audit matter

Our work has included, but not been limited to, the following procedures:

- Obtaining and reviewing key documentation surrounding the sale of business to Gallagher Bassett NZ, including:
  - The asset sale agreement;
  - The transition services agreement;
  - The subsequent agreement for lease of software.
- Analysing and re-performing management's calculation attributing to the gain on sale, to ensure this was correctly stated. This included testing the asset and liability balances of Qusol (NZ) Ltd at the disposal date.
- Agreeing the cash consideration received to the bank account.
- Reviewing the calculations regarding the financial effect of the discontinued operations on the face of the Statement of Profit or Loss and Other Comprehensive Income and Note 29.
- Ensuring that the disclosures in the financial statements complied with AASB 5 *Held for Sale Assets and Discontinued Operations*.
- Assessing the appropriateness of treating the deferred consideration as a contingent asset.

## 2. Impairment testing of Intangible Asset (Software IP)

### Why significant

Within the group's intangible assets is a balance of \$4,592,633 relating to the BuildAssist/Qusol Intellectual Property rights. This was not transferred as part of the sale of business above, but has been retained and held within Qusol Technology Ltd, a subsidiary of Qusol NZ Ltd.

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 14.

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.

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 being refreshed and enhanced, the value is being maintained, especially as it is a core technology to their customers and is integrated into their operations.

Based on the above we have considered that the carrying value of intangibles and related impairment testing is a key audit matter.

### Other Information

Other information is financial and non-financial information in the annual report of the Group 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.

### How our audit addressed the key audit matter

Our work has included, but not been limited to, the following procedures:

- Reviewing Management's assessment regarding the Software IP having an indefinite useful life;
- Analysing Management's NPV cash flow model and considering for reasonableness;
- 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 14);
- Reviewing Management's sensitivity testing and applied additional sensitivity criteria to further challenge the carrying value of the asset;
- Ensuring the requirements of AASB 138 *Intangible Assets* had been satisfied, including recognition and subsequent measurement of the intangible assets, and the additional requirements in regard to intangible assets with an indefinite useful life.
- Considering the impairment testing in regards to the requirements of AASB 136 *Impairment of Assets*.

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.

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 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.

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.

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

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 2017.

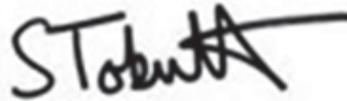
In our opinion, the Remuneration Report of Stream Group Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

## 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.



**PKF**  
Chartered Accountants



**SCOTT TOBUTT**  
Partner

30 October 2017

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

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by Australian Stock Exchange Listing Rules is as follows. The following information is current as at 16 October 2017:

1. **Shareholding**

a. **Distribution schedule of shareholders**

| Category (size of holding) | Number of Holders  | Ordinary Share | Percentage     |
|----------------------------|--------------------|----------------|----------------|
|                            |                    | Number         | %              |
| 1 - 1,000                  | 54,168             | 209            |                |
| 1,001 - 5,000              | 454,203            | 191            |                |
| 5,001 - 10,000             | 862,277            | 97             |                |
| 10,001 - 100,000           | 6,642,685          | 203            |                |
| 100,001 - and over         | 211,316,420        | 105            |                |
| <b>TOTAL</b>               | <b>219,329,753</b> | <b>805</b>     | <b>100.00%</b> |

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

| Shareholder                  | Ordinary Share | Percentage |
|------------------------------|----------------|------------|
|                              | Number         | %          |
| 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                | 12,647,649     | 5.77%      |
| PAUL NEISER                  | 12,647,649     | 5.77%      |
| TOM NEISER                   | 12,647,649     | 5.77%      |
| BIRGIT NEISER                | 10,874,606     | 4.96%      |

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 16 October 2017                | Number of Ordinary Shares Held | Percentage    |
|--|--------------------------------|---------------|
|  |                                | %             |
| 1. BNP PARIBAS NOMS PTY LTD                  | 55,342,534                     | 25.23%        |
| 2. NIGHTINGALE PARTNERS PTY LTD              | 25,559,842                     | 11.65%        |
| 3. GISELA FELSTEAD                           | 25,347,000                     | 11.56%        |
| 4. PHOENIX DEVELOPMENT FUND LTD              | 10,583,478                     | 4.83%         |
| 5. NATIONAL NOMINEES LIMITED                 | 6,919,367                      | 3.15%         |
| 6. DONWOOD PTY LTD                           | 6,514,912                      | 2.97%         |
| 7. RUMINATOR PTY LTD                         | 5,999,964                      | 2.74%         |
| 8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,359,402                      | 1.99%         |
| 9. NOTRON (NO 91) PTY LTD                    | 4,256,103                      | 1.94%         |
| 10. CHRISTIAN BERNECKER                      | 3,372,357                      | 1.54%         |
| 11. C BERNECKER & K THOMPSON                 | 2,642,027                      | 1.20%         |
| 12. J P MORGAN NOMINEES                      | 2,636,287                      | 1.20%         |
| 13. TRANSITION PROPERTY GROUP PTY LTD        | 2,608,753                      | 1.19%         |
| 14. STORMCLASSIC PTY LTD                     | 2,526,316                      | 1.15%         |
| 15. C BERNECKER & K THOMPSON                 | 2,357,969                      | 1.08%         |
| 16. RISTOLLE PTY LTD                         | 2,333,334                      | 1.06%         |
| 17. FERNANE PTY LTD                          | 2,333,333                      | 1.06%         |
| 18. MIEI RAGAZZI PTY LTD                     | 2,123,581                      | 0.97%         |
| 19. PACIFIC ATLANTIC COMMERCE PTY LTD        | 2,060,519                      | 0.94%         |
| 20. IRONWOOD INVESTMENTS PTY LTD             | 1,556,847                      | 0.71%         |
|  | <b>171,433,925</b>             | <b>78.16%</b> |

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.