

Appendix 4 D

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

For the Half-Year Ended December 2006

The merged group of Service Stream Limited (formerly Total Communications Infrastructure Limited) and Service Stream Holdings Limited (formerly Service Stream Limited)

ABN 46 072 369 870

Comments:

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

In accordance with ASX Listing Rule 4.2C.2, this Half Year Report should be read in conjunction with the most recent annual financial report, being 30 June 2006.

Current Reporting Period: Half Year Ended 31 December 2006

Previous Corresponding Period: Half Year Ended 31 December 2005

Service Stream Limited **(formerly Total Communications Infrastructure Limited)**

Half-Year Report
for the period ended 31 December 2006

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Section A: Results For Announcement to the Market

Revenue and Net Profit

		Percentage Change %		Amount \$'000
Revenue from ordinary activities	Up	20.43%	To	96,053
Profit from ordinary activities after tax attributable to members	Up	75.63%	To	3,323
Net profit attributable to members	Up	75.63%	To	3,323

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend paid in respect of 30 June 2006 financial year:	1.12 cents	Fully franked at 30%
Interim dividend payable in respect of 30 June 2007 financial year:	3.00 cents	Fully franked at 30%
Record date for determining entitlements to the interim dividend is:	29 March, 2007	

Net Tangible Assets Per Share

	31 December 2006	31 December 2005
	\$	\$
Consolidated net tangible assets per share	(0.101)	0.145

Net Tangible Assets as at 31 December 2006 of (\$14,071,789) consists of Net Assets of \$134,852,597 less Intangible Assets of \$148,924,386

Section B: Commentary on Results



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ASX & Media Release

22 February 2007

Service Stream posts strong result and increased earnings and dividend

Pro forma Result

(Including the results of operations from both Service Stream and Total Communications Infrastructure for the six months ended 31 December 2006)

- NPAT on target at \$7.9 Million
- Combined revenue of \$138.5 Million
- EBITDA on track at \$14.5 Million
- Integration activities meeting expectations

Reported Result

- Record first half revenue of \$96.1 Million up 20.4%
- NPAT up 75.6% to \$3.3 Million
- EBITDA up 52.8% to \$6.2 Million
- Fully franked interim dividend of 3.0 cents per share
- Acquisitions performing well
- Merger with Total Communications Infrastructure completed January 2007
- Market Capitalisation exceeds \$200.0 Million

Leading telecommunication industrial services provider Service Stream Limited ('SSM') is pleased to announce its results for the half year ended 31 December 2006.

The Company recorded \$6.2 million EBITDA and \$3.3 million NPAT for the period on Total Revenue of \$96.1 million. The record result incorporates for the first time a full six months contribution from Milcom training and Fibercom. The result does not include any contribution or costs from Total Communications Infrastructure (acquired 20 December 2006).

Financial Highlights

(For Service Stream on a standalone basis)

Half Year to 31 December	31-12-2006 (\$'million)	31-12-2005 (\$'million)	% Change
Revenue	96.1	79.8	20.4%
EBITDA	6.2	4.0	52.8%
EBIT	5.2	3.3	57.2%
NPAT	3.3	1.9	75.6%
EPS (cents)	4.67	3.43	36.2%
Dividend (cents per share)	3.0	0.75	300%

Operational Highlights

- Strong performance from all divisions
- Acquisition of Fibercom (completed in August 2006)
- Merger with Total Communications Infrastructure and Service Stream Limited completed (January 2007)
- Continued expansion with the strategic acquisition of General Purpose Group (January 2007)
- New contracts secured and existing contracts renewed particularly:
 - Build and operate the Do Not Call Register
 - Vodafone extension and expansion

Merger

The integration activities associated with the merger are on track providing opportunities to gain further efficiencies out of the combined systems by rationalising systems and related processes. Commenting on the merger SSM Chairman Lyn Davies stated he was:

“delighted with the response from staff, shareholders and clients, in particular I welcome staff and shareholders to the new merged group.”

Results Commentary

The results for the six months to December 2006 reflect a strong performance from all divisions and successful integration of our acquisitions. SSM continues to build its profile in the market place.

Managing Director and Chief Executive Officer, Patrick Flannigan commented:

“Service Stream continues to deliver growth at levels well above its stated long term target, and this is supported by contributions from recent acquisitions and disciplined cost control.”

In August 2006, SSM successfully completed the Fibercom transaction. Fibercom provide expert quality work and advanced testing and installation techniques in the fibre space. This complements SSM’s existing businesses and further broadens the range of expertise that it can offer its clients.

The Solutions business achieved \$39.6M (2005: \$37.1M) in revenue for the period. This growth in revenue will expand as a result of successfully winning a new 5 year contract agreement with Vodafone. Under the new agreement, Service Stream will manage the majority of Vodafone's outsourced customer contact centre requirements in Australia including directory assistance and prepay support services. The new agreement represents a 35% increase on existing contracted revenues with Vodafone, and builds on a relationship spanning over 9 years.

In addition, in February 2007 the Solutions business was awarded the contract to build and operate the Do Not Call Register on behalf of the Australian Media and Communications Authority (AMCA). Mr Flannigan said:

"This project, which is attracting significant profile, demonstrates our broad turnkey capability and confirms our position as one of Australia's leading service providers in the telecommunications field and opens the door to a wider range of prospective clients."

During the year SSM continued to invest in best of breed technology in its Solutions business. This has not only delivered large efficiencies to the organisation but has also allowed it to exceed clients' expectations and provided it with an impressive platform from which to continue to grow the business.

Revenue from the Communications business totalled \$52.6M (2005: \$42.5M) in the period representing an increase of 23.8%. In particular, a strong contribution to earnings was provided by the Construction and Recoverable works area.

After completion of the merger of TCI and STR, SSM continued its sensible acquisition strategy with the purchase of General Purpose Group (GPG). GPG has strong market presence and expertise in installing equipment in telephone exchanges and wireless base stations. Mr Flannigan said:

"The GPG acquisition follows our clear strategy and strongly complements our broad range of capabilities in the telecommunications industry."

The balance sheet as at 31 December as set out in the half year financial report includes the balances of Total Communication Infrastructure. The significant increase in accrued revenue is partially the effect of acquisitions and increased revenue but also procedural invoicing changes on request of clients.

Pro-forma result

(Including the results of both Service Stream and TCI from 1 July 2006)

Half Year to 31 December	STR (\$M)	TCI (\$M)	Adj (\$M)	Half year to December 2006 (\$M)
Profit and loss account				
Revenue	96.1	42.4		138.5
EBITDA	6.2	8.3		14.5
EBIT	5.2	8.1		13.3
NPAT	3.3	5.6	(1.0)	7.9

The results stated in the financial report do not include any contribution from Total Communication Infrastructure. The above table shows the result of the combined entity if the acquisition had occurred on the 1 July 2006. The adjustment relates to interest on bank borrowings and a notional interest charge on the deferred vendor consideration. The business of Total Communications Infrastructure continues to deliver.

Interim Dividend and Dividend Reinvestment Plan

Based on a strong financial performance and a solid outlook the Directors have declared a fully franked interim dividend of 3.0 cents per share for the period. The record date for the dividend is 29 March 2007 and the Company expects to pay the dividend on 12 April 2007.

SSM is pleased to provide the opportunity for all share holders to participate in a dividend reinvestment plan (DRP). Further details of SSM's DRP will be distributed to all shareholders.

Outlook and Market Guidance

Mr Flannigan commented:

"Our first half result supports our full year pro-forma market guidance of EBITDA of \$27 to \$30 million underpinned by a growing revenue base. Service Stream is very well placed to continue to grow, supported by strong market conditions in the telecommunications sector. We continue to seek out sensible acquisitions."

For further details contact:

Patrick Flannigan, Managing Director & Chief Executive Officer
Service Stream Limited
Tel: (61 3) 9677 8888

Michael Doery, Executive Director & Chief Financial Officer
Service Stream Limited
Tel: (61 3) 9677 8888

About Service Stream Limited

Service Stream is a public company listed on the Australian Stock Exchange (Code: SSM) with annual revenues approaching A\$300M. The company is an Australian owned and operated industrial services enterprise with proven outsourced field force management, technical support, customer contact, customer assistance and asset management capabilities. Service Stream aims to generate superior returns for shareholders by leveraging its equipment installation and maintenance capabilities across a range of infrastructure based industries. For more information please visit the Company's website at www.servicestream.com.au

Section C: Half-Year Financial Report

Service Stream Limited (formerly Total Communications Infrastructure Limited)

The merged group of Service Stream Limited (formerly Total Communications Infrastructure Limited) and Service Stream Holdings Limited (formerly Service Stream Limited)

ABN 46 072 369 870

Financial Report for the Half-Year Ended 31
December 2006

Service Stream Limited
(formerly Total Communications Infrastructure Limited)

Financial Report
for the Half-Year ended 31 December 2006

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Service Stream Limited **(formerly Total Communications Infrastructure Limited)**

Directors' Report

The Directors of Service Stream Ltd submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the Directors Report as follows:

The names of the Directors of the company during or since the end of the half-year are:

Name

John Llewellyn (Lyn) Davies	(appointed 20 December 2006)
Michael Doery	(appointed 20 December 2006)
Adrian Field	(appointed 20 December 2006)
Patrick Flannigan	(appointed 20 December 2006)
Russell Small	(appointed 20 December 2006)
Rodney Stanton	
Stephe Wilks	
James Cooney	(resigned 20 December 2006)
Trevor Duff	(resigned 20 December 2006)
Mark Stackpool	(resigned 20 December 2006)
Ian Thorley	(resigned 20 December 2006)

The above named Directors held office during and since the end of the half-year except as noted.

Review of Operations

For a detailed review of operations for the half-year ended 31 December 2006 refer to the commentary in Section B of the Appendix 4D.

The consolidated net result for the half-year was \$3,323 thousand (2005: \$1,892 thousand).

Auditor's Independence Declaration


The auditor's independence declaration is included on page 2 of the half-year financial report.

Rounding off of Amounts

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

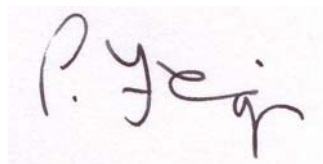
Signed in accordance with a resolution of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



John Llewellyn (Lyn) Davies
Independent Chairman

22 February 2007



Patrick J. Flannigan
Chief Executive Officer and Managing Director

22 February 2007

22 February 2007

Board of Directors
Service Stream Limited
Level 12
555 Lonsdale Street
Melbourne VIC 3000

Dear Board Members

Service Stream Limited

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

As lead audit partner for the review of the financial statements of Service Stream Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



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Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Service Stream Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Service Stream Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Service Stream Limited's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Service Stream Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

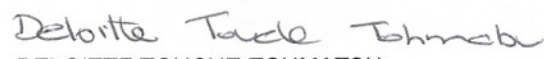
Auditor's Independence Declaration


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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Service Stream Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU


S PELUSI
Partner
Chartered Accountants
Melbourne, 22 February 2007

Member of
Deloitte Touche Tohmatsu

Service Stream Limited
(formerly Total Communications Infrastructure Limited)
Directors' Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

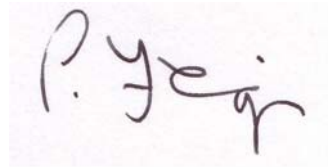
Signed in accordance with a resolution of the Directors made pursuant to s. 303(5) of the Corporations Act 2001.

On behalf of the Directors



John Llewellyn (Lyn) Davies
Independent Chairman

22 February 2007



Patrick J. Flannigan
Chief Executive Officer and Managing Director

22 February 2007

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Condensed Consolidated Income Statement for the Half-year ended 31 December 2006

	Half-year ended 31 December 2006 \$'000	Half-year ended 31 December 2005 \$'000
Revenue	96,053	79,761
Company administration and insurance expenses	(1,983)	(1,858)
Salaries and employee benefits	(28,029)	(25,564)
Temporary staff costs and subcontractor fees	(39,789)	(29,954)
Changes of inventory of finished goods	(14,377)	(14,348)
Motor vehicle expenses	(638)	(681)
Consulting and directors fees	(271)	(165)
External technology services	(809)	(808)
Occupancy expenses	(1,568)	(1,284)
Finance costs	(482)	(555)
Depreciation and amortisation	(995)	(745)
Other expenses	(2,375)	(1,033)
	<hr/>	<hr/>
Profit Before Tax	4,737	2,766
Income tax expense	(1,414)	(874)
	<hr/>	<hr/>
Profit for the period	3,323	1,892
	<hr/>	<hr/>
Profit attributable to equity holders of the parent	3,323	1,892
	<hr/> <hr/>	<hr/> <hr/>
Earnings per Share:		
Basic (cents per share)	4.67	3.43
Diluted (cents per share)	4.67	2.80

The financial statements should be read in conjunction with the accompanying notes on pages 9 to 14

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Condensed Consolidated Balance Sheet as at 31 December 2006

	Note	31 December 2006 \$'000	30 June 2006 \$'000
Current Assets			
Cash and cash equivalents		8,964	2,048
Trade and other receivables		26,249	24,889
Inventories		1,564	838
Accrued income		27,428	7,046
Other		1,351	219
		65,556	35,040
Non-Current Assets			
Investments		1,894	962
Property, plant and equipment		5,676	3,467
Deferred tax assets		2,116	1,040
Goodwill		148,222	18,551
Other intangibles		702	348
		158,610	24,368
Total Non-Current Assets		158,610	24,368
Total Assets		224,166	59,408
Current Liabilities			
Trade and other payables		37,099	20,726
Borrowings		1,572	707
Current tax payables		1,696	1,197
Provisions		2,511	1,652
		42,878	24,282
Non-Current Liabilities			
Other payables		8,573	-
Borrowings		36,760	5,798
Provisions		1,103	643
		46,436	6,441
Total Non-Current Liabilities		46,436	6,441
Total Liabilities		89,314	30,723
Net Assets		134,852	28,685
Equity			
Issued capital	6	129,769	25,867
Reserves		965	65
Retained earnings		4,118	2,753
		134,852	28,685
Total Equity		134,852	28,685

The financial statements should be read in conjunction with the accompanying notes on pages 9 to 14

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Condensed Consolidated Statement of Changes in Equity for the Half-year ended 31 December 2006

	Consolidated			
	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2006	25,867	65	2,753	28,685
Total income/expense for the 6 month period recognised directly in equity				
Profit for the period	-	-	3,323	3,323
Costs associated with the issue of shares	(26)	-	-	(26)
Issue of share capital (refer Note 2)	103,928	-	-	103,928
Dividends paid	-	-	(1,958)	(1,958)
Share based payment	-	30	-	30
Gain on available-for-sale investments	-	870	-	870
As at 31 December 2006	129,769	965	4,118	134,852

	Consolidated			
	Issued Capital \$'000	Equity Compen- sation \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2005	14,289	27	(294)	14,022
Total income/expense for the 6 month period recognised directly in equity				
Effect of transition to A-IFRS	123	-	-	123
Profit for the period	-	-	1,892	1,892
Net costs associated with the issue of shares	(366)	-	-	(366)
Issue of share capital	10,967	-	-	10,967
Share based payment	-	20	-	20
As at 31 December 2005	25,013	47	1,598	26,658

The financial statements should be read in conjunction with the accompanying notes on pages 9 to 14

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Condensed Consolidated Cash Flow Statement for the Half-year ended 31 December 2006

	Half-year ended 31 December 2006 \$'000	Half-year ended 31 December 2005 \$'000
<i>Cash Flows from Operating Activities</i>		
Receipts from customers	93,376	76,792
Payments to suppliers and employees	(91,092)	(74,786)
Interest received	34	38
Dividend received	18	-
Interest and other costs of finance paid	(577)	(480)
Income tax paid	(1,580)	(211)
Net cash provided by operating activities	179	1,533
<i>Cash Flows From Investing Activities</i>		
Payment for plant and equipment	(2,431)	(821)
Payment for company and businesses	(18,957)	(2,513)
Payment for equity instruments	(61)	-
Payment for intangible and other assets	(1,315)	-
Proceeds from disposal of non-current assets	46	274
Net cash used in investing activities	(22,718)	(3,060)
<i>Cash Flows From Financing Activities</i>		
Proceeds from issue of equity securities	-	9,490
Payment for share issue costs	-	(340)
Proceeds of borrowings	46,306	7,516
Repayment of borrowings	(14,582)	(16,250)
Repayment of finance lease	(311)	(168)
Dividends paid	(1,958)	-
Net cash provided by financing activities	29,455	248
<i>Net increase /(decrease) in cash held</i>	6,916	(1,279)
<i>Cash at beginning of half-year</i>	2,048	1,475
<i>Cash at end of half-year</i>	8,964	196

The financial statements should be read in conjunction with the accompanying notes on pages 9 to 14

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Notes to the Condensed Consolidated Financial Statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1988, and in accordance with that class order amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On 20 December 2006 the merger between Service Stream Limited (formerly Total Communications Infrastructure Limited) and Service Stream Holdings Limited (formerly Service Stream Limited) became effective (refer to Note 2 for further details). This transaction has been accounted for using the guidelines as set out in AASB 3 'Business Combinations'.

In line with the guidelines of that standard, the transaction has been accounted for as a reverse acquisition which requires that:

- The assets and liabilities of the legal subsidiary, "Service Stream Holdings Limited", shall be recognised and measured in the condensed consolidated financial statements at its pre-combination carrying amounts.
- The retained earnings and other equity balances recognised in the condensed consolidated financial statements shall be the retained earnings and other equity balances of the legal subsidiary "Service Stream Holdings Limited" immediately before the business combination.
- The amount recognised as issued equity in the condensed consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary "Service Stream Holdings Limited" immediately before the business combination, the cost of the acquisition.
- Comparative information presented in the condensed consolidated financial statements shall be of Service Stream Holdings Limited."

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Notes to the Condensed Consolidated Financial Statements

2. Merger Transaction Summary

On 20 December 2006 the Scheme of Arrangement between Service Stream Limited (formerly Total Communications Infrastructure Limited) and Service Stream Holdings Limited (formerly Service Stream Limited) became effective.

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

The approval from the court follows Service Stream Holdings Limited's (formerly Service Stream Limited) Scheme Meeting on 12 December 2006 and Service Stream Limited's (formerly Total Communications Infrastructure Limited) Extraordinary General Meeting on 18 December 2006, both of which strongly supported the merger.

The former shareholders of Service Stream Holdings Limited now hold approximately 50.5% of the merged group.

The merger was achieved by:

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

As part of the reverse acquisition accounting requirements a notional cost of equity of \$104 million was deemed to be issued by Service Stream Holdings Limited and has been included in the cost of business combination.

3. Dividends

	Half-year ended		Half-year ended	
	31 December 2006		31 December 2005	
<u>Recognised amounts</u>	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Final dividend in respect of prior financial year – fully franked to 30%	1.12	1,958	-	-
 <u>Unrecognised amounts</u>				
Fully paid ordinary shares				
Interim dividend in respect of current financial year – fully franked to 30%	3.00	4,200	0.75	1,305

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Notes to the Condensed Consolidated Financial Statements

4. Segment Information

The company operated solely within the Telecommunication industry in Australia in the period to 31 December 2006.

5. Contingent Liabilities

During the year ended 30 June 2006 Service Stream Holdings Limited acquired all of the shares in Milcom Communications Pty Ltd. Under the share sale agreement a final cash consideration is to be determined under an earn-out clause based on the future performance of the company over a 2 year period. The maximum liability under the contract is \$1 million. No liability has been recorded in relation to this potential deferred liability as at 31 December 2006.

During the half-year to 31 December 2006 Service Stream Holdings Limited acquired all of the shares in Fibercom Technology Pty Ltd. Under the share sale agreement a final cash consideration is to be determined under an earn-out clause based on the future performance of the company over a 2 year period. The maximum liability under the contract is \$1 million. No liability has been recorded in relation to this potential deferred liability as at 31 December 2006.

6. Issuances, Repurchases and Repayment of Securities

	31 December 2006 \$'000	30 June 2006 \$'000
140,003,471 fully paid ordinary shares (30 June 2006: 174,794,445 fully paid ordinary shares)	129,769	25,867

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

	31 December 2006 No.'000
Balance at 1 July 2006	109,610
Issue of shares in accordance with the Scheme of Arrangement (refer Note 2)	70,717
Reduction of share capital	180,327 (40,324)
Balance at end half-year 31 December 2006	140,003

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Notes to the Condensed Consolidated Financial Statements

6. Issuances, Repurchases and Repayment of Securities (continued)

Fully Paid Ordinary Shares **31 December 2006**
\$'000

Balance at 1 July 2006	25,867
Issue of shares	103,928
Net costs associated with issue of shares	(26)
Balance at end half-year 31 December 2006	129,769

Share Options

As a result of the Scheme of Arrangement (refer Note 2) all the Options on issue in Service Stream Holdings Limited were cancelled. New Options were issued in Service Stream Limited during January 2007.

7. Acquisition of controlled entities

7.1 Acquisition of Fibercom Technology Pty Ltd	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition \$ million
	Services in Telecommunications Industry	1-Jul-06	100%	1.43

Fibercom Technology Pty Ltd was purchased effective 1 July 2007.

Consideration for the acquisition of Fibercom Technology Pty Ltd consists of \$1.4M in cash. A further consideration of approximately \$1M may become payable as described in note 5.

The net assets acquired in the business combination and	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000
Current assets	914	-	914
Non-current assets	583	34	617
Current liabilities	(1,409)	(72)	(1,481)
Non-current liabilities	-	(3)	(3)
	88	(41)	47
Goodwill on acquisition			1,383
Total consideration			1,430

Service Stream Limited

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Notes to the Condensed Consolidated Financial Statements

7. Acquisition of controlled entities (continued)

The initial accounting for the acquisition of Fibercom Technology Pty Ltd has only been provisionally determined at reporting date.

The Directors are yet to complete their review of identifiable intangible assets and as such the excess of cost over the fair value of net assets acquired is recorded as goodwill.

Fibercom became wholly owned on acquisition and has joined the tax consolidated group. For tax purposes, the tax values of Fibercom's assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the Directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

Included in the net profit for the period is \$0.2M attributable to the additional business generated by Fibercom.

7.2 The Merger of Service Stream Limited and Service Stream Holdings Limited	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition \$ million
	Services in telecommunications industry	20-Dec-06	50.5%	146.2

As stated in Note 2, the Merger of Service Stream Limited and Service Stream Holdings Limited became effective on 20 December 2006. Service Stream Holdings Limited has been deemed the accounting acquirer in this business combination (refer Note 1). Consideration for the acquisition of Service Stream Limited consists of \$32.2M in cash, deferred consideration of \$10M payable during December 2008 and \$104M in notional cost of equity instruments issued.

The net assets acquired in the business combination and the goodwill arising are as follows:	Book value \$'000	Fair value adjustment \$'000	Fair value on acquisition \$'000
Current assets	28,897	-	28,897
Non-current assets	7,834	(747)	7,087
Current liabilities	(17,669)	-	(17,669)
Non-current liabilities	(302)	-	(302)
	18,760	(747)	18,013
Goodwill on acquisition			128,141
Total consideration			146,154

Service Stream Limited

(formerly Total Communications Infrastructure Limited)

Notes to the Condensed Consolidated Financial Statements

7. Acquisition of controlled entities (continued)

The initial accounting for the merger has only been provisionally determined at reporting date.

The Directors are yet to complete their review of identifiable intangible assets and as such the current excess cost over the fair value of net assets acquired is recorded as goodwill.

A net profit for the period of \$0.1M was generated by Service Stream Limited since the effective date of the merger.

Had the business combination been effective at 1 July 2006, the revenue of the Group would have been \$138.5M with a net profit of \$7.9M. The Directors of the group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Tax consolidation

Service Stream Holdings Limited will join the tax consolidated group of the legal parent entity, Service Stream Limited.

Accordingly, the tax values of Service Stream Holdings Limited's assets will be reset based on market values and other factors upon entering the tax consolidated group. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised.

As Service Stream Holdings Limited is the accounting acquiror in the business combination, any adjustment to the deferred tax balances on entering into the tax consolidated group of the legal parent entity, Service Stream Limited, will not give rise to any adjustment to goodwill.

8. Subsequent Events

On 10 January 2007 Service Stream announced the acquisition of General Purpose Group Pty Ltd.

General Purpose Group specialises in the construction and maintenance of wireless telecommunications networks.

Final consideration for the acquisition is expected to be approximately \$4.5M and is payable over three years.