
Service Stream Limited

ABN 46 072 369 870

Appendix 4D (rule 4.2A) Half-Year Ended 31 December 2019

(Previous corresponding period:
Half-year ended 31 December 2018)

Results For Announcement to the Market

Half-Year To		31 Dec 19 \$'000	% change	31 Dec 18 \$'000
Revenue from ordinary activities	Up	497,759	43.1%	347,954
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)	Up	56,429	48.4%	38,032
Earnings before interest expense and taxation (EBIT)	Up	40,769	19.5%	34,121
Profit from ordinary activities after tax attributable to members	Up	27,291	13.3%	24,092
Net profit attributable to members	Up	27,291	13.3%	24,092

Dividends	amount per share (cents)	franked amount per share (cents)	tax rate for franking credit
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Interim FY20 dividend per share to be paid 19 March 2020	4.00	3.50	30%
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Interim dividend dates

Ex-dividend date	04 March 2020
Record date	05 March 2020
Payment date	19 March 2020

The Company's Dividend Reinvestment Plan (DRP) will operate in respect of the FY20 interim dividend.

Net Tangible Asset Backing	31 Dec 19 \$	30 Jun 19 \$	31 Dec 18 \$
Consolidated net tangible assets per share	(0.0073)	(0.0293)	0.1912

The Appendix 4D should be read in conjunction with Service Stream Limited's most recent annual financial report.

Consolidated financial statements for the half - year ended 31 December 2019

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Service Stream Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Service Stream Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 357 Collins Street Melbourne VIC 3000.

A review of operations for the relevant period is included in the Directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 5 February 2020. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All media releases, financial reports and other information are available on our website: www.servicestream.com.au.

Service Stream Limited

Directors' report

The Directors of Service Stream Limited (the "Company") and its subsidiaries (the "Group") submit the interim financial report for the half-year ended 31 December 2019.

The following persons were Directors of the Company during the whole of the half-year and up to the date of this report, unless otherwise stated:

Brett Gallagher (Chairman)
 Leigh Mackender (Managing Director)
 Greg Adcock
 Tom Coen
 Peter Dempsey
 Deborah Page AM
 Raelene Murphy (retired 23 October 2019)

Review of operations

Highlights of the financial results for the half-year ended 31 December 2019 include:

- EBITDA of \$56.4 million after non-operational costs of \$1.7 million
- Operating cashflow of \$10.2 million with Net Debt of \$4.0 million at 31 December 2019
- Interim dividend (fully-franked) of 4.00 cents per share payable on 19 March 2020

Revenue, EBITDA, EBIT and NPAT for the half-year are all up on the prior corresponding period "pcp" (FY19 1st half) both on a statutory and adjusted basis.

Key financial measures \$ '000	FY20 1st half	FY19 1st half	Change	
Profitability:				
Revenue	497,759	347,954	149,805	43% ▲
EBITDA ¹	56,429	38,032	18,397	48% ▲
EBITDA %	11.3%	10.9%	0.4%	▲
EBIT	40,769	34,121	6,648	19% ▲
EBIT %	8.2%	9.8%	(1.6%)	▼
Net profit after tax	27,291	24,092	3,199	13% ▲
Cashflow & Capital Management:				
Operating cashflow	10,205	17,866	(7,661)	(43%) ▼
Net (debt) / cash ⁶	(3,950)	10,521 ⁵	(14,471)	(138%) ▼
Earnings per share (cents)	6.73	6.68	0.05	1% ▲
Dividends declared per share (cents)	4.00	3.50	0.50	14% ▲
Adjusted Profitability ²:				
EBITDA from Operations	58,079	38,640	19,439	50% ▲
EBITA ³	47,921	35,613	12,308	35% ▲
NPATA ⁴	32,297	25,136	7,161	28% ▲
Adjusted EPS (cents)	7.96	6.97	0.99	14% ▲
¹ Earnings before interest, tax, depreciation and amortisation.				
² Adjusted as relevant for non-operational items and amortisation of customer contracts and customer relationships. (refer to the reconciliation between IFRS and non-IFRS financial information below).				
³ Adjusted earnings before interest and tax.				
⁴ Adjusted net profit after tax.				
⁵ As at 30 June 2019.				
⁶ Excludes lease liability arising from the application of AASB 16 to operating leases.				
All financial measures and period-on-period changes thereto, are rounded to the displayed number of decimal places.				

Service Stream Limited

Directors' report

Review of operations (continued)

Reconciliation between IFRS and non-IFRS financial information

\$ '000	FY20 1st half	FY19 1st half
Reported EBITDA ¹	56,429	38,032
Add-back adjustments:		
- Acquisition costs (Comdain Infrastructure)	-	608
- Integration costs (Comdain Infrastructure)	405	-
- Due diligence costs on potential acquisitions	1,245	-
EBITDA from Operations	58,079	38,640
Statutory EBIT	40,769	34,121
Add-back adjustments:		
- As above for EBITDA	1,650	608
- Amort. of customer contracts & relationships	5,502	884
Adjusted EBIT (EBITA)	47,921	35,613
Statutory NPAT	27,291	24,092
Add-back adjustments:		
- As above for EBITA	7,152	1,492
- Tax effect of above (as relevant)	(2,146)	(448)
Adjusted NPAT (NPATA)²	32,297	25,136
Avg number of shares on issue (millions)	405.512	360.785
Statutory EPS (cents)	6.73	6.68
Adjusted EPS (cents)	7.96	6.97

¹ Earnings before interest, tax, depreciation and amortisation.
² Adjusted net profit after tax.

Each of the Group's reportable segments reported improved performance for the half-year ended 31 December 2019.

Telecommunications contributed EBITDA of \$45.3 million (15.2% margin) on revenue of \$297.9 million.

- Revenue was marginally lower than pcp by \$0.2 million with increased revenue from higher nbn OMMA activation and service assurance volumes and favourable technology mix offset by reduced revenue from lower Wireless volumes and wind-up of the nbn MIMA & DCMA programs.
- EBITDA margin was higher than pcp by +3.2 percentage points due to favourable impacts arising from the adoption of AASB 16 Leases, the profitable wind-up of nbn D&C operations and a favourable work mix.

Utilities contributed EBITDA of \$15.5 million (7.8% margin) on revenue of \$199.2 million.

- Revenue was higher than pcp by \$147.8 million primarily due to the inclusion of revenue from Comdain Infrastructure following its acquisition in January 2019.
- EBITDA margin was lower than pcp by -2.8 percentage points due to the inclusion of lower margin revenue from Comdain Infrastructure, exacerbated by the impact of one-time bid and JV-establishment costs on the 10-year Sydney water opportunity offset by the adoption of AASB 16 Leases.

Service Stream Limited

Directors' report

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year financial report.

Rounding of amounts

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Instrument.

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

On behalf of the Directors,



Brett Gallagher
Chairman
5 February 2020



Leigh Mackender
Managing Director
5 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Service Stream Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Service Stream Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'Trevor Johnston'.

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
5 February 2020

Service Stream Limited

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Half-year ended	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Revenue from continuing operations		
Revenue from contracts with customers	497,097	347,193
Interest revenue	91	628
Other income	571	133
	497,759	347,954
Expenses		
Employee salaries and benefits	(110,203)	(79,770)
Subcontractor fees	(275,237)	(198,070)
Raw materials and consumables used	(29,557)	(6,172)
Consulting and temporary staff fees	(4,782)	(3,572)
Company administration and insurance expenses	(3,611)	(2,497)
Occupancy expenses	(272)	(3,970)
Technology and communication services	(7,631)	(7,234)
Motor vehicle expenses	(6,534)	(5,198)
Depreciation and amortisation	(15,660)	(3,911)
Financing costs	(1,855)	(256)
Other expenses	(3,412)	(2,810)
Profit before tax	39,005	34,494
Income tax expense	(11,714)	(10,402)
Profit for the half-year	27,291	24,092
Total comprehensive income for the half-year	27,291	24,092
Profit attributable to the equity holders of the parent	27,291	24,092
Total comprehensive income attributable to equity holders of the parent	27,291	24,092
Earnings per share		
Basic (cents per share)	6.73	6.68
Diluted (cents per share)	6.72	6.66

Service Stream Limited
Consolidated balance sheet
as at 31 December 2019

	Note	31 Dec 2019 \$'000	30 Jun 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		56,148	70,809
Trade and other receivables		46,717	54,385
Inventories		9,240	8,868
Accrued revenue		117,864	125,988
Other		9,939	7,490
Total current assets		239,908	267,540
Non-current assets			
Plant and equipment		17,220	20,119
Right-of-use assets	1	30,283	-
Intangible assets		317,841	319,512
Total non-current assets		365,344	339,631
Total assets		605,252	607,171
LIABILITIES			
Current liabilities			
Trade and other payables	5	123,733	162,131
Provisions		34,689	32,594
Borrowings		9,000	9,000
Lease liabilities		9,676	288
Current tax liabilities		-	10,136
Total current liabilities		177,098	214,149
Non-current liabilities			
Deferred tax liabilities (net)		31,241	28,450
Provisions		6,395	5,808
Borrowings		51,000	51,000
Lease liabilities		24,642	-
Total non-current liabilities		113,278	85,258
Total liabilities		290,376	299,407
Net assets		314,876	307,764
EQUITY			
Contributed equity	6	313,737	297,757
Reserves		(11,300)	2,475
Retained earnings		12,439	7,532
Total equity		314,876	307,764

Notes to the consolidated interim financial statements are included on pages 9 to 15

Service Stream Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2019

	Contributed equity	Employee equity-settled benefits reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	297,757	2,475	7,532	307,764
Profit for the period	-	-	27,291	27,291
Total comprehensive income	-	-	27,291	27,291
Issue of shares (net of transaction costs)	14,603	-	-	14,603
Equity settled share based payments, inclusive of tax adjustments	-	1,570	-	1,570
Acquisition of treasury shares	(15,345)	-	-	(15,345)
Issue of treasury shares to employees	15,345	(15,345)	-	-
Dividends paid	1,377	-	(22,384)	(21,007)
As at 31 December 2019	313,737	(11,300)	12,439	314,876

	Contributed equity	Employee equity-settled benefits reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	217,281	1,651	(12,038)	206,894
Profit for the period	-	-	24,092	24,092
Total comprehensive income	-	-	24,092	24,092
Issue of shares (net of transaction costs)	1,762	-	-	1,762
Equity settled share based payments, inclusive of tax adjustments	-	4,484	-	4,484
Acquisition of treasury shares	(1,762)	-	-	(1,762)
Issue of treasury shares to employees	9,623	(9,623)	-	-
Dividends paid	-	-	(16,242)	(16,242)
As at 31 December 2018	226,904	(3,488)	(4,188)	219,228

Notes to the consolidated interim financial statements are included on pages 9 to 15

Service Stream Limited
Consolidated statement of cash flows
for the half-year ended 31 December 2019

	Half-year ended	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash flows from operating activities		
Receipts from customers (including GST)	539,121	376,128
Payments to suppliers and employees (including GST)	(506,342)	(349,699)
Cash generated from operations before interest and tax	32,779	26,429
Interest received	91	628
Interest and facility costs paid	(2,092)	(613)
Income taxes paid	(20,573)	(8,578)
Net cash provided by operating activities	10,205	17,866
Cash flows from investing activities		
Payments for plant and equipment	(1,177)	(1,195)
Proceeds from sale of plant and equipment	1,095	107
Payments for intangible assets	(2,370)	(4,076)
Net cash used in investing activities	(2,452)	(5,164)
Cash flows from financing activities		
Principal elements of lease payments	(4,829)	(183)
Dividends paid	(21,007)	(16,242)
Lease incentives received	4,164	-
Purchase of shares (net of transaction costs)	(742)	-
Net cash used in financing activities	(22,414)	(16,425)
Net decrease in cash and cash equivalents	(14,661)	(3,723)
Cash and cash equivalents at the beginning of the financial year	70,809	73,698
Cash and cash equivalents at end of period	56,148	69,975

Notes to the consolidated interim financial statements are included on pages 9 to 15

Service Stream Limited

Notes to the consolidated financial statements

1 Significant accounting policies

Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Service Stream Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of AASB 16 *Leases*, which was effective from 1 July 2019.

New accounting standards adopted by the Group

The Group adopted AASB 16 retrospectively from 1 July 2019 and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.9%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	1 Jul 2019 \$'000
Operating lease commitments as at 30 June 2019	33,153
Discounted using Group's incremental borrowing rate at date of initial application	29,771
Add: finance lease recognised as at 30 June 2019	288
Less: short-term leases recognised on straight-line basis as expense	(448)
Add: contracts reassessed as leases	1,366
Lease liability recognised as at 1 July 2019	30,977
Of which were:	
Current lease liabilities	5,789
Non-current lease liabilities	25,188
	30,977

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 Dec 2019 \$'000	1 Jul 2019 \$'000
Properties	25,845	27,462
Motor vehicles	4,341	3,227
Equipment	97	288
Total right-of-use assets	30,283	30,977

Service Stream Limited

Notes to the consolidated financial statements

1 Significant accounting policies (continued)

New accounting standards adopted by the Group (continued)

(i) Impact on profitability and earnings per share

EBITDA has increased by \$5.1 million and earnings per share increased by 0.03c per share for the six months to 31 December 2019 as a result of the adoption of AASB 16.

(ii) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties, equipment and motor vehicles. Rental contracts are typically made for fixed periods of two to five years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of properties, equipment and motor vehicles were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Service Stream Limited

Notes to the consolidated financial statements

1 Significant accounting policies (continued)

New accounting standards adopted by the Group (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT and other small office equipment.

(i) Variable lease payments

There are no variable lease payments requiring estimations.

(ii) Extension and termination options

Extension and termination options are included in a number of properties, equipment and motor vehicles leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of approximately \$41,100,000 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

(iii) Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to its leases. There are no residual value guarantees provided in relation to the leases held in the current period.

2 Segment information

The Group's operating segments have been determined based on the nature of the business activities undertaken by the Group and by reference to the structure of internal reporting that is prepared and provided to the chief operating decision maker, being the Chief Executive Officer who provides the strategic direction and management oversight of the Group in terms of monitoring results and approving strategic planning for the business.

During the period, Service Stream's call centre function was transferred from Utilities to Telecommunications reportable segment in order to enhance the provision of customer support and field scheduling services of nbn operations. The segment reporting is based on this revised segment structure for the first time in this 31 December 2019 half-year financial statements. To enable comparisons with prior period performance, historical segment information for the half-year reporting period ended 31 December 2018 has been restated.

The principal services of each of these operating segments are as follows:

Fixed Communications	Fixed Communications provides a wide range of operations, maintenance, installation, design and construction services to the owners of fixed-line telecommunication networks in Australia. Service capability includes customer connections; service and network assurance; design, construction and installation of broadband services, as well as minor projects for asset remediation, augmentation and relocation. Principal customers include nbn co and Telstra.
Network Construction	Network Construction provides a wide range of design, construction and associated services to the owners of fixed-line and wireless telecommunications networks in Australia. Service capability includes site acquisition, engineering, design and construction of wireless and fixed-line projects. Principal customers include nbn co, Telstra and other wireless carriers.
Energy & Water	Energy & Water provides a wide range of specialist metering, new energy and inspection services to gas, water and electricity network owners and other customers in Australia. Service capability includes meter reading and asset replacement; engineering, design and construction of energy-related products; as well as specialist inspection, auditing and compliance services.
Comdain Infrastructure	Comdain Infrastructure provides a wide range of operations, maintenance, design and construction services to gas and water network owners and operators in Australia. Service capability includes network assurance; asset upgrades and replacement; engineering, design and construction of network assets; as well as specialist electrical and mechanical instrumentation services.

Service Stream Limited

Notes to the consolidated financial statements

2 Segment information (continued)

Fixed Communications and Network Construction have been assessed as having similar economic characteristics and being similar in terms of each of the other aggregation criteria set out in AASB 8 *Operating Segments* including the nature of services, the type of customers and the methods by which services are provided, such that they have been aggregated into a single Telecommunications reportable segment.

Energy & Water and Comdain Infrastructure have been assessed as having similar economic characteristics and being similar in terms of each of the other aggregation criteria set out in AASB 8 *Operating Segments* including the nature of services, the type of customers and the methods by which services are provided, such that they have been aggregated into a single Utilities reportable segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Information regarding the Telecommunications and Utilities reportable segments is presented below:

	Segment revenue		Segment EBITDA	
	31 Dec 2019 \$'000	31 Dec 2018 \$'000	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Telecommunications ¹	297,895	298,069	45,312	35,936
Utilities ¹	199,158	51,324	15,451	5,444
Total of all segments	497,053	349,393	60,763	41,380
Other income	571	133		
Eliminations ¹	(356)	(2,600)		
Unallocated	400	400	(4,334)	(3,348)
EBITDA ²			56,429	38,032
Depreciation			(7,555)	(1,191)
Amortisation			(2,603)	(1,836)
Amortisation of customer contracts			(5,502)	(884)
EBIT			40,769	34,121
Interest revenue	91	628		
Net financing costs			(1,764)	373
Total revenue	497,759	347,954		
Profit before tax			39,005	34,494
Income tax expense			(11,714)	(10,402)
Profit for the year			27,291	24,092

¹ The prior year comparatives have been restated to reflect the change in reportable segments and the composition thereof, including eliminations of intra / inter-segment transactions.

² Earnings before interest, tax, depreciation and amortisation.

Service Stream Limited

Notes to the consolidated financial statements

3 Disaggregation of segment revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time. The table below provides a disaggregation of operating segment revenues from contracts with customers.

31 December 2019	Fixed Communications	Network Construction	Energy & Water	Comdain Infrastructure	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	220,386	77,509	51,872	147,286	400	497,453
Intra / Inter-segment revenue	-	-	-	-	(356)	(356)
Revenue from contracts with customers	220,386	77,509	51,872	147,286	44	497,097
Timing of revenue recognition						
At point in time	193,816	-	43,788	22,648	(9)	260,243
Over time	26,570	77,509	8,084	124,638	53	236,854
	220,386	77,509	51,872	147,286	44	497,097

31 December 2018 ¹	Fixed Communications	Network Construction	Energy & Water	Comdain Infrastructure	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	169,634	128,435	51,324	-	400	349,793
Intra / Inter-segment revenue	-	-	-	-	(2,600)	(2,600)
Revenue from contracts with customers	169,634	128,435	51,324	-	(2,200)	347,193
Timing of revenue recognition						
At point in time	139,693	-	45,487	-	(197)	184,983
Over time	29,941	128,435	5,837	-	(2,003)	162,210
	169,634	128,435	51,324	-	(2,200)	347,193

¹ The prior year comparatives have been restated to reflect the change in reportable segments and the composition thereof, including eliminations of intra / inter-segment transactions.

4 Dividends

A fully-franked interim dividend of 4.00 cents per share was declared by the Directors on 5 February 2020, payable to shareholders on 19 March 2020. This dividend has not been included as a liability in these interim financial statements. The total estimated dividend to be paid is \$16,299,311.

The company has elected to provide the opportunity for all shareholders to participate in its Dividend Reinvestment Plan in respect of the declared interim dividend.

5 Trade and other payables

	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Trade creditors	52,720	52,723
Sundry creditors and accruals	47,561	60,124
Goods and services tax payable	4,294	6,057
Income in advance	19,158	43,227
Total trade and other payables	123,733	162,131

Income in advance has reduced predominantly due to the wind-up of the nbn D&C programs.

Service Stream Limited

Notes to the consolidated financial statements

6 Contributed equity

	2019		2018	
	No. '000	\$'000	No. '000	\$'000
(i) Contributed equity				
Balance at 1 July	401,620	297,757	360,210	225,144
Issue of shares (net of transaction costs)	5,353	14,603	998	1,762
Dividend reinvestment plan	510	1,377	-	-
	407,483	313,737	361,208	226,904
(ii) Other equity				
Balance at 1 July	-	-	(5,322)	(7,863)
Acquisition of treasury shares	(5,629)	(15,345)	(998)	(1,762)
Issue of treasury shares to employees	5,629	15,345	6,320	9,623
	-	-	-	-
Balance at 1 July	401,620	297,757	354,888	217,281
Balance at 31 December	407,483	313,737	361,208	226,904

The company issued 5,862,883 ordinary shares in the current interim reporting period (Dec 2018: 997,819), of which 5,353,073 were acquired as treasury shares for the purpose of issuing shares under the various share-based incentives plans. The remaining 509,810 were issued as part of the Company's FY19 final dividend DRP.

7 Business combination

Year ended 30 June 2019 acquisition

On 2 January 2019, the Group acquired 100% of the issued share capital of Comdain Infrastructure Pty Ltd and Ayrab Pty Ltd and 100% of the issued units of the Ayrab Unit Trust (together Comdain Infrastructure). Fair values of acquired assets and liabilities as at acquisition were reported on a provisional basis in the 30 June 2019 financial statements and have been adjusted within the twelve month measurement period as outlined below.

The final fair values of the assets and liabilities of Comdain Infrastructure as at acquisition date are as follows:

	Provisional fair value \$'000	Adjustments to provisional fair value \$'000	Final fair value \$'000
Purchase consideration at fair value			
Cash and cash equivalents	37	-	37
Trade and other receivables	23,489	-	23,489
Accrued revenue	27,795	-	27,795
Inventories	1,997	-	1,997
Other assets	2,086	(42)	2,044
Plant and equipment	17,167	-	17,167
Customer contracts	79,872	-	79,872
Trade and other payables	(61,550)	-	(61,550)
Provisions	(11,493)	(4,401)	(15,894)
Current tax liabilities	(2,907)	-	(2,907)
Deferred tax asset	4,433	405	4,838
Deferred tax liability on customer contracts	(23,962)	-	(23,962)
Net identifiable assets acquired	56,964	(4,038)	52,926
Add: goodwill	96,247	4,038	100,285
Net assets acquired	153,211		153,211

Service Stream Limited

Notes to the consolidated financial statements

7 Business combination (continued)

In completing the provisional purchase price allocation in the prior financial period, management was required to make judgements relating to the fair value of certain liabilities. Over the past six months, management has finalised its assessment over these uncertain liabilities, most notably those relating to employment related obligations, onerous contracts and project WIP, which are reflected in an adjustment to provisions.

8 Subsequent events

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

Service Stream Limited

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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,



Brett Gallagher
Chairman
5 February 2020



Leigh Mackender
Managing Director
5 February 2020



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 (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 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.

Independence

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:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', with a long horizontal flourish extending to the right.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Trevor Johnston', with a long horizontal flourish extending to the right.

Trevor Johnston
Partner

Melbourne
5 February 2020

Service Stream Limited

Corporate directory

Directors

Brett Gallagher (Chairman)
Leigh Mackender (Managing Director)
Greg Adcock
Tom Coen
Peter Dempsey
Deborah Page AM

Company Secretaries

Chris Chapman
Vicki Letcher

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Fax: +61 3 9473 2500

Auditor

PricewaterhouseCoopers