Service Stream Limited

ABN 46 072 369 870

Appendix 4E (rule 4.3A)
Preliminary Final Report
Year Ended 30 June 2022

(Previous corresponding period: Year ended 30 June 2021)

Results for Announcement to the market

Year Ended	30 Jun 22 $'000	% change	30 Jun 21 $'000
Revenue from ordinary activities	1,516,537	88.6%	804,163
Profit / (loss) from ordinary activities after tax	(36,324)	(224.1%)	29,274
Net profit / (loss) attributable to members	(36,324)	(224.1%)	29,274
EBITDA from Operations [1]	91,114	13.7%	80,111
NPAT-A [2]	31,385	(19.4%)	38,941

[1] Earnings before interest, tax, depreciation and amortisation, non-operational costs and adjustments for equity accounted joint ventures.

[2] Net profit after tax before amortisation of customer contracts, impairment of goodwill and non-operational costs. Refer to Note 6 (c) for details on non-operational costs.

A 1.0 cent per share final dividend has been determined by the Directors with respect to the full-year period ending 30 June 2022 (2021 final: nil).

Net Tangible Asset Backing	30 Jun 22 cents	30 Jun 21 cents
Consolidated net tangible assets per share [1]	2.66	4.04

[1] Consolidated net tangible assets per share has been calculated to include right-of-use assets.

The preliminary final report has not been audited.

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June

	Notes	2022 $'000	2021 $'000
Revenue from continuing operations			
Revenue from contracts with customers	3	**1,513,804**	803,006
Other income	4	**2,733**	1,157
		1,516,537	804,163
Expenses			
Employee salaries and benefits		**(381,866)**	(218,722)
Subcontractor fees		**(901,477)**	(409,284)
Raw materials and consumables used		**(88,111)**	(51,499)
Consulting and temporary staff fees		**(20,058)**	(7,999)
Company administration and insurance expenses		**(11,359)**	(6,591)
Occupancy expenses		**(5,280)**	(3,495)
Technology and communication services		**(29,772)**	(15,553)
Motor vehicle expenses		**(13,278)**	(11,884)
Depreciation and amortisation	6	**(53,322)**	(29,291)
Impairment	14	**(38,206)**	-
Net finance costs	5	**(7,163)**	(4,044)
Other expenses		**(2,919)**	(3,983)
Share of profits from investment in joint ventures and associates	25	**2,192**	-
(Loss) / profit before tax		**(34,082)**	41,818
Income tax expense	7	**(2,242)**	(12,544)
(Loss) / profit for the year		**(36,324)**	29,274
Total comprehensive (loss) / income for the year		**(36,324)**	29,274
(Loss) / profit attributable to the equity holders of the parent		**(36,324)**	29,274
Total comprehensive (loss) / income attributable to equity holders of the parent		**(36,324)**	29,274
Earnings per share			
Basic (cents per share)	8	**(6.09)**	7.15
Diluted (cents per share)	8	**(6.09)**	7.15

Consolidated balance sheet
at 30 June

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	20	**68,677**	50,573
Trade and other receivables	9	**105,011**	46,821
Inventories	10	**14,738**	6,837
Accrued revenue	11	**273,841**	88,418
Other assets	12	**9,992**	4,898
Current tax asset	7	**7,889**	-
Total current assets		**480,148**	197,547
Non-current assets			
Investments accounted for using the equity method	25	**5,606**	-
Property, plant and equipment	13	**59,643**	13,170
Right-of-use assets	15	**52,529**	29,963
Intangible assets	14	**451,729**	306,746
Total non-current assets		**569,507**	349,879
Total assets		**1,049,655**	547,426
LIABILITIES			
Current liabilities			
Trade and other payables	16	**267,472**	103,520
Provisions	17	**62,350**	23,710
Lease liabilities	15	**18,304**	11,197
Current tax liabilities	7	**-**	3,732
Total current liabilities		**348,126**	142,159
Non-current liabilities			
Deferred tax liability (net)	7	**38,253**	18,964
Provisions	17	**7,117**	6,672
Borrowings	20	**148,907**	33,783
Lease liabilities	15	**39,156**	22,516
Total non-current liabilities		**233,433**	81,935
Total liabilities		**581,559**	224,094
Net assets		**468,096**	323,332
EQUITY			
Capital and reserves			
Contributed equity	18	**499,682**	318,721
Reserves		**(12,024)**	(12,151)
(Accumulated losses) / retained earnings		**(19,562)**	16,762
Total equity		**468,096**	323,332

Notes to the financial statements are included on pages 6 to 46

Consolidated statement of changes in equity
for the financial year ended 30 June

	Contributed equity	Employee equity-settled benefits reserve	Retained earnings/ (accumulated losses)	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2020	314,741	(11,109)	18,164	321,796
Profit for the period	-	-	29,274	29,274
Total comprehensive income for the year	-	-	29,274	29,274
Equity-settled share-based payments, inclusive of tax adjustments	-	981	-	981
Issue of shares (net of transaction costs)	2,023	-	-	2,023
Acquisition of treasury shares	(2,023)	-	-	(2,023)
Issue of treasury shares to employees	2,023	(2,023)	-	-
Dividends paid	1,957	-	(30,676)	(28,719)
Balance at 30 June 2021	**318,721**	**(12,151)**	**16,762**	**323,332**
Loss for the period			(36,324)	(36,324)
Total comprehensive loss for the year			(36,324)	(36,324)
Equity-settled share-based payments, inclusive of tax adjustments	-	331	-	331
Issue of shares (net of transaction costs)	180,961	-	-	180,961
Acquisition of treasury shares	(204)	-	-	(204)
Issue of treasury shares to employees	204	(204)	-	-
Balance at 30 June 2022	**499,682**	**(12,024)**	**(19,562)**	**468,096**

Notes to the financial statements are included on pages 6 to 46

Consolidated statement of cash flows
for the financial year ended 30 June

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**1,647,293**	887,100
Payments to suppliers and employees (including GST)		**(1,572,048)**	(812,675)
Interest received		**99**	40
Interest and facility costs paid		**(6,839)**	(4,738)
Income taxes paid		**(10,783)**	(24,180)
Dividends from joint venture associates		**825**	-
Net cash provided by operating activities	20	**58,547**	45,547
Cash flows from investing activities			
Payments for plant and equipment		**(3,014)**	(3,184)
Proceeds from the sale of plant and equipment		**1,175**	1,055
Payments for intangible assets		**(2,365)**	(6,710)
Payment for businesses (net of cash acquired)	29	**(313,537)**	-
Net cash used in investing activities		**(317,741)**	(8,839)
Cash flows from financing activities			
Purchase of shares (net of transaction costs)		**(204)**	-
Proceeds from issue of shares (net of transaction costs)		**179,228**	-
Principal elements of lease payments		**(16,739)**	(11,888)
Dividends paid		**-**	(28,719)
Proceeds from borrowings		**500,013**	-
Repayment of borrowings		**(385,000)**	(25,000)
Net cash provided by / (used in) financing activities		**277,298**	(65,607)
Net increase / (decrease) in cash held		**18,104**	(28,899)
Cash at the beginning of the year		**50,573**	79,472
Cash at the end of the year	20	**68,677**	50,573

Service Stream Limited
Notes to the consolidated financial statements
for the year ended 30 June 2022

1 General information

Service Stream Limited (the Company) is a limited company incorporated in Australia and listed on the Australian Securities Exchange (ASX: SSM).

Service Stream Limited's registered office and its principal place of business is Level 4, 357 Collins Street, Melbourne, Victoria 3000.

The principal activities of the Company and its subsidiaries (the Group) are described in note 2.

2 Segment information

(a) Products and services from which reportable segments derive their revenues

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 Managing Director, who provides the strategic direction and management oversight of the Group in terms of monitoring results and approving strategic planning for the business.

The Group acquired Service Stream Maintenance Pty Ltd (formerly Lendlease Services Pty Ltd) and its controlled entities ("LLS") on 1 November 2021 (refer note 29). This resulted in a re-organisation of its segments with the creation of a new reportable segment, Transport, and the combining of the Telecommunications and Utilities segments into Service Stream's existing structure.

The principal services of the Group's reportable segments are as follows:

Telecommunications	Telecommunications provides a wide range of operations, maintenance, installation, design and construction services to the owners of fixed-line and wireless telecommunication networks in Australia. Service capability includes customer connections, service and network assurance, site acquisition, engineering, design, construction and installation of broadband, wireless and fixed-line project services, as well as minor projects for asset remediation, augmentation and relocation. Principal customers include nbn co, Optus, Telstra and other telecommunications providers.
Utilities	Utilities provides operations, maintenance, design and construction services, as well as 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 asset upgrades and replacement, engineering, design and construction of network assets and energy-related products, meter reading and network assurance, as well as specialist inspection, auditing and compliance services.
Transport	Transport provides long-term operational support and maintenance services to public and private road and tunnel asset owners. Service capabilities include road network maintenance, control room operations, minor civil construction services and installation and operation of intelligent transport systems (ITS).

Performance is measured on the segment result which is EBITDA from Operations (earnings before depreciation and amortisation, interest, taxation, non-operational costs* and adjustments for equity accounted joint ventures) as included in the internal management reports that are reviewed by the Managing Director.

The segment results include the allocation of overheads that can be directly attributable to an individual business segment. Costs relating to certain head office functions and non-operational activities are managed at Group level and not allocated to the Group's segments. The information presented to the Managing Director does not report on segment assets and liabilities and as such is not presented in this report.

*Non-operational cost items represent acquisition, integration and restructuring costs (refer note 6 (c)).

2 Segment information (continued)

(b) Segment revenue and results

30 June 2022	Telecommunications	Utilities	Transport	Eliminations/ Unallocated	Total
	$'000	$'000	$'000	$'000	$'000
Segment revenue	**639,898**	**695,354**	**171,977**	**6,575**	**1,513,804**
Other income	**70**	**1,633**	**871**	**159**	**2,733**
Share of revenue from joint ventures	**-**	**-**	**47,230**	**-**	**47,230**
Total revenue (including joint venture) [1]	**639,968**	**696,987**	**220,078**	**6,734**	**1,563,767**
EBITDA from Operations [2]	**61,509**	**19,533**	**9,864**	**208**	**91,114**

30 June 2021	Telecommunications	Utilities	Transport	Eliminations/ Unallocated	Total
	$'000	$'000	$'000	$'000	$'000
Segment revenue	392,378	411,541	-	(913)	803,006
Other income	7	1,745	-	(595)	1,157
Share of revenue from joint ventures	-	-	-	-	-
Total revenue (including joint venture) [1]	392,385	413,286	-	(1,508)	804,163
EBITDA from Operations [2]	57,783	29,048	-	(6,720)	80,111

[1] This is a non-statutory disclosure as it includes other income and Service Stream's share of revenue from equity accounted joint ventures.

[2] Performance is measured using EBITDA from Operations. In prior periods, the segment information presented Statutory EBITDA as the performance measure which included non-operational costs. These costs were classified as unallocated items and as such, the results for the reportable segments remain unchanged.

Reconciliation of EBITDA from Operations to net profit after tax	2022	2021
	$'000	$'000
EBITDA from Operations	**91,114**	**80,111**
Adjustments for joint ventures	(968)	-
Depreciation and amortisation	(53,322)	(29,291)
Impairment expense	(38,206)	-
Non-operational costs (before tax) (refer note 6 (c))	(25,537)	(4,958)
Net finance costs	(7,163)	(4,044)
Income tax expense	(2,242)	(12,544)
Net (loss) / profit after tax	**(36,324)**	**29,274**

(c) Information about major customers

In the current reporting period, there was one major customer (2021: one customer) which contributed more than 10% to the Group's revenue. The relevant revenue by segment is shown below:

Largest customer 2022: Telecommunications $419 million (2021: Telecommunications $307 million).

No other customer contributed to 10% or more of the Group's total revenue.

3 Revenue from contracts with customers

(a) Revenue from contracts with customers

	2022 $'000	2021 $'000
Revenue	**1,513,804**	803,006
	1,513,804	803,006

(b) 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 reportable segment revenues from contracts with customers.

30 June 2022	Telecommunications $'000	Utilities $'000	Transport $'000	Other $'000	Total $'000
Segment revenue	639,898	695,354	171,977	7,126	1,514,355
Intra / Inter-segment revenue	-	-	-	(551)	(551)
Revenue from contracts with customers	**639,898**	**695,354**	**171,977**	**6,575**	**1,513,804**
Timing of revenue recognition					
At point in time	335,861	264,855	7,596	5,593	613,905
Over time	304,037	430,499	164,381	982	899,899
Revenue from contracts with customers	**639,898**	**695,354**	**171,977**	**6,575**	**1,513,804**

30 June 2021	Telecommunications $'000	Utilities $'000	Transport $'000	Other $'000	Total $'000
Segment revenue	392,378	411,541	-	-	803,919
Intra / Inter-segment revenue	-	-	-	(913)	(913)
Revenue from contracts with customers	**392,378**	**411,541**	**-**	**(913)**	**803,006**
Timing of revenue recognition					
At point in time	284,584	141,400	-	-	425,984
Over time	107,794	270,141	-	(913)	377,022
Revenue from contracts with customers	**392,378**	**411,541**	**-**	**(913)**	**803,006**

(c) Assets and liabilities related to contracts with customers

	2022 $'000	2021 $'000
Revenue recognised that was included in contract liability balance at the beginning of the period	**8,511**	10,435
Revenue (reversed) from performance obligations satisfied in previous periods	**(1,339)**	(536)

3 Revenue from contracts with customers (continued)

(d) Significant estimates

The Group's revenue is recognised when and as the control of the goods and services are transferred to its customers.

Ticket of work services and cost reimbursable contract

Revenue is recognised based on the transaction price as specified in the contract, net of estimated achievements of the variable considerations. Judgement is required in determining the Group's total transaction price. Accumulated experience is used to estimate and provide for the variable considerations applicable, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Project delivery

Revenue is recognised based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs (percentage of completion method). Judgement is required in determining the Group's total progress and total contract costs, net of variable considerations on each project delivery. Accumulated experience is used to estimate this progress and total contract costs. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present as sales are generally made with credit terms of 30 days, which is consistent with market practice. The Group's obligation to warranty claims under the standard warranty terms is recognised as a provision, see note 17.

4 Other income

	2022 $'000	2021 $'000
Gain on disposal of assets	**470**	843
Other	**2,263**	314
	2,733	1,157

5 Net finance costs

	2022 $'000	2021 $'000
Interest received	**(99)**	(40)
Interest expense: leases	**1,624**	957
Interest expense: borrowings	**4,865**	2,467
Facility establishment costs	**773**	660
	7,163	4,044

6 Other expense items

(a) Depreciation and amortisation expense

	Notes	2022 $'000	2021 $'000
Depreciation of plant and equipment	13	**15,196**	4,892
Depreciation of right-of-use assets	15	**17,296**	11,256
Amortisation of software	14	**6,806**	4,291
Amortisation of customer contracts / relationships	14	**14,024**	8,852
		53,322	29,291

6 Other expense items (continued)

(b) Employee benefit expense

	2022 $'000	2021 $'000
Superannuation expense	**32,237**	16,654
Equity-settled share-based payments	**332**	1,288
	32,569	17,942

(c) Non-operational expenses

	2022 $'000	2021 $'000
Individual non-operational items included in profit / loss before income tax		
Acquisition costs[1]	**4,364**	3,470
Business integration and restructuring costs[2]	**21,173**	1,488
Total non-operational costs (before tax)	**25,537**	4,958
Tax on non-operational costs	**(5,703)**	(1,487)
Non-operational costs after tax	**19,834**	3,471

[1] Acquisition costs in 2022 relate to acquisition of Lendlease Services (Refer to note 29).

[2] Costs associated with business separation and integration related activities primarily in relation to the acquisition of Lendlease Services.

7 Income tax expense

(a) Income tax recognised in profit or loss

	2022 $'000	2021 $'000
Tax expense comprises:		
Current tax expense	-	17,347
Over provision in prior years	**(806)**	-
Deferred tax	**3,048**	(4,803)
Income tax expense	**2,242**	12,544

(b) Reconciliation of income tax expense to tax payable

	2022 $'000	2021 $'000
(Loss) / profit from continuing operations	**(34,082)**	41,818
Tax at the Australian tax rate of 30%	**(10,225)**	12,545
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Goodwill impairment	**11,462**	-
Other non-deductible expenses	**2,014**	(1)
Franking credits on dividends received	**(203)**	-
Over provision in prior years	**(806)**	-
Income tax expense as per consolidated statement of profit or loss and other comprehensive income	**2,242**	12,544
Over provision in prior years	**806**	-
Movement through deferred tax (note: 7c)	**(3,048)**	4,803
Tax payable	**-**	17,347
Less current year tax instalments paid during the year	**(7,889)**	(13,615)
Net income tax (refundable) / payable	**(7,889)**	3,732
Effective tax rate	***7%***	*30%*

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

7 Income tax expense (continued)

(c) Deferred tax balances

Deferred tax balances arise from the following:

2022	Opening balance	Timing difference related to prior periods [1]	DTL (Net) Acquired through Acquisition	Charged to Income	Charged to equity	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Temporary differences						
Trade and other receivables	175	-	105	(12)	-	**268**
Accrued revenue	(15,150)	-	178	(46,907)	-	**(61,879)**
Trade, other payables and provisions	1,936	649	5,773	933	-	**9,291**
Share issue costs	1,081	(520)	-	(511)	1,718	**1,768**
Tax Losses	-	-	-	38,585	-	**38,585**
Employee benefits	8,734	-	8,788	1,200	15	**18,737**
Plant and equipment	(346)	-	712	(302)	-	**64**
Customer contracts / relationships	(17,131)	-	(33,270)	4,207	-	**(46,194)**
Right of use assets	(8,989)	-	-	(6,770)	-	**(15,759)**
Lease liabilities	10,114	-	84	7,040	-	**17,238**
Other	612	(261)	(212)	(511)	-	**(372)**
	(18,964)	(132)	(17,842)	(3,048)	1,733	**(38,253)**

2021	Opening balance	Timing difference related to prior periods [1]	DTL (Net) Acquired through Acquisition	Charged to Income	Charged to equity	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Temporary differences						
Trade and other receivables	290	-	-	(115)	-	175
Accrued revenue	(21,664)	-	-	6,514	-	(15,150)
Trade, other payables and provisions	5,207	-	-	(3,271)	-	1,936
Share issue costs	70	303	-	708	-	1,081
Employee benefits	9,939	-	-	(896)	(309)	8,734
Plant and equipment	177	46	-	(569)	-	(346)
Customer contracts / relationships	(19,787)	-	-	2,656	-	(17,131)
Right of use assets	(8,727)	-	-	(262)	-	(8,989)
Lease liabilities	10,009	-	-	105	-	10,114
Other	679	-	-	(67)	-	612
	(23,807)	349	-	4,803	(309)	(18,964)

[1] The prior period timing difference arose from a true-up of deferred tax and tax payable position at balance date to the subsequent tax return lodgement date.

Deferred tax assets and liabilities have been offset by the Group and are presented in the consoldiated balance sheet as a net deferred tax liability.

7 Income tax expense (continued)

(d) Tax consolidation

Reliance of tax consolidation to the Group

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Service Stream Limited is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 24. A tax funding arrangement and a tax sharing agreement have been entered into between the entities. As such a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right has been performed (except for unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax consolidated group which are treated as having no tax consequences). Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head enitity in the tax consolidation group).

Nature of tax funding arrangements and tax sharing agreements

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

8 Earnings per share

	2022 Cents per share	2021 Cents per share
Basic earnings / (loss) per share:		
Total basic earnings / (loss) per share	**(6.09)**	7.15
Diluted earnings / (loss) per share [1]:		
Total diluted earnings / (loss) per share	**(6.09)**	7.15

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2022 $'000	2021 $'000
(Loss) / profit for the year attributable to owners of the Company	**(36,324)**	29,274
(Loss) / Earnings used in the calculation of basic EPS	**(36,324)**	29,274

	2022 $'000	2021 $'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**596,100**	409,477
Shares deemed to be issued for no consideration in respect of employee share schemes	**-**	229
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**596,100**	409,706

[1] Weighted average number of shares used in basic and diluted Earnings Per Share calculation is the same for FY22. Weighted average number of shares used in diluted Earnings Per Share calculation excludes unallocated treasury shares.

9 Trade and other receivables

	Trade receivables 2022 $'000	Expected credit loss 2022 $'000	Total 2022 $'000	Trade receivables 2021 $'000	Expected credit loss 2021 $'000	Total 2021 $'000
Current	82,988	(173)	**82,815**	38,933	(70)	38,863
1 Month	10,854	(125)	**10,729**	5,007	(74)	4,933
2 Months	2,692	(138)	**2,554**	282	(19)	263
3 Months	2,077	(283)	**1,794**	63	(16)	47
Over 3 months	6,433	(177)	**6,256**	1,336	(404)	932
	105,044	(896)	**104,148**	45,621	(583)	45,038
Other receivables			**863**			1,783
			105,011			46,821

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. All new customers are subject to credit checks using external credit reporting agency information to ascertain their risk profile against both internal and industry benchmarks and are used in determination of appropriate credit limits. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, then they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provide note 21(c).

10 Inventories

	2022 $'000	2021 $'000
Inventories	**14,738**	6,837
	14,738	6,837

Inventories recognised as an expense during the year ended 30 June 2022 amounted to $88,111,000 (2020: $51,499,000). These were included in the raw materials and consumables used line item in the consolidated statement of profit and loss and other comprehensive income.

Write-downs of inventories to net realisable value amounted to $348,000 (2021: nil). These were recognised as an expense during the year ended 30 June 2022 and included in raw materials and consumables in the consolidated statement of profit or loss and other comprehensive income.

11 Accrued revenue

	2022 $'000	2021 $'000
Accrued revenue	**273,841**	88,418
	273,841	88,418

Accrued revenue is defined as a contract asset under AASB 15. The accrued revenue balance represents revenue which has yet to be invoiced to customers due to work not yet reaching a stage where it can be invoiced and where the Group's customers require payment claims to be submitted and approved prior to invoices being issued. The Group adopts the principle consistent with AASB 15 and will not recognise revenue until it is considered to be highly probable which has historically resulted in a high level of recoverability of amounts invoiced. Where work has not yet reached a stage where it can be invoiced, revenue is accrued in line with the Group's accounting policies as outlined at note 33(f) revenue recognition. Details about the Group's impairment policy and assessment of the loss allowance are provided in note 21(c).

The Group is not subject to any significant financing component and the transaction price within the customer contracts have not been adjusted. The Group has opted to apply the practical expedient available under AASB 15.121 whereby the financing component of the performance obligations are not disclosed further as they have an original expected duration of one year or less.

12 Other assets

	2022 $'000	2021 $'000
Prepayments	**9,356**	3,748
Other	**636**	1,150
	9,992	4,898

13 Property, plant and equipment

	Land $'000	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Year Ended 30 June 2021					
Opening net book value	-	1,132	9,459	4,565	15,156
Additions	-	-	3,180	4	3,184
Disposals [1]	-	(34)	(145)	(99)	(278)
Depreciation charge	-	(478)	(3,168)	(1,246)	(4,892)
Closing net book value	**-**	**620**	**9,326**	**3,224**	**13,170**
At 30 June 2021					
Cost	-	9,657	29,642	5,934	45,233
Accumulated depreciation	-	(9,037)	(20,316)	(2,710)	(32,063)
Net book value	**-**	**620**	**9,326**	**3,224**	**13,170**
Year Ended 30 June 2022					
Opening net book value	-	620	9,326	3,224	13,170
Acquired through business combination	2,150	278	44,460	12,472	59,360
Additions	-	-	2,651	363	3,014
Disposals [1]	-	-	(488)	(217)	(705)
Depreciation charge	-	(310)	(10,188)	(4,698)	(15,196)
Closing net book value	**2,150**	**588**	**45,761**	**11,144**	**59,643**
At 30 June 2022					
Cost	2,150	9,936	74,262	16,532	102,880
Accumulated depreciation	-	(9,348)	(28,501)	(5,388)	(43,237)
Net book value	**2,150**	**588**	**45,761**	**11,144**	**59,643**

[1] Disposals are net of accumulated depreciation.

14 Intangible assets

	Software	Customer contracts and relationships	Goodwill	Total
	$'000	$'000	$'000	$'000
Year Ended 30 June 2021				
Opening net book value	17,242	65,954	229,983	313,179
Additions	6,710	-	-	6,710
Amortisation charge	(4,291)	(8,852)	-	(13,143)
Closing net book value	**19,661**	**57,102**	**229,983**	**306,746**
At 30 June 2021				
Cost [1]	55,251	86,771	229,983	372,005
Accumulated amortisation	(35,590)	(29,669)	-	(65,259)
Net book value	**19,661**	**57,102**	**229,983**	**306,746**
Year Ended 30 June 2022				
Opening net book value	19,661	57,102	229,983	306,746
Acquired through business combination	8,291	102,700	90,663	201,654
Additions	2,365	-	-	2,365
Amortisation charge	(6,806)	(14,024)	-	(20,830)
Goodwill impairment	-	-	(38,206)	(38,206)
Closing net book value	**23,511**	**145,778**	**282,440**	**451,729**
At 30 June 2022				
Cost	65,907	189,471	320,646	576,024
Accumulated amortisation & impairment	(42,396)	(43,693)	(38,206)	(124,295)
Net book value	**23,511**	**145,778**	**282,440**	**451,729**

[1] The cost of goodwill represents the net carrying value at balance date.

(a) Impairment tests for goodwill

Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. It is Management's judgement that the CGU is at its lowest level of aggregation and no further distinctions can be made. The judgements and assumptions used in such determination are Management's best estimates based on the current market dynamics, business operations, service offerings, interactions with its customers and operational synergies achieved. Changes impacting these assumptions could result in changes in the determination of CGU's and recognition of impairment charges in future periods.

For the legacy Service Stream business, goodwill is monitored at the level of operating segments. Additionally, the acquisition of Service Stream Maintenance has created a new CGU, which is also tested as a standalone business. A summary of Group's carrying amount of goodwill by CGU is presented below.

	2022
	$'000
Telecommunications	**71,450**
Energy and Water	**20,042**
Comdain	**100,285**
Service Stream Maintenance	**90,663**
	282,440

14 Intangible assets (continued)

(b) Key assumptions used the calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. It is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial item assumes it is put to its highest and best use.

The recoverable amount of the Comdain CGU was determined through a fair value less costs to sell calculation using a detailed 5-year cash flow financial model with revenue and earnings forecasts, discount rate and costs to sell reflective of a market participant's view of valuing the business. The fair value measurement was categorised as a Level-3 fair value based on the inputs in the valuation technique used (refer note 21 on for further details on fair value measurements).

The recoverable amount of all other CGUs are determined based on a value-in-use calculation which uses cash flow projections based on financial forecasts covering a 5-year period. These forecasts are based on historical performance combined with management's expectations of future performance based on prevailing and anticipated market factors.

The cash flows are based on board approved budget covering a one-year period together with management prepared cash flows through to FY2027 with a terminal growth rate applied thereafter. Management's determination of cash flow projections are based on past performance and its expectations for the future. The cash flows assume that all businesses continue to undertake significant work with new and existing customers. This assumes existing contracts are extended, new contracts are awarded and margins remain relatively stable.

The following table sets out the key assumptions for all CGUs with goodwill allocated to them:

	Telecommunications	Energy & Water	Comdain	Service Stream Maintenance
Revenue growth rate*	5.9%	6.3%	8.4%	2.4%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%
Pre-tax discount rate	12.6%	12.3%	12.5%	12.7%

* 5 year compounded annual growth rate to FY2027

In FY22, the Comdain business experienced challenging trading conditions caused by multiple and prolonged wet weather events and resourcing constraints affecting a major Queensland project. The cash flows used in determining recoverable amount assumes a return to normalised trading conditions in FY23. The forecast compound average annual earnings growth over the forecast period from a base of FY23 used is 9.9%.

A post-tax discount rate to post-tax cash flows has been applied as the valuation calculated using this method closely approximates applying pre-tax discount rates to pre-tax cash flows.

The terminal growth rate represents estimates of the CGUs growth to perpetuity.

<u>Impairment of the Energy and Water CGU goodwill</u>

Goodwill in the Energy and Water CGU was assessed for impairment at December 2021 with Management indicating that any reasonable possible change in key assumptions could lead to a potential impairment. The underlying assumption on revenue forecast assumed a return to pre-COVID activity levels. However, the business has seen a slower than expected recovery particularly with continued resourcing issues and volume reductions in metering activity. Consequently, the Group has tested impairment in this category and it was determined that the carrying value of the CGU of $67.7 million exceeds its recoverable amount by approximately $38.2 million, resulting in a goodwill impairment.

14 Intangible assets (continued)

(b) Key assumptions used the calculation of recoverable amount (continued)

Impact of possible changes in key assumptions

For the Comdain CGU, the carrying value approximates its recoverable amount. If operational earnings for the forecast period (including the terminal year) reduced by 10%, the group would have had to recognise an impairment against goodwill of $28.8 million. If the discount rate applied to the cash flow projections of this CGU had been 1% higher, the group would have had to recognise an impairment against goodwill of $14.3 million.

Following the impairment charge in the Energy and Water CGU, the carrying value for this CGU equals its recoverable amount. As such, any reasonable changes in key assumptions would lead to an impairment.

Other than as disclosed above, the Group believes that for the remaining CGUs, any reasonable possible change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

15 Leases

(a) Amount recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Properties	**21,732**	20,602
Motor vehicles	**26,629**	8,365
Equipment	**4,168**	996
Total right-of-use assets	**52,529**	29,963
Current lease liabilities	**18,304**	11,197
Non-current lease liabilities	**39,156**	22,516
Total lease liabilities	**57,460**	33,713

The Group's weighted average incremental borrowing rate applied to the lease liabilities as at 30 June 2022 was 3.24%.

Additions and remeasurements to the right-of-use assets during the 2022 financial year were $40.5 million.

(b) Amount recognised in the consolidated statement of profit or loss and other comprehensive income

The statement of profit and loss and other comprehensive income shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Depreciation of right-of-use assets		
Properties	**10,053**	7,676
Motor vehicles	**6,264**	2,819
Equipment	**979**	761
	17,296	11,256
Interest expense (included in interest expense and other finance costs)	**1,624**	957
Expense relating to short-term leases (included in the occupancy and motor vehicle expenses)	**3,044**	1,627
Income from sub-leasing of right-of-use assets	**847**	124

The total cash outflow for leases in 2022 was $18.4 million.

15 Leases (continued)

(c) 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 many 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.

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:

- amounts expected to be payable by the Group under residual value guarantees;
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; 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.

(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.

(d) Critical judgements

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 $55,194 thousand (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended or not terminated.

16 Trade and other payables

	2022 $'000	2021 $'000
Trade creditors[1]	**76,677**	42,361
Sundry creditors and accruals	**148,222**	49,065
Goods and services tax payable	**2,312**	3,041
Income in advance	**40,261**	9,053
	267,472	103,520

[1] Typically, no interest is charged by trade creditors. The Group has financial risk management policies in place to ensure that all payable are paid within the credit timeframe.

16 Trade and other payables (continued)

Income in advance is defined as contract liabilities under AASB 15. A contract liability pertains to the Group's obligation to transfer services to its customer for which it has already received payment. The amounts included in income in advance reflect a significant portion of the aggregate performance obligation amounts not yet satisfied as at the end of the reporting period. The Group has opted to apply the practical expedient available under AASB 15.121 whereby the performance obligations are not disclosed further as they have an original expected duration of one year or less.

17 Provisions

	2022 $'000	2021 $'000
Current		
Employee benefits [1]	**49,547**	19,585
Provision for contractual obligations [2]	**3,594**	3,782
Provision for onerous contracts [3]	**7,202**	343
Other provisions [4]	**2,007**	-
	62,350	23,710
Non-current		
Employee benefits [1]	**7,117**	6,672
	7,117	6,672
Total provisions	**69,467**	30,382

[1] The provision for employee benefits represents annual leave, rostered day-off and long service leave entitlements.

[2] The provision for contractual obligations represents the present value of an estimate for the future outflow of economic benefits that may be required under the Group's obligations for warranties, rectification and rework with its various customers.

[3] The provision for onerous contracts represents best estimation on loss-making projects where that cost is expected to exceed total revenue.

[4] Other provisions represents make good provisions on premises, restructuring costs and redundancy provisions as required.

The Group does not offer its customers the option to purchase warranties as a separate service. Warranties simply relate to rectifications and rework performed on completed services. These assurance-type warranties are accounted for in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets.*

(a) Movement in provisions

	Contractual obligations $'000	Onerous contracts $'000	Other provisions $'000
Balance at 1 July 2021	3,782	343	-
Additions recognised through business combinations	3,662	2,901	-
Additional provisions recognised	1,095	6,569	2,007
Unused amounts recognised	(2,464)	(152)	-
Amounts used during the year	(2,481)	(2,459)	-
Balance at 30 June 2022	**3,594**	**7,202**	**2,007**

(b) Significant estimates

Management estimates the provisions for future claims based on the value of work historically performed and the claims of any on-going disputes. Actual claim amounts in the next reporting period are likely to vary from Management's estimates. Amounts may be reversed if it is determined they are no longer required.

18 Contributed equity

	Number of shares		Share capital	
	2022 No.'000	**2021 No.'000**	**2022 No.'000**	**2021 No.'000**
Fully paid ordinary shares	**615,953**	410,393	**499,682**	318,721
Treasury shares	**-**	-	**-**	-
	615,953	410,393	**499,682**	318,721

(a) Fully paid ordinary shares

	Number of shares $'000	Share capital $'000
Balance at 1 July 2020	408,026	314,741
Issue of shares	1,044	2,023
Dividend reinvestment plan	1,323	1,957
Balance at 30 June 2021	410,393	318,721
Issue of shares	205,560	180,961
Balance at 30 June 2022	**615,953**	**499,682**

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(b) Employee share schemes

Information relating to the employee share schemes is set out in note 23.

(c) Treasury shares

Treasury shares are shares in Service Stream Limited that are held by the Service Stream Employee Share Trust for the purpose of issuing shares under various share-based incentives plans. Shares issued to employees are recognised on a first-in-first-out basis.

	Number of shares $'000	Share capital $'000
Balance at 1 July 2020	-	-
Acquisition of treasury shares (average prices; $1.94 per share)	(1,044)	(2,023)
Share issued under employee share schemes	1,044	2,023
Balance at 30 June 2021	-	-
Acquisition of treasury shares (average prices; $0.89 per share)	(229)	(204)
Share issued under employee share schemes	229	204
Balance at 30 June 2022	**-**	**-**

19 Dividends

Recognised amounts	2022 Cents per share	2021 Cents per share	2022 $'000	2021 $'000
Fully paid ordinary shares				
Interim dividend	**-**	2.50	**-**	10,244
	-	2.50	-	10,244

19 Dividends (continued)

	2022 Cents per share	2021 Cents per share	2022 $'000	2021 $'000
Fully paid ordinary shares				
Final dividend	**1.00**	-	**6,160**	-
	1.00	-	**6,160**	-

A final dividend of 1 cent per share has been determined by the Board for the year ended 30 June 2022 (2021: nil).

	Company	
	2022	2021
Franking credits available for subsequent reporting periods based on a tax rate of 30%	**42,209**	42,858

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax after the end of the year.

20 Notes to the consolidated statement of cash flows

(a) Reconciliation of cash and cash equivalents

	2022 $'000	2021 $'000
Cash and cash equivalents	**68,677**	50,573
Balance per consolidated statement of cash flows	**68,677**	50,573

(b) Reconciliation of profit for the year to net cash flows from operating activities

	2022 $'000	2021 $'000
(Loss) / profit for the year	**(36,324)**	29,274
Gain on sale of disposal of non-current assets	**(470)**	(843)
Impairment loss	**38,206**	-
Depreciation and amortisation	**53,322**	29,291
Equity-settled share-based payments expense	**332**	1,288
Decrease in tax balances & other tax adjustments	**(8,541)**	(11,914)
Movement in working capital net of balances acquired through business combinations:		
Decrease / (increase) in trade and other receivables	**20,872**	(7,617)
(Increase) / decrease in accrued income	**(46,706)**	13,383
(Increase) in other assets	**(1,930)**	(378)
(Increase) in inventories	**(1,835)**	(578)
Increase in trade and other payables	**38,706**	465
Increase / (decrease) in provisions	**2,804**	(5,607)
Increase / (decrease) in borrowing costs	**111**	(1,217)
Net cash provided by operating activities	**58,547**	45,547

(c) Liabilities from financing activities

$'000	Borrowings	Lease liabilities
Balance as at 30 June 2021	33,783	33,713
Acquired through business combinations	-	26,090
Additions	-	13,555
Remeasurements	111	841
Financing cash flows	115,013	(16,739)
Interest expense	5,638	1,624
Interest payments	(5,638)	(1,624)
Balance as at 30 June 2022	**148,907**	**57,460**

21 Financial instruments

(a) Overview

The Group's activities expose it to a variety of financial risks including interest rate, credit and liquidity risk exposures. The Group's risk management program looks to identify and quantify these exposures and where relevant reduce the sensitivity to potential adverse impacts on its financial performance. The Group operates a centralised treasury function which manages all financing facilities and external payments on behalf of the Group. Compliance with financial risk management policies, financial exposures and compliance with risk management strategy are reviewed by senior management and reported to the Group's Audit and Risk Committee and Board on a regular basis.

(b) Market risk - interest rate risk management

Based upon a 100 basis point increase in prevailing market interest rates as applied to the Group's net cash balance at 30 June 2022 the Group's sensitivity to interest rate risk would be equivalent to a $802,000 per annum unfavourable impact to profit before tax (2021: $168,000 favourable).

(c) Credit risk management

Credit risk of the Group arises predominately from outstanding receivables and unbilled accrued revenue to its customers. Refer below for details of the Group's impairment of financial assets assessment.

The Group will not recognise revenue until it is considered to be highly probable. Historically unbilled accrued revenue has led to a high level of recoverability.

Receivable balances are monitored on an ongoing basis and the Group has a policy of only dealing with creditworthy counterparties and where appropriate, obtaining credit support as means of mitigating the risk of financial loss from credit defaults.

Credit reporting information is supplied by independent credit rating agencies where available and the Group uses publicly available information and its own internal trading history to credit-assess customers.

<u>Impairment of financial assets</u>

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables; and
- accrued revenue (contract assets) relating to its customer contracts.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the expected credit loss is immaterial.

<u>Trade receivables and accrued revenue</u>

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue.

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. This historical loss rate is adjusted to reflect current and forward-looking information affecting the ability of specific customers to settle their receivables. The nature of the Group's customers, which includes government enterprises and large private sector corporations, is such that the risk of default of receivables is low.

When applying the impairment requirement of AASB 9 to accrued revenue, the Group recognises that the ageing of accrued revenue is not indicative of its recoverability profile, rather the ability to complete work in progress and/or pending customers' approval in order to invoice. Under the expected credit loss principle adopted, the Group assessed that the accrued revenue balance carries a similar expected loss profile as those trade receivables aged as current, before adjusting for any specific forward-looking factors. Applying the associated expected loss rate to the accrued revenue balance results in an impairment loss.

On that basis, the loss allowance as at 30 June was determined as follows.

21 Financial instruments (continued)

(c) Credit risk management (continued)

	Current $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	91 days + $'000	Total $'000
2022						
Expected loss rate	**0.21%**	**1.15%**	**5.13%**	**13.63%**	**2.75%**	
Gross carrying amount - trade receivables	**82,988**	**10,854**	**2,692**	**2,077**	**6,433**	**105,044**
Loss allowance	**173**	**125**	**138**	**283**	**177**	**896**

	Current $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	91 days + $'000	Total $'000
2021						
Expected loss rate	0.18%	1.50%	6.91%	25.81%	30.24%	
Gross carrying amount - trade receivables	38,933	5,007	282	63	1,336	45,621
Loss allowance	70	74	19	16	404	583

The loss allowances for trade receivables at 30 June 2022 reconciles to the opening loss allowances as follows:

	2022 $'000	2021 $'000
Opening balance	**583**	969
Acquired through business combination	**352**	-
Additional provision recognised	**537**	226
Receivables written off during the year as uncollectible	-	-
Unused amount reversed	**(576)**	(612)
Closing balance	**896**	583

(d) Liquidity risk management

Management of the Group's liquidity risk exposure is undertaken daily by the Group's treasury and finance functions via monitoring of the Group's actual cash flows and regularly updated forecasting of payable and receivable profiles.

In order to maintain adequate liquidity, the Group typically maintains an at-call cash buffer as well as having access to overdraft facilities and syndicated funding lines.

Included in note 21(d)(ii) are details of the financing facilities available to the Group at 30 June 2022.

(i) Liquidity and interest rate risk tables

The following table detail the Group's maturity profile for financial liabilities.

The amount disclosed in the table represent the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is contracted to repay principal. Where applicable, these amounts represent both interest and principal cash flows.

	Weighted average interest rate	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	5 + years $'000
2022								
Financial liabilities								
Lease liabilities	3.24%	(57,460)	(59,897)	(10,723)	(9,643)	(15,790)	(18,661)	(5,080)
Borrowings	1.76%	(148,907)	(153,718)	(1,315)	(1,307)	(151,096)	-	-
Trade and other payables	-	(267,472)	(267,472)	(267,472)	-	-	-	-
		(473,839)	**(481,087)**	**(279,510)**	**(10,950)**	**(166,886)**	**(18,661)**	**(5,080)**

21 Financial instruments (continued)

(d) Liquidity risk management (continued)

	Weighted average interest rate	Carrying amount	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	5 + years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021								
Financial liabilities								
Lease liabilities	2.86%	(33,713)	(35,535)	(6,172)	(5,796)	(9,790)	(11,492)	(2,285)
Borrowings	1.78%	(33,783)	(36,506)	(312)	(312)	(623)	(35,260)	-
Trade and other payables	-	(103,520)	(103,520)	(103,520)	-	-	-	-
		(171,016)	**(175,561)**	**(110,004)**	**(6,108)**	**(10,413)**	**(46,752)**	**(2,285)**

(ii) Financing facilities

	2022	2021
	$'000	$'000
Bank guarantee	**112,863**	42,428
Borrowings	**150,013**	35,000
Amount used	**262,876**	77,428

During the period, the Group completed a refinancing of its banking facilities, and increased its revolving facilities to $395 million which are due to expire in November 2023 and have a variable rate of interest. The refinancing during the period was treated as a non substantial modification, and the transaction costs attributable to the refinancing have been netted off against the loan.

As at 30 June 2022, the Group had unused facilities of $132 million across bank guarantees, borrowings and bank overdraft, of which the overdraft has a maximum draw down of $30 million. In the prior year, the Group had unused facilities of $198 million mainly attributable to borrowings, bank guarantees, bank overdraft and cash advances.

(e) Categories of financial instruments

	2022	2021
	$'000	$'000
Financial assets at amortised cost		
Cash and cash equivalents	**68,677**	50,573
Accrued revenue	**273,841**	88,418
Trade and other receivables	**105,011**	46,821
	447,529	185,812

	2022	2021
	$'000	$'000
Financial liabilities at amortised cost		
Lease liabilities	**57,460**	33,713
Borrowings	**148,907**	33,783
Trade and other payables	**267,472**	103,520
	473,839	171,016

The Group consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair values.

22 Capital risk

The Group manages its capital to ensure that it is able to continue as a going concern and to maximise returns to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends and return capital paid to shareholders or issue new shares. Capital is managed in order to maintain a strong financial position and ensure that the Group's funding needs can be optimised at all times in a cost-efficient manner to support the goal of maximising shareholder wealth.

The Board and Senior Management review the capital structure of the Group at least annually considering any restrictions or limitations that may exist under current financing arrangements with regard to mix of capital.

The Group is subject to various financial debt covenants under its Syndicated Facilities Agreement regarding minimum levels of equity, gearing, fixed charge cover and borrowing base; all of which are regularly monitored and reported upon. The Group has complied with the financial debt covenants of its borrowing facilities during the 2022 and 2021 financial reporting periods.

23 Share-based payments

(a) Long-Term Incentive (LTI) Plan

From time to time employees in Senior Management roles may be invited, with approval from the Board, to participate in the LTI plan. The LTI operates within the shareholder-approved Employee Share Ownership Plan (ESOP), under the administration of the Remuneration and Nomination Committee (RNC). The extent of individual participation and the associated number of performance rights offered is recommended by the Managing Director and reviewed by the RNC, which will then make recommendations to the Board for approval.

In accordance with the provisions of the ESOP, certain employees in Senior Management roles were invited to participate in the LTI which entitles them to receive a number of performance rights in respect of the year ending 30 June 2022 (FY22). Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long-term incentive participation rate, which is expressed as a percentage of the participant's total fixed remuneration (TFR), and the volume-weighted average market price of the Group's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

Performance rights for each of the LTI tranches are subject to service and performance criteria being:

A The participant must be an employee at the conclusion of the performance period;

B 50% of the performance rights granted with respect to the FY22 tranche will vest where the Group's adjusted earnings per share (Adjusted EPS) achieves an annual growth of 10% (full achievement) or above 5% but less than 10% (pro rata achievement) over the performance period. 50% of the performance rights granted with respect of the FY21 tranche (80% for FY20 tranche) will vest where the Group's Adjusted EPS achieves the target as set by the Board of Directors, as detailed below.

LTI tranches	FY20[1]	FY21[2]	FY22[3]
Performance period	3 years	3 years	3 years
Vesting date	September 2022	September 2023	September 2024

[1] The FY20 LTI targets, Year 1: 15.02 cps, Year 2: 13.87 cps, Year 3: 6.00 cps.

[2] The FY21 LTI targets, Year 1: 13.87 cps, Year 2: 6.00 cps, Year 3: not yet determined.

[3] The FY22 LTI targets, Year 1: 6.00 cps, Year 2 and Year 3: not yet determined. FY22 LTI targets were rebased post year end.

Subject to the following proportional vesting:

Percentage of performance rights that vest	FY22 EPS target	FY20 - FY21 EPS target
0%	Below 5% annual EPS growth	Below Target and below PY Adjusted EPS
40%	At 5% annual EPS growth	Below Target but equal to PY Adjusted EPS
Proportional vesting	Above 5% and less than 10% annual EPS growth	Below Target but greater than PY Adjusted EPS
100%	10% or above annual EPS growth	100% of Target and above

23 Share-based payments (continued)

(a) Long-Term Incentive (LTI) Plan (continued)

C 50% of the performance rights granted for the FY22 tranche (50% for FY21 and 20% for FY20 tranches) will vest where the Group's total shareholder return (TSR) over the performance period is such that it would rank at or above the 75th percentile (full achievement) or the 50th percentile (pro-rata achievement) of a relevant peer group of companies being those comprising the ASX 200 Industrials index, as detailed below:

Percentage of performance rights that vest	TSR ranking
0%	Below the 50th percentile
40%	At the 50th percentile
Proportional vesting	Above the 50th percentile but below the 75th percentile
100%	75th percentile or above (top quartile)

Performance rights will vest to the extent that the participant remains employed by the Company on the vesting date and to the extend that the Group's performance over the relevant period satisfies the vesting conditions.

The following LTI performance rights arrangements were in existence at the end of the current period:

Tranche	Number	Grant date	Fair value per right at grant date	Vesting date	Performance period
FY20	118,751	18 September 2019	TSR - 128.4cps EPS - 237.3 cps	September 2022	1 July 2019 - 30 June 2022
FY20 - CEO	47,709	23 October 2019	TSR - 131.1cps EPS - 242.2 cps	September 2022	1 July 2019 - 30 June 2022
FY21	1,558,980	21 October 2020	TSR - 166.8cps EPS - 193.8 cps	September 2023	1 July 2020 - 30 June 2023
FY22	3,452,199	29 October 2021	TSR - 55.2 cps EPS - 74.7 cps	September 2024	1 July 2021 - 30 June 2024

Fair value of performance rights

The FY22 LTI performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a Monte-Carlo simulation. The FY22 LTI performance rigths with the Adjusted EPS hurdle vesting condition have been valued using a Binominal tree methodology. Both valuation methodologies are underpinned by a 'risk-neutral' probability framework with lognormal share prices, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk-neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Key inputs into the model

The table below details the key inputs to the valuation models.

Tranche	Share price at grant date	Expected life	Volatility [1]	Risk-free interest rate	Dividend yield	Vesting period
FY20	$2.60	2.78 years	30%	0.82%	4.04%	September 2022
FY20 - CEO	$2.65	2.69 years	30%	0.72%	3.96%	September 2022
FY21	$2.19	2.90 years	40%	0.11%	4.63%	September 2023
FY22	$0.88	2.67 years	40%	1.07%	4.96%	September 2024

[1]The expected volatility is based on historic volatility (based on the remaining life of the options), adjusted for any expected changes in future volatility due to publicly available information.

23 Share-based payments

(a) Long-Term Incentive (LTI) Plan (continued)

Movements in the LTI performance rights during the year

The following table reconciles the outstanding performance rights granted under the LTI at the beginning and end of the financial year:

	2022		2021	
	Number of rights	Grant date weighted avg FV $	Number of rights	Grant date weighted avg FV $
Balance at start of the financial year	**3,005,626**	**1.863**	2,424,047	1.573
Granted during the year	**4,112,340**	**0.650**	1,996,737	1.804
Vested during the year	**-**	**-**	(675,541)	1.093
Forfeited during the year	**(1,940,327)**	**1.470**	(739,617)	1.456
Balance at end of the financial year	**5,177,639**	**1.047**	3,005,626	1.863

The balance at the end of the financial year excludes rights where the performance criteria has not been met in relation to their performance period but they have not yet reached their vesting date.

The balance of performance rights outstanding at the end of the year have a remaining contractual life of two years (FY22 Tranche), one year (FY21 Tranche) and 3 months (FY20 Tranche)

24 Subsidiaries

Details of the Company's subsidiaries at 30 June 2022 are as follows:

Name of entity	Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Parent entity			
Service Stream Limited	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (i)	Australia	100	100
Service Stream Fixed Communications Pty Ltd (i)	Australia	100	100
Service Stream Mobile Communications Pty Ltd (i)	Australia	100	100
Service Stream Customer Care Pty Ltd (i)	Australia	100	100
Radhaz Consulting Pty Ltd (i)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (i)	Australia	100	100
Service Stream Energy & Water Pty Ltd (i)	Australia	100	100
Service Stream Nominees Pty Ltd (i)	Australia	100	100
Service Stream Operations Pty Ltd (i)	Australia	100	100
TechSafe Australia Pty Ltd (i)	Australia	100	100
TechSafe Management Pty Ltd (i)	Australia	100	100
Ayrab Pty Ltd (i)	Australia	100	100
Service Stream Utilities Pty Ltd (formerly Comdain Infrastructure Pty Ltd) (i)	Australia	100	100
Comdain Civil Constructions Pty Ltd (i)	Australia	100	100
Comdain Civil Constructions (QLD) Pty Ltd (i)	Australia	100	100
Comdain Services Pty Ltd (i)	Australia	100	100
Comdain Asset Management Pty Ltd (i)	Australia	100	100
Comdain Gas (Aust) Pty Ltd (i)	Australia	100	100
Comdain Services (AMS) Pty Ltd (i)	Australia	100	100
Comdain Corporate Pty Ltd (i)	Australia	100	100
Comdain Assets Pty Ltd (i)	Australia	100	100
Service Stream Maintenance Pty Ltd (formely Lendlease Services Pty Ltd) (i)	Australia	100	0
Westlink (Services) Pty Limited	Australia	100	0
EnerSafe Pty Ltd	Australia	100	0
Brisbane Motorway Services Pty Limited	Australia	50	0
ConnectSydney Pty Limited	Australia	50	0
LT Joint Venture Pty Ltd	Australia	50	0
South Australian Road Services Pty Limited	Australia	50	0

(i) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Service Stream Limited pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785 (Instrument) and are relieved of the requirement to prepare and lodge an audited financial and Director's report.

25 Joint arrangements

Delivering for Customers (D4C) is an unincorporated jointly controlled entity between Service Stream Utilities Pty Ltd (formerly Comdain Infrastructure Pty Ltd), Service Stream Maintenance Pty Ltd (previously Lendlease Services Pty Ltd), John Holland Pty Ltd and WSP Australia Pty Ltd. This arrangement was established on 18 December 2019. The principal place of business of the joint operation is in Australia.

Service Stream Utilities Pty Ltd and Service Stream Maintenance Pty Ltd are wholly owned subsidiaries of Service Stream Holdings Pty Ltd. Collectively they hold 60% beneficial interest in D4C.

The Joint Venture Deed in relation to the D4C requires unanimous consent from all joint venture parties for all relevant activities. All partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. In accordance with AASB 11 Joint Arrangements, this entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 33(c).

25 Joint arrangements (continued)

(a) Details of joint ventures and associates

	Ownership interest June 2022	Measurement basis	Principal place of business and country of incorporation
LT Joint Venture Pty Ltd	50%	Equity Accounted	Victoria, Australia
ConnectSydney Pty Ltd	50%	Equity Accounted	New South Wales, Australia
South Australian Road Services Pty Ltd	50%	Equity Accounted	South Australia, Australia
Brisbane Motorway Services Pty Ltd	50%	Equity Accounted	Queensland, Australia

(b) Summarised financial information for joint ventures and associates

Reconciliation of carrying amount in joint ventures and associates:

	LT Joint Venture	Connect-Sydney	South Australian Road Services	Brisbane Motorway Services	Total
Opening balance	-	-	-	-	**-**
Acquired through business combinations	465	3,570	-	204	**4,239**
Total share of profit	199	1,649	343	1	**2,192**
Dividends received	(625)	-	-	(200)	**(825)**
Closing balance	**39**	**5,219**	**343**	**5**	**5,606**

(c) LT Joint Venture Pty Ltd

The LT Joint Venture Pty Ltd is a 50-50 joint venture between Service Stream Maintenance Pty Ltd and Tyco Projects (Australia) Pty Ltd. Whilst the company operated for seven years predominately under a core contract, this contract did conclude operational obligations on 30 June 2021. The principal activity of the Company was providing specialist road maintenance and asset management services under an Intelligent Transport Systems maintance contract with Transport for NSW. It is expected that the company will be wound up in FY23 after succesfully completing all contractual obligations.

(d) ConnectSydney Pty Ltd

ConnectSydney Pty Ltd was incorporated on 16 December 2020, commencing delivery obligations under a Strategic Road Asset Performance Contract (SRAPC) with Transport for NSW on 1 July 2021. The core contract the joint venture undertakes is to provide specialist road and Intelligent Transport Systems (ITS) asset maintenance and asset management services to the client within the Harbour Zone of Sydney. The company is a joint venture between Service Stream Maintenance Pty Ltd, Bitupave Ltd and Tyco Australia Group Pty Ltd. SRAPC has an initial nine year contract term, with two options to extend of three years each.

(e) South Australian Road Services Pty Ltd

South Australian Road Services Pty Limited (SARS) was incorporated on 1 July 2020, commencing operations on 2 November 2020. The Company is responsible for the maintenance of infrastructure on behalf of the Department of Infrastructure and Transport (DIT). Core activities consist primarily in the maintenance of sealed and unsealed roads through regional South Australia, asset management and minor capital project scope in the region. SARS is a 50-50 joint venture between Service Stream Maintenance Pty Ltd and Bitumax Pty Ltd. The regional contract with the DIT has an initial seven year contract term, with two options to extend of three years each.

(f) Brisbane Motorway Services Pty Ltd

Brisbane Motorway Services Pty Ltd (BMS) is a 50-50 joint venture between Service Stream Maintenance Pty Ltd and Ventia Pty Ltd. The company has been dormant for a period of time having successfully completed all contractual obligations. BMS previously had a core contract for the incident response and maintenance of the Clem 7 motorway and tunnel in Brisbane. The company will be wound up in FY23.

26 Deed of cross guarantee

The Australian wholly owned subsidiaries listed in note 24 (excluding Westlink (Services) Pty Limited and Enersafe Pty Ltd), are parties to a deed of cross guarantee under which each company guarantees the debts of the others.

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* , the wholly-owned subsidiaries listed in note 24 (excluding Westlink (Services) Pty Limited and Enersafe Pty Ltd) are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' report.

A Consolidated statement of profit or loss and other comprehensive income and Consolidated balance sheet for the year ended 30 June 2022 for the deed of cross guarantee group are set out below:

(a) Consolidated Statement of Profit or Loss and Other Comprehensive Income of the deed of cross guarantee group

	2022 $'000	2021 $'000
Revenue	**1,500,191**	804,163
Expenses	**(1,537,733)**	(762,345)
Share of profits from investment in associates	**2,192**	-
(Loss) / profit before tax	**(35,350)**	41,818
Income tax expense	**(1,712)**	(12,544)
(Loss) / profit for the year	**(37,062)**	29,274
Total comprehensive (loss) / income for the year	**(37,062)**	29,274

(b) Consolidated Balance Sheet of the deed of cross guarantee group

	2022 $'000	2021 $'000
ASSETS		
Current assets	**475,716**	197,547
Non-current assets	**574,557**	349,879
Total assets	**1,050,273**	547,426
LIABILITIES		
Current liabilities	**350,383**	142,159
Total non-current liabilities	**233,059**	81,935
Total liabilities	**583,442**	224,094
Net assets	**466,831**	323,332
EQUITY		
Capital and reserves		
Contributed equity	**499,682**	318,721
Reserves	**(12,024)**	(12,151)
Retained earnings / (accumulated losses)	**(20,827)**	16,762
Total equity	**466,831**	323,332

27 Related party transactions

The immediate parent and ultimate controlling party of the Group is Service Stream Limited.

Balances and transactions between the Group and its controlled entities, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	2022 $	2021 $
Short-term employee benefits	**3,391,970**	3,481,352
Post-employment benefits	**117,562**	142,072
Other long-term benefits	**29,460**	51,067
Share-based payments [1]	**30,020**	371,204
	3,569,012	4,045,695

[1] The fair value of performance rights issued under the LTI plan allocated on a pro-rata basis to the current financial year.

The compensation of each member of the key management personnel of the Group is set out in the remuneration report.

(b) Other transaction with key management personnel of the Group

During the period, Tom Coen had a beneficial interest in two of the commercial properties that the Group occupied. Total rental income paid to the landlord is approximately $767,000 across these two properties (2021: $927,000). The terms of the leases have been reviewed and are at arm's length with the duration of leases for these properties expiring in December 2024 and August 2025 respectively.

28 Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information of the parent entity shown below, are the same as those applied in the consolidated financial statements. Refer to note 33 for a summary of the significant accounting policies relating to the Group.

28 Parent entity information (continued)

(a) Financial position

	2022 $'000	2021 $'000
Current assets	**7,863**	196
Non-current assets	**430,298**	258,802
Total assets	**438,161**	258,998
Current liabilities	**-**	3,654
Non-current liabilities	**-**	-
Total liabilities	**-**	3,654
Net assets	**438,161**	255,344
Issued capital	**478,148**	297,186
Reserves - equity-settled employee benefits	**(9,908)**	(12,152)
Accumulated losses	**(30,079)**	(29,690)
Equity	**438,161**	255,344

(b) Financial performance

	2022 $'000	2021 $'000
(Loss) / profit for the year	**(389)**	19,753
Total comprehensive income	**(389)**	19,753

(c) Determining the parent entity financial information

(i) Investment in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Service Stream Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(i) Guarantees entered into by parent entity

The parent entity is party to the Group's financing facilities as a security provider under the Security Trust Deed. In addition, the parent entity provides cross guarantees as described in notes 24 and 26, and the parent entity guarantees to certain clients in relation to subsidiary contract performance obligations.

(i) Share-based payments

The grant by the Group of shares over its equity instruments to the employees of subsidiaries is treated as a capital contribution to that subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to the equity .

29 Business combination - Lendlease Services Pty Ltd and its controlled entities

(a) Summary of acquisition

On 1 November 2021, the Group acquired 100% of the issued share capital of Lendlease Services Pty Ltd and its wholly-owned subsidiaries under the terms of a Share Sale Agreement (SSA).

Lendlease Services is a leading provider of operations and maintenance and special design and construction services across telecommunications, utilities and transportation sectors. It has a strong national presence and a diverse client base, including many of Australia's largest public and private infrastructure owners and operators.

The acquisition provides further diversification to the Group's revenue streams and enhances current capabilities and expands on the Group's addressable markets.

On 2 November 2021, Lendlease Services Pty Ltd changed its name to Service Stream Maintenance Pty Ltd.

The following table summarises the acquisition date fair value of the cash consideration paid:

Purchase consideration	$'000
Cash paid	316,566
Total consideration	**316,566**

The acquisition was completed on 1 November 2021 with the Completion mechanism under the SSA requiring a true-up for Net Assets. This process is still in progress and is expected to be finalised before November 2022. Although progress has been made to finalise the fair values of the assets and liabilities acquired, the Completion Adjustment is expected to result in a change to the total consideration paid and resultantly impact the values of certain assets and liabilities. As such, the accounting for the acquisition has been provisionally determined as at 30 June 2022. The key balances which remain provisional are intangible assets, deferred taxes, leases and provisions.

1 November 2021	Provisional 31 December 2021 $'000	Provisional 30 June 2022 $'000
Cash and cash equivalents	3,029	**3,029**
Trade and other receivables	79,062	**79,062**
Accrued revenue	139,312	**138,717**
Inventories	9,655	**6,066**
Other assets	4,983	**4,422**
Property, plant and equipment	48,240	**59,360**
Right-of-use assets	22,301	**25,476**
Investments accounted for using the equity method	4,239	**4,239**
Intangible assets	5,629	**110,991**
Other non-current assets	2,906	**-**
Trade and other payables	(127,964)	**(125,246)**
Provisions	(30,143)	**(36,281)**
Lease liabilities	(22,794)	**(26,090)**
Deferred tax liability (net)	(24,919)	**(17,842)**
Net identifiable assets acquired	113,536	**225,903**
Add: Goodwill	203,030	**90,663**
Total consideration	316,566	**316,566**

Goodwill primarily comprises the skills and technical talent of Service Stream Maintenance's workforce and the synergies expected to be achieved from integrating the company into the Group’s operations and existing governance and risk mitigating practices. Goodwill is not deductible for tax purposes.

The fair value of acquired trade receivables is $79.1 million. The gross contractual amount for trade receivables due is $79.4 million, with a loss allowance of $0.3 million recognised on acquisition.

29 Business combination - Lendlease Services Pty Ltd and its controlled entities

(a) Summary of acquisition (continued)

(i) Cash consideration

Cash consideration comprised $316.6 million paid on the completion date. The Completion mechanism as outlined in the SSA requires a further true up for Net Assets against the final Completion Balance Sheet, expected to be finalised before December 2022.

(ii) Revenue and profit contribution

From the date of acquisition to 30 June 2022, LLS contributed revenue of $689.6 million and EBITDA from Operations of $46.4 million (including synergies but excluding the allocation of corporate and group-wide costs).

If the acquisition had occurred on 1 July 2021, consolidated revenue for the year ended 30 June 2022 would have been approximately $1,840.2 million. Based on the nature of support services under the previous ownership structure, it is impractical to determine a comparable earnings impact had this acquisition occurred on 1 July 2021.

(iii) Acquisition-related costs

The Group incurred acquisition related costs of $4.4 million which included transaction advisory costs, legal and accounting fees and stamp duty on transfer of assets. These costs have been included in 'Consulting and temporary staff fees' and are treated as non-operational costs (refer note 6(c)).

(b) Purchase consideration - cash outflow

Cash outflow with respect to the acquisition	30 June 2022 $'000	30 June 2021 $'000
Cash consideration paid	**316,566**	-
Less: Cash acquired	**(3,029)**	-
Payments for businesses (net of cash acquired)	**313,537**	**-**

30 Contingent assets and liabilities

Acquisition of Lendlease Services

On 1 November 2021, the Group acquired 100% of the issued share capital of Lendlease Services Pty Ltd and its wholly-owned subsidiaries under the terms of a Share Sale Agreement “SSA” (refer Note 29 for further details). An upfront cash consideration was paid on 1 November 2021, with the Completion mechanism under the SSA requiring a subsequent true-up for Net Assets resulting in a deferred consideration payment (Completion Adjustment Payment). Under the processes defined in the SSA, an Independent Expert (IE) has been engaged with both Service Stream and the vendor providing their positions on the Completion Adjustment Payment to the IE who will decide the final outcome. The nature of the process is such that arguments are largely dependent on the interpretation of Lendlease Services’ accounting practices at December 2020 (Reference Balance Sheet) and certain clauses set out in the SSA. Given the significant uncertainty of the outcome, the Group has determined that it is unable to reliably estimate the Completion adjustment payment amount, and accordingly, no provision has been recognised as of 30 June 2022. The Completion adjustment payment is expected to be finalised before November 2022.

The Group is not aware of any other material contingent assets and liabilities at balance date that have not been disclosed in these financial statements (2021: nil).

31 Events after the reporting period

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

32 Remuneration of auditors

	2022 $	2021 $
Audit and review of the financial report	**1,171,000**	746,400
Other assurance services	**100,000**	30,000
Tax services	**31,000**	102,740
	1,302,000	879,140

The auditor of Service Stream Limited is PricewaterhouseCoopers.

33 Significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented. The financial statements are for the consolidated entity consisting of Service Stream Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Service Stream Limited is a for-profit entity for the purpose of preparing the financial statements.

The preliminary financial report were authorised for issue by the Directors on 22 August 2022.

33 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board.

New and amended standards adopted by the Group

The group has not adopted any new or amended standards for the first time for their annual reporting period commencing 1 June 2021.

Changes in accounting policy

There were no changes in accounting policies during the period.

Early adoption of standards

The Group has not elected to early adopt the Standards and Interpretations issued but not yet effective. The Group has deemed the impact of these as not material for FY22.

Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except for certain assets and liabilities that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement, are disclosed in note 34.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries).

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to consolidate an entity, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Investments in joint ventures

A joint venture is an arrangement in which Service Stream has joint control and Service Stream has rights to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities. Investments in joint ventures are accounted for using the equity method.

Under the equity method of accounting, the investments in joint ventures are initially recognised in the Consolidated Balance Sheet at cost and adjusted thereafter to recognise the group's share of profits or losses of the joint venture. Dividends received or receivable from joint ventures are recognised as a reduction in carrying amount of the investment.

33 Significant accounting policies (continued)

(c) Joint arrangement (continued)

Where the group's share of losses in an equity accounted investment equals or exceeds its interest in the joint venture, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 33 (m).

Joint operations

The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements. Details of the joint arrangements are set out in note 25.

(d) Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash generating units, or groups of cash generating units, expected to benefit from the synergies of the business combination. Cash generating units or groups of cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or groups of cash generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units and then pro-rata on the basis of the carrying amount of each asset in the cash generating unit (or groups of cash generating units). An impairment loss for goodwill is recognised immediately in the profit or loss and is not reversed in a subsequent accounting period.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Segment reporting

Operating segments are determined based on the nature of the business activities undertaken by the Group and by reference to the structure of internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. Where operating segments have been assessed as bearing similar economic characteristics and being similar in terms of each of the aggregation criteria set out in AASB 8 *Operating Segments* including the nature of services, the type of customers and the method by which services are provided, they may be aggregated into a single reportable segment. Details of the Group’s segment reporting is set out in note 2.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(f) Revenue recognition

The Group has four distinct revenue streams, being (i) revenue from the provision of ticket of work services, (ii) revenue from the delivery of projects, (iii) revenue from cost reimbursable contracts and (iv) revenue from overhead recovery.

Ticket of work services

Ticket of work services are repetitive, high volume tasks performed by the Group such as the provision of:

- operations and maintenance services to the owners and operators of telecommunications, gas and water networks including customer connections and service assurance;
- specialist metering, in-home and new energy services in respect of electricity, gas, power and water networks;
- inspection, auditing and compliance services to electricity network owners and regulators, government entities and electrical contractors; and
- contact centre services and workforce management support for key contracts.

The benefits provided to customers under this category of work type do not transfer to the customer until the completion of the service and as such revenue is recognised upon completion *(At point in time).*

33 Significant accounting policies (continued)

(f) Revenue recognition (continued)

Project delivery
Project works relate primarily to:

- turnkey services associated with the engineering, design and construction of infrastructure projects in the telecommunications, utilities and transport sectors. Service capability includes program management, site acquisition, town planning, design, engineering and construction management for projects in telecommunications, gas, power, road. intelligent transport services (ITS) and water utilities networks; and
- lump sum term maintenance contracts, typically associated with infrastructure networks. Under these contracts delivery obligations may consist of programme management, asset management, routine maintenance and periodic maintenance tasks; and
- minor work services such as asset remediation, augmentation and relocation.

The benefits provided to customers under this category of work transfer to the customer as the work is performed and as such revenue is recognised over the duration of the project based on percentage of completion. The Group’s performance obligation is fulfilled over time and as such revenue is recognised over time (Over time).

Percentage of completion is measured according to the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Where this is the case, stage of completion is measured on a milestone basis.

As work is performed on the assets being constructed, they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date. Project revenue earned is typically invoiced monthly or in some cases on achievement of milestones. Payment of invoices is typically subject to customer approval/certification. Invoices are paid on standard commercial terms, which may include the customer withholding a retention amount until finalisation of the construction.

Where recognised project revenues exceed progress billings, the surplus is shown in the consolidated balance sheet as an asset, under accrued revenue. Where progress billings exceed recognised revenues, the surplus is shown in the consolidated balance sheet, as a liability, as income in advance under trade and other payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet, as an asset, under trade and other receivables.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense and onerous contract provision as set out in note 17.

Cost reimbursable
The Group recognises revenue (and its associated margins) on all direct, indirect and overhead related costs, as prescribed under the cost reimbursable contract.

The work performed has no alternative use for the Group and there is an enforceable right to payment, including a profit margin, when the costs are incurred, as such revenue is recognised over time *(Over time).*

Overhead recovery
Certain customer contracts allow for the recovery of specified overhead costs.
The benefits provided to the customer under this revenue stream are simultaneously received and consumed by the customer and as such revenue is recognised over the period the services are provided *(Over time).*

Variable consideration
It is common for contracts to have variable considerations such as variations, performance bonuses or penalties and other performance constraints related KPIs. The expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved, or when it becomes highly probable. The Group assesses the variable consideration to be included in the transaction price periodically. This assessment involves judgement and is based on all available information including historical performance and any variations that are entered into.

Contract assets and liabilities
AASB 15 uses the terms contract assets and contract liabilities to describe what the Group refers to as accrued revenue and income in advance respectively. Trade receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Accrued revenue represent the Group's right to consideration for services provided to customers for which the Group's right remains conditional on something other than the passage of time. Income in advance arise where payment is received prior to the work being performed. Accrued revenue and income in advance are recognised and measured in accordance with this accounting policy.

33 Significant accounting policies (continued)

(f) Revenue recognition (continued)

Contract fulfilment costs

Costs incurred prior to the commencement of a contract may arise due to mobilisation/site set-up costs, feasibility studies, environmental impact studies and preliminary design activities as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the course of the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer represents a financing component. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Warranties and defect periods

Construction and services contracts generally include defect and warranty periods following completion of the project. These obligations are not deemed to be separate performance obligations and therefore estimated and included in the total costs of the contracts. Where required, amounts are recognised accordingly in line with AASB 137 *Provision, Contingent Liabilities and Contingent Assets.*

(g) Leases

The Group recognises leases in line with AASB 16 Leases, measuring lease liabilities measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The Group's leasing policy is described in note 15(c).

Right-of-use assets

Right-of-use assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequent to initial recognition, right-of-use assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss. Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(h) Employee benefits

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

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

33 Significant accounting policies (continued)

(h) Employee benefits (continued)

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows in respect of services provided by employees up to reporting date. Expected future payments falling due more than 12 months after the end of the reporting period are discounted using corporate bonds market yields. Remeasurements as a result of employment status and changes in actuarial assumptions are recognised in profit or loss.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy where applicable.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

(i) Share-based payments

Equity-settled share-based payments to Senior Executives are measured at the fair value of the equity instrument at the grant date. Details regarding the determination of the fair value of the equity instruments are set out in note 23.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At the end of each reporting period the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(j) Taxation

<u>Current tax</u>

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by any changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

<u>Deferred tax</u>

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

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

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

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

33 Significant accounting policies (continued)

(j) Taxation (continued)

Current and deferred tax for the period

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

(k) Property, plant and equipment

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

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

Plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

- Leasehold improvements: 3 - 13 years
- Plant and equipment: 1 -10 years
- Motor vehicles: 5 - 10 years

(l) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that the Group controls and that will contribute to future period financial benefits through revenue generation or cost reduction are capitalised as software. A software is assessed as being controlled by the Group if it has the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits. Any costs associated with maintaining this software are recognised as an expense as incurred. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset. The amount initially recognised includes direct costs of materials and service and direct payroll and other payroll-related costs of employees' time spent on the project.

Customer contracts and relationships acquired in a business combination are initially recognised at their fair value at the acquisition date, which is regarded as their cost.

Software, customer contracts and relationships have finite lives and are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is recognised on a straight-line basis over each asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual accounting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives used in the calculation of amortisation range from 3 to 8 years for software, 1 to 15 years for customer contracts and 15 years for customer relationships.

33 Significant accounting policies (continued)

(m) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first in, first out basis. The inventory balance is comprised of purchased inventory, the cost of which is determined after deducting rebates and discounts.

(o) Provisions

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

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

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

(p) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

(i) Classification

The Group classifies its financial assets and liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and liabilities and the contractual terms of the cash flows.

For assets and liabilities measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

33 Significant accounting policies (continued)

(p) Financial instruments (continued)

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss (FVPL) are expensed in profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in other gains/losses in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contracts assets, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from the date of initial recognition, see note 21(c) for further details.

(v) Borrowings

Borrowings are initially measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(vi) Financial liabilities and equity instruments

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

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

Financial guarantee liabilities
A financial guarantee is a contract that requires the issuer of the guarantee to make a specified payment to the holder of the guarantee in the event that it suffers a loss due to the guarantee drawer's failure to make payment or otherwise satisfy its contractual obligations under an agreement with the holder. The drawer of the guarantee is required to reimburse the issuer for any loss suffered in satisfaction of the guarantee obligation to the holder.

Financial guarantee liabilities are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB *137 Provisions, Contingent Liabilities and Contingent Assets;* and

33 Significant accounting policies (continued)

(p) Financial instruments (continued)

(vi) Financial liabilities and equity instruments (continued)

- the amount initially recognised, less where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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

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

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

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

De-recognition of financial liabilities
The Group de-recognises financial liabilities only when the Group's obligations are fully discharged, cancelled or otherwise expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid or payable is then recognised in profit or loss.

(q) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 21(c) for an assessment of the Group's impairment methodology.

(r) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and are not discounted if the effect of discounting is immaterial.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority is included with other receivables or other payables in the consolidated balance sheet as applicable.

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 taxation authority are presented as operating cash flows.

(t) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the Group's consolidated balance sheet.

(u) Contributed equity

Ordinary shares are classified as equity. 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 incentive scheme, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Service Stream Limited as treasury shares until the shares are cancelled or reissued.

33 Significant accounting policies (continued)

(u) Contributed equity (continued)

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 Service Stream Limited.

Shares held by the Service Stream Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(x) Rounding of amounts

The Company is of a 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 the financial report. Amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars, in accordance with that Instrument.

(y) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group; and
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

33 Significant accounting policies (continued)

(y) Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity;

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

34 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies as described in note 33.

The areas involving a higher degree of judgement or estimates are:

- Recognition of revenue from contracts with customers - note 3(d);
- Testing of goodwill for impairment - notes 14(b);
- Estimation uncertainties and judgements made in relation to lease accounting - note 15(d);
- Estimation of provision for contractual obligations, contractual disputes and onerous contracts - note 17(b); and
- Business combinations - note 29.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.