ASX Announcement

26 August 2022

Office of Company Secretary
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SERVICE STREAM RELEASES AUDITED FY2022 ANNUAL REPORT

Further to the release on 23 August 2022 by Service Stream Limited (ASX: SSM) of our preliminary final report (unaudited), the Company releases its audited FY22 annual report, including the Directors Report and Remuneration Report.

Service Stream advises that no changes have been made to financial statements contained in the preliminary final report (unaudited) released to the market on 23 August 2022.

For further information on this announcement, please contact:

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This document has been authorised for release by the Company Secretary.

About Service Stream Limited:

Service Stream is a public company listed on the Australian Securities Exchange (Code: SSM). The Service Stream Group is a provider of essential network services to the telecommunications and utility sectors. Service Stream operates across all states and territories, has a workforce in excess of 4,500 employees and access to a pool of over 5,000 specialist contractors. For more information visit www.servicestream.com.au

Service Stream Limited ABN 46 072 369 870

Annual Report

for the year ended 30 June 2022

Contents

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

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

Level 4, 357 Collins Street Melbourne VIC 3000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and financial performance on pages 6 to 13, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 26 August 2022. The Directors have the power to amend and reissue the financial statements.

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

Annual Report

26 August 2022

Chairman’s Letter

Service Stream’s commitment to keeping Australian communities connected has never been more important in this constantly changing environment.

As we reflect upon the FY22 financial year, it was a year once again characterised by uncertainty and disruption to the lives of many Australians. Businesses and communities across Australia continue to be challenged by severe weather events and the ongoing impacts of the COVID-19 global pandemic. Additionally, macroeconomic headwinds have resulted in business and industry facing a constrained labour market and higher than expected inflationary pressures.

In spite of this challenging operating environment Service Stream had a transformational year, associated with the acquisition and integration of Lendlease Services. On 1 November 2021, Service Stream acquired Lendlease Services which marked a significant milestone in the Group’s Strategic Plan. The transaction effectively doubled the size of the business and expanded our capabilities across the transport, industrial and power sectors. The acquisition has also brought significant scale benefits to our existing water, gas and telecommunications divisions.

The Board have been delighted by the way in which the executive team has managed the transaction and navigated the business through the headwinds of the FY22 financial year. The Board has every confidence in the Executive Management Team, led by Leigh Mackender, to steer the Company successfully through the ongoing economic volatility of FY23 by strengthening and diversifying the Group’s revenues.

Safety

The health and safety of our workforce, stakeholders, and the communities in which we operate remains the number one priority for the Board and Management. Whilst the acquisition has resulted in a recalibration of our safety metrics the business has retained industry leading LTIFR performance. The Board remains committed to supporting Management’s continuous improvement of our safety culture, practices and upholding the highest levels of safety performance.

Financial performance

Notwithstanding our busy agenda in FY22, Service Stream delivered a solid financial result for our shareholders. The Group recorded Total Revenue of $1,564m, which was a 94.5% increase on the previous year, and saw EBITDA from Operations of $91.1m, an increase of 13.7% on the previous year. Additionally, the team delivered an outstanding cash result with an EBITDA to OCFBIT conversion rate of 108%.

Environmental Social Governance (ESG)

The Board remains committed to the development of our ESG strategy and understands the increasing demands of our stakeholders in appropriately managing ESG related risks and opportunities. During the year, Service Stream strengthened its greenhouse gas emission targets and commitments to increasing the use of renewable electricity.

The Board acknowledges the importance of upholding our social responsibilities in the communities in which we operate. In FY22 the business has taken an important step in creating social and economic opportunities in our communities with the progression of a formal Innovative Reconciliation Action Plan. The Board looks forward to supporting the Plan’s imminent launch and implementation

Dividends

The Board previously committed to the resumption of dividends following a deferral to support the recent acquisition of Lendlease Services. Following the year’s performance and our strong post acquisition cashflow result, the Board is pleased to confirm the resumption of dividends to our shareholders, determining a final fully franked dividend of 1 cent per share.

Finally, on behalf of the Board, I would like to thank Management and all our valued people working across the business for their hard work and dedication throughout over the year.

Brett Gallagher
Chairman

Directors' Report

Your Directors present their report on the consolidated entity (the Group) consistent of Service Stream Limited and entities it controlled at the end of, or during, the year ended 30 June 2022, and in order to comply with the provisions of the *Corporations Act 2001.* The Directors' report is as follows:

Board of Directors biographical details

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Brett Gallagher
Chairman

Term of Office: Non-Executive Director from April 2010 to April 2013 and from November 2013 to May 2014, Managing Director from April 2013 to November 2013, Executive Director from May 2014 to February 2015, Chairman since March 2015.

Qualification: FAICD.

Brett Gallagher brings to the Board extensive commercial and operational expertise, and strategic leadership gained in the telecommunications, utilities, infrastructure and technical services industries. He has spent over 25 years as a senior executive, director and owner of businesses within these sectors. Brett has specific experience in service delivery, contract management, business development, health, safety & environment, corporate finance and mergers & acquisitions.

Brett is an experienced company director and has experience in governance and compliance, reporting and investor relations. His current directorships include not-for-profit and several private businesses that operate predominantly in the utilities and services sector.

Brett is a member of the Health, Safety, Environment & Sustainability Committee.

Brett has no other listed company directorships and has held no other listed company directorships in the last three years.

Leigh Mackender
Managing Director

Term of Office: Managing Director since May 2014.

Qualification: MBA (VU), MAICD.

Leigh Mackender is an experienced executive with a history of working across the industrial services markets supporting Australia's leading public, private and government infrastructure owners and operators.

Leigh was appointed as Service Stream's Managing Director in 2014, after holding a number of management and executive positions across the business since joining in 2005. Leigh brings 20+ years of demonstrated experience and expertise including corporate strategy, financial and operational management, client engagement, health and safety, capital markets and investor relations.

Leigh is a member of the Health, Safety, Environment & Sustainability Committee.

Leigh has no other listed company directorships and has held no other listed company directorships in the last three years.

Greg Adcock
Non-Executive Director

Term of Office: Non-Executive Director since June 2016.

Qualifications: MAICD, MAIPM.

Greg Adcock brings to the Board extensive commercial and operational expertise developed from senior executive roles at Concrete Constructions, Telstra Corporation and nbn co, where he was the Chief Operating Officer. He has specific experience in strategic leadership, large scale infrastructure and construction, telecommunications technology, health, safety & environment, risk management and human resources.

Greg has served on numerous Boards throughout his executive career and has experience in governance and compliance, corporate finance and mergers & acquisitions.

Greg is Chairman of the Health, Safety, Environment & Sustainability Committee and a member of the Audit and Risk Committee.

During the last three years, Greg held a listed company directorship with OptiComm Limited (retired as entity was acquired in November 2020).

Peter Dempsey
Non-Executive Director

Term of Office: Chairman from November 2010 to February 2015, Non-Executive Director since March 2010.

Qualifications: B. Tech. (Civil Eng.) (Adel), Grad. Diploma (Bus. Admin.), SAIT, FIEAust, MAICD.

Peter Dempsey brings to the Board extensive construction and development expertise following a 40-year career in those industries. He spent 30 years at Baulderstone, including five years as Managing Director. He has specific expertise in engineering, strategic leadership, health, safety & environment, corporate finance, mergers & acquisitions and human resources.

Peter has extensive experience as a company director gained across ASX listed and private companies over the last 15 years. His relevant sector experience includes engineering, construction, utilities and telecommunications. Peter's experience includes Board leadership, governance and compliance, risk management, reporting and remuneration practices.

Peter is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Peter is currently a Non-Executive Director of Monadelphous Limited and has held no other listed company directorships in the last three years.

Deborah Page AM
Non-Executive Director

Term of Office: Non-Executive Director since September 2010.

Qualifications: B Ec (Syd), FCA, FAICD.

Deborah Page brings to the Board extensive financial expertise from her time at Touche Ross/KPMG including as a Partner, and subsequently from senior finance and operating executive roles with the Lendlease Group, Allen, Allen & Hemsley and the Commonwealth Bank. She has specific experience in corporate finance, accounting, audit, mergers & acquisitions, capital markets, insurance and joint venture arrangements.

Deborah has extensive experience as a company director gained across ASX listed, private, public sector and regulated entities since 2001. Her relevant sector experience includes telecommunications, utilities, insurance, technology, renewables and infrastructure. Deborah's experience includes Board leadership, governance and compliance, risk management, remuneration practices, technology, investor relations and health, safety & environment.

Deborah is Chairman of the Audit and Risk Committee and is a member of the Remuneration and Nomination Committee.

Deborah is currently the Independent Non-Executive Chair of Pendal Group Limited and is a Non-Executive Director of Brickworks Limited and Growthpoint Properties Australia Limited. During the last three years, Deborah held a listed company directorship with GBST Holdings Limited (retired as entity delisted in November 2019). Deborah is a member of Chief Executive Women and a member of the Takeovers Panel.

Elizabeth Ward
Non-Executive Director

Term of Office: Non-Executive Director since September 2021.

Qualifications: MBA, MAICD.

Elizabeth Ward brings to the Board extensive operational, contracting and commercial expertise gained across a diverse range of industries including large-scale infrastructure, transport, fisheries and telecommunications in Australia and New Zealand. She has over 30 years' experience as a CEO, senior executive and strategic advisor across these sectors. She has specific experience in change management, business development, industrial relations, contract management, stakeholder engagement, service delivery and mergers & acquisitions.

Elizabeth has held CEO roles with Gough Group, Kennards Hire and CentrePort Ltd and is an experienced company director gained across government, privately owned and regulated entities such as NSW Telco Authority and Moana (formerly Aotearoa Fisheries Ltd). She has experience in audit and risk, health and safety, and remuneration board committees.

Elizabeth is a member of the Health, Safety, Environment & Sustainability Committee and a member of the Remuneration and Nomination Committee.

Elizabeth is currently a Non-Executive Director of Aotearoa Fisheries Limited t/as Moana New Zealand and Guide Dogs NSW/ACT. Elizabeth has held no other listed company directorships in the last three years.

Tom Coen
Non-Executive Director

Term of Office: Non-Executive Director since February 2019. Tom retired on 10 March 2022.

Tom Coen brought to the Board extensive commercial and operational expertise following a 35-year career at Comdain Infrastructure where he served as Managing Director and Chairman. He has specific experience in strategic leadership, civil construction, contract and project management, health, safety & environment, and joint ventures across the utilities, engineering and infrastructure services industries, particularly in the water and gas sectors.

Tom has served on numerous Boards throughout his executive career and has experience in governance, compliance and reporting.

Tom was a member of the Health, Safety, Environment & Sustainability Committee and a member of the Remuneration and Nomination Committee until his retirement on 10 March 2022.

Tom held no other listed company directorships nor any in the last three years before his retirement.

Directors’ Shareholdings

The following table sets out each Directors’ relevant interest in shares of the Company as at the date of this report.

	Service Stream Limited	
	Fully paid ordinary shares	Performance rights
Directors	Number	Number
B Gallagher	4,000,000	-
G Adcock	93,333	-
P Dempsey	1,400,000	-
D Page	646,801	-
E Ward#	-	-
L Mackender	1,567,601	1,204,380

Ms Ward has advised the Chairman that she intends to purchase SSM shares on-market following the cessation of the Company’s Closed Period for securities trading, in accordance with and as specified in the Company’s Securities Trading Policy.

Key updates (retirement of Tom Coen)

Tom Coen retired from the Service Stream Limited Board on 10 March 2022.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors' report, on pages 18 to 37.

Performance rights granted to Directors and senior management

During and since the end of the financial year, the following performance rights were granted to Directors and to the five highest remunerated officers of the Group as part of their remuneration:

Service Stream Limited		
Director and senior executives	Number of rights granted	Number of ordinary shares under rights
L Mackender	794,792	794,792
L Kow	424,491	424,491
P McCann	324,540	324,540
K Smith	356,829	356,829
B Wakeford	192,822	192,822
	2,093,474	**2,093,474**

Company secretaries

Chris Chapman

Qualifications: LLB BA (Politics), GAICD.

Chris Chapman was appointed General Counsel for the Group in August 2015. Chris has significant in-house experience having held senior legal positions at large private and listed construction and infrastructure businesses. Chris was appointed Company Secretary in February 2019.

Jamie O'Brien

Qualifications: LLB (Hons), BA.

Jamie O'Brien joined Service Stream in April 2015 and is currently a Senior Legal Counsel in the Legal team. He has extensive experience as an in-house lawyer and senior lawyer in Australian and overseas law firms. Jamie O'Brien was appointed as additional Company Secretary in April 2021.

Principal activities

Service Stream is an essential network service provider. The Group designs, constructs, operates and maintains critical infrastructure networks across the Telecommunications, Utilities and Transport sectors. Services are provided on behalf of Government, Government related entities and private asset owners / network operators.

Review of operations and financial performance

Financial overview

$'000	FY22	FY21	Change		
Revenue	**1,516,537**	**804,163**	**712,374**	**88.6%**	▲
EBITDA [1]	**64,609**	**75,153**	**(10,544)**	**(14.0%)**	▼
Depreciation & amortisation	(39,298)	(20,439)	(18,859)	92.3%	▼
Amort. of customer contracts / relationships	(14,024)	(8,852)	(5,172)	58.4%	▼
Impairment loss	(38,206)	-	(38,206)	n/a	▼
EBIT	**(26,919)**	**45,862**	**(72,781)**	**(158.7%)**	▼
Net financing costs	(7,163)	(4,044)	(3,119)	77.1%	▼
Income tax expense	(2,242)	(12,544)	10,302	(82.1%)	▲
Net profit after tax	**(36,324)**	**29,274**	**(65,598)**	**(224.1%)**	▼
Statutory EPS (cents)	(6.09)	7.15	(13.24)	(185.2%)	▼
Dividends per share (cents)	1.00	2.50	(1.50)	(60.0%)	▼
Adjusted profitability [2]:					
Total Revenue	**1,563,767**	**804,163**	**759,604**	**94.5%**	▲
EBITDA from Operations	**91,114**	**80,111**	**11,003**	**13.7%**	▲
EBITDA from Operations %	*5.8%*	*10.0%*	*(4.2%)*		▼
Adjusted NPAT (NPAT-A)	**31,385**	**38,941**	**(7,556)**	**(19.4%)**	▼
Adjusted EPS (cents)	**5.27**	**9.51**	**(4.24)**	**(44.6%)**	▼

[1] *Earnings before interest, tax, depreciation and amortisation*

[2.] *Adjusted profitability includes non-IFRS measures that have been adjusted for non-operational costs, impairment charges, amortisation of customer contract and proportionate consolidation of equity-accounted joint ventures. Refer to reconciliation between IFRS and non-IFRS financial information for further details on page 7.*

Group results

Group revenue increased by 88.6% to $1,516.5 million from $804.2 million with the acquisition of Lendlease Services adding $689.6 million of revenue for the 8 months from November 2021.

Revenue from the legacy business has risen by 2.8% to $826.9m with revenue growth in Utilities offsetting the decline in Telecommunications services revenue.

Group EBITDA from Operations increased to $91.1 million from $80.1 million. This was predominantly driven by the acquisition of Lendlease Services which contributed earnings of $46.4 million (including synergies but excluding the allocation of corporate and group wide costs), partially offset by the rebasing of the Group's legacy Telecommunications operations in line with the new customer contractual arrangements entered into during FY21 and the impact from a major Queensland Utility project.

Non-operational costs of $25.5 million were incurred in FY22 comprising $4.4m of acquisition transaction costs and $21.2 million of business integration and transitional services costs relating to the acquisition of Lendlease Services.

Depreciation & amortisation expense increased by $18.9 million due to the additional assets acquired through Lendlease Services, including an additional $2.1 million arising from the revaluation of fleet assets as part of the acquisition purchase price accounting. Amortisation of customer contracts & relationships expense relates to the Comdain Infrastructure (2019) and Lendlease Services (2021) acquisitions. This expense is excluded from the calculation of adjusted profitability metrics.

Group earnings before interest and tax (EBIT) was a loss of $26.9 million, a decrease of $72.8 million on FY21. The FY22 result includes a $38.2 million impairment charge to the carrying value of goodwill against the Energy and Water cash generating unit.

The Group's net financing costs increased by $3.1 million to $7.2 million due to additional debt funding required for the acquisition of Lendlease Services.

Tax expense reduced to $2.2 million in FY22 from $12.5 million due to a lower profit primarily led by the higher depreciation and amortisation charge, financing expenditure and non-operational costs.

Group net profit or loss after tax (NPAT) decreased from a profit of $29.3 million in FY21 to a loss of $36.3 million and earnings per share (EPS) reduced from 7.2 cents to a loss of 6.1 cents per share primarily due to the matters referred to above.

The Directors have determined a final FY22 dividend of 1.0 cent per share (fully franked).

Reconciliations between IFRS and non-IFRS financial information

$'000	FY22	FY21
Reconciliation of Total Revenue to revenue		
Total Revenue	**1,563,767**	**804,163**
Share of revenue from joint ventures[1]	(47,230)	-
Revenue	**1,516,537**	**804,163**
Reconciliation of EBITDA from Operations to net profit/(loss) after tax		
EBITDA from Operations	**91,114**	**80,111**
Joint venture adjustments[2]	(968)	-
Non-operational costs (before tax)[3]	(25,537)	(4,958)
EBITDA	**64,609**	**75,153**
Depreciation and amortisation	(53,322)	(29,291)
Impairment loss	(38,206)	-
Net finance costs	(7,163)	(4,044)
Income tax expense	(2,242)	(12,544)
Net profit/(loss) after tax	**(36,324)**	**29,274**
Reconciliation of NPAT-A to net profit/(loss) after tax		
Adjusted NPAT (NPAT-A)	**31,385**	**38,941**
Addback:		
- Non-operational costs (after tax)[3]	(19,834)	(3,471)
- Amort. of customer contracts (tax-effected)	(9,669)	(6,196)
- Impairment expense	(38,206)	-
Net profit/(loss) after tax	**(36,324)**	**29,274**

1. *Proportionate share of revenue from equity accounted joint ventures.*
2. *Relates to depreciation and amortisation, interest and tax expense associated with equity accounted joint ventures.*
3. *Non-operational costs include acquisition, business integration and restructuring costs. Refer note 6(c).*

Segment Results

$'000	FY22	FY21	Change		
Telecommunications	639,968	392,385	247,583	63.1%	▲
Utilities	696,987	413,286	283,701	68.6%	▲
Transport	220,078	-	220,078	n/a	▲
Eliminations, interest & other revenue	6,734	(1,508)	8,242	(546.6%)	▲
Total Revenue	**1,563,767**	**804,163**	**759,604**	**94.5%**	▲
Telecommunications	61,509	57,783	3,726	6.4%	▲
Utilities	19,533	29,048	(9,515)	(32.8%)	▼
Transport	9,864	-	9,864	n/a	▲
Unallocated corporate costs	208	(6,720)	6,928	(103.1%)	▲
EBITDA from Operations	**91,114**	**80,111**	**11,003**	**13.7%**	▲
Telecommunications	9.6%	14.7%	(5.1%)		▼
Utilities	2.8%	7.0%	(4.2%)		▼
Transport	4.5%	-	n/a		▲
EBITDA Margin	**5.8%**	**10.0%**	**(4.2%)**		▼

Telecommunications

The Group's Telecommunications segment provides a wide range of operations, maintenance, installation, design and construction services to the owners of fixed-line and wireless telecommunication networks in Australia. Principal customers include nbn co, Telstra and Optus. The acquisition of Lendlease Services has broadened the coverage of Telecommunications clients which positions the Group to further capitalise on future infrastructure investment across the country.

Telecommunications' revenue increased by $247.6 million (63.1%) compared to FY21 due to:

- Acquisition of Lendlease Services from 1 November 2021; offset by
- Reduction of revenue from the legacy Telecommunications operations reflective of the new contractual arrangements with key clients entered into during FY21. Notwithstanding this, the rebased legacy operations performed better than expected, driven by stronger volumes and additional scope of works secured.

Telecommunications' EBITDA was $61.5 million, an increase of 6.4% against prior year. Telecommunications' EBITDA margin was 9.6%, a decrease of 5.1% against the prior year reflecting the reduction of scale across the legacy operations, the dilutionary impact of contracts acquired through Lendlease Services, and delivery of cost synergies post acquisition.

Utilities

The Group's Utilities segment provides a wide range of specialist metering, new energy, inspection & compliance, operations, maintenance, design & construction services to utility network owners and operators and other customers in Australia.

Utilities' achieved further revenue growth in FY22, delivering revenue of $697.0 million and an EBITDA of $19.5 million (2.8% margin) compared with revenue of $413.3 million and EBITDA of $29.0 million (7.0% margin) in the prior year.

Revenue increased by $283.7 million (68.6%) compared to FY21 predominantly due to the acquisition of Lendlease Services from 1 November 2021.

Utilities' EBITDA was $19.5 million, a decrease of $9.5 million against prior year. The EBITDA margin reduction of 4.2% reflected poor performance in a Queensland project leading to an onerous contract provision of $5.1m being recognised at 30 June. Work mix, continued subdued volumes on higher margin discretionary works and high turnover of the itinerant workforce across metering operations have also contributed to the lower margin.

Transport

The Group's new Transport segment provides a wide range of specialist operational support and maintenance services to public and private road and tunnel asset owners across Australia.

Transport delivered revenue of $220.1 million with an EBITDA of $9.9 million (4.5% margin) for the 8 months. Operations during H2 FY2022 were impacted by prolonged wet weather delaying road maintenance activities across WA and NSW.

Cashflow and Financial Position

$'000	FY22	FY21	Change		
EBITDA from Operations	**91,114**	**80,111**	**11,003**	**13.7%**	▲
+/- non-cash items & change in working capital	6,768	(728)	7,496	(1029.7%)	▲
Dividends from joint ventures	825	-	825	n/a	▲
OCFBIT [1]	**98,707**	**79,383**	**19,324**	**24.3%**	▲
EBITDA to OCFBIT [1] *conversion %*	**108.3%**	**99.1%**			
Non-operational costs	(22,637)	(4,958)	(17,679)	356.6%	▼
Net finance costs	(6,740)	(4,698)	(2,042)	43.5%	▼
Income taxes paid	(10,783)	(24,180)	13,397	(55.4%)	▲
Operating cashflow	**58,547**	**45,547**	**13,000**	**28.5%**	▲
Capital expenditure	(5,379)	(9,894)	4,515	(45.6%)	▲
Business acquisitions (net of cash acquired)	(313,537)	-	(313,537)	n/a	▼
Proceeds from sale of assets	1,175	1,055	120	11.4%	▲
Free cashflow	**(259,194)**	**36,708**	**(295,902)**	**(806.1%)**	▼
Dividends paid	-	(28,719)	28,719	n/a	▲
Lease liability payments	(16,739)	(11,888)	(4,851)	40.8%	▼
Proceeds / (repayment) of borrowings	115,013	(25,000)	140,013	(560.1%)	▲
Proceeds from capital raising	179,228	-	179,228	n/a	▲
Purchase of shares	(204)	-	(204)	n/a	▼
Net increase / (decrease) in cash	**18,104**	**(28,899)**	**47,003**	**(162.6%)**	▲

[1]Operating Cashflow before interest and tax

Cash Flow

Cash flow from operations for the year was $58.5 million compared to $45.4 million in FY21, with key components being:

- Operating cash flow from operations before interest and tax (OCFBIT) was $98.7 million, representing a 108.3% cash flow conversion rate. The strong cash flow result reflects a continuing focus on releasing working capital balances acquired from Lendlease Services and from recent contract mobilisations
- Finance costs were $6.7 million, $2.0 million higher than FY21 due to increased debt acquired to finance the acquisition of Lendlease Services
- Tax paid of $10.8 million was $13.4 million lower than FY21, reflective of lower earnings.

Net investing cash outflows were $317.7 million and comprised:

- $5.4 million of capital expenditure relating to investment in technology and plant & equipment
- $1.2 million was received in proceeds from the sale of assets
- $313.5 million payment for the acquisition of Lendlease Services, net of cash acquired.

Net financing inflows for the year were $277.3 million which included proceeds from capital raising of $179.2 million and additional net borrowing of $115 million primarily to support the acquisition of Lendlease Services.

Financial position

The financial position of the Group improved during the year, with Net Assets at 30 June 2022 of $468.1 million compared to $323.3 million at 30 June 2021. At 30 June 2022, Current Assets exceeded Current Liabilities by $132.0 million (30 June 2021: $55.4 million). The increase is due to the acquisition of Lendlease Services and related capital raise which was completed in the first half of FY22. The acquisition of Lendlease Services has been provisionally accounted for as at 30 June 2022.

Cash and financing facilities

- The Group ended the year with net debt (excluding lease liabilities and capitalised borrowing costs) of $81.3 million.
- The Group completed a refinance of its banking facilities and increased its revolving debt facilities to $395 million in Q2 FY22; and
- The Group was in compliance with and had substantial headroom on each of the financial covenants that applied during the year under the Syndicated Facilities Agreement with its lenders.

Other Balance Sheet items / movements

Other key balance sheet movements during the year included:

- Net working capital (comprising the net of trade & other receivables, inventories, accrued revenue, other assets, trade & other payables and provisions) at 30 June 2022 was a net asset position of $66.6 million, an increase of $53.6m from 30 June 2021. This increase is due to the higher working capital requirements of the Lendlease Services contracts.
- Plant and equipment at 30 June 2022 was $59.6 million compared to $13.2 million at 30 June 2021. This includes $59.4 million of plant and equipment acquired from the Lendlease Services acquisition, less depreciation and amortisation expense for the year.
- Intangibles at 30 June 2022 were $451.7 million compared to $306.7 million. This includes $90.7 million of goodwill and $102.7 million of customer contracts and relationships from the Lendlease Services acquisition, less the $38.2 million of Energy and Water goodwill impaired and amortisation expense for the year. The Lendlease Services acquisition is provisionally accounted for at June 2022.
- Right-of-use assets and lease liabilities in respect of AASB 16 of $52.5 million and $57.5 million respectively at balance date compared to prior year of $30 million and $33.7 million respectively.

Overall Group strategy, prospects and risks

Consistent with the Group's strategy to grow and diversify our operations, Service Stream entered into a binding agreement to acquire 100% of Lendlease Services from Lendlease Group during FY22. This transformational acquisition, which achieved Completion in November 2021, has further diversified the Group's revenues, enhanced current capabilities and expanded operations across additional market sectors.

The Board believes that demand for essential network services will remain strong over the long term, supported by increasing investment in critical infrastructure. The Board are confident that the Group's specialist capabilities and service offerings position Service Stream to grow across a stable and attractive blue-chip client base of utility, telecommunications and transport asset owners and operators.

The achievement of the Group’s business objectives may be impacted by the following material risks:

Inflation	The nature of Service Stream’s operations can be exposed to inflationary pressures across materials, labour and other operating costs. While the majority of the Group’s contractual agreements enable the business to recover some or all inflationary pressures, a smaller number of agreements are fixed over a period of time. Management seek to mitigate this risk by incorporating anticipated inflationary increases into the prices charged to clients. The timing of contractual reviews and the relief mechanisms prescribed under each agreement may also pass through more or less than the actual inflationary impacts incurred, and may not directly align with the timing of the business incurring inflationary pressures.
Weather	In undertaking and delivering programs for our clients, Service Stream is exposed to the impacts of adverse weather events such as floods, bushfires and extreme heat, as well as the effects of climate cycles such as La Nina. Some of the key risks include physical risks to fixed assets, key sites and locations, delays and increased costs to completing work under contract and reputational risks such as customer and shareholder expectations. Group-wide or project specific insurance policies and negotiated contract positions which enable Service Stream to recover some of the cost impacts associated with adverse weather assist in the mitigation of this risk.
COVID-19 pandemic	The COVID-19 pandemic created an unprecedented level of uncertainty and continues to present risks to near-term business performance. Service Stream may be exposed to risks associated with labour market accessibility, reduction in client work programs, demand for services and supply chain disruptions.
Retention of key personnel and sourcing of subcontractors	Attracting and retaining key personnel in a market with historically low unemployment and market-wide inflationary wage pressures presents a risk to Service Stream. Management and the Board have implemented a number of strategies to attract and retain key personnel and enhance the Group’s employee value proposition. Initiatives include but are not limited to; participation in appropriate incentive arrangements, out-of-cycle remuneration reviews, implementation of retention bonuses and participation in the Group’s employee development, talent identification and succession programs. Access to an appropriately skilled and resourced pool of subcontractors across Australia is also critical to Service Stream’s ability to successfully secure and complete field-based work for its clients. The business continues to make appropriate capital investments to improve the ease of engagement, review and implement favourable payment terms, offer broader programs of work across the Group and conducts reviews against market rates to assist with the engagement, deployment, daily management, and retention of the Group's growing subcontractor base.
Integration risk	The acquisition of Lendlease Services, successfully completed on 1 November 2021, is a complementary acquisition that created a leading multi-network essential services provider with diverse operations. On 30 June 2022, Service Stream successfully exited all Transitional Services Agreement (TSA) modules. Notwithstanding the exit from the TSA, possible issues which may arise as integration activities continue include: • unanticipated or higher than expected ongoing costs relating to integration, support operations, accounting, other systems or insurance arrangements; • unanticipated or higher than expected ongoing costs or extensive delays in the planned upgrades, migration, integration and decommission of information technology systems and platforms;

- loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees;
- failure to derive the expected benefits of the strategic growth initiatives; and
- disruption of ongoing Service Stream operations.

Any failure to achieve the targeted business integration synergies may impact on the financial performance of Service Stream.

Client concentration

Management and the Board are conscious of the Group’s exposure to a small number of key clients and infrastructure programs particularly within the telecommunications sector as a source of revenue and profitability but accepts that concentration to clients such as nbn co and Telstra is a natural consequence of operating in the Australian market.

In that context, Management and the Board remain alert to factors that could disrupt or delay the flow of work from its major customers, and implement strategies to actively pursue the diversification of income streams both within and separate to those customers by developing and offering a broad range of services and geographic coverage.

The acquisition of Lendlease Services, completed on 1 November 2021, expanded the Group’s client base by creating a broader portfolio of operations across the wider infrastructure services market to assist in further addressing this risk.

Client demand

Many of the Group’s contractual agreements do not contain volume commitments and therefore may be dependent on the client’s demand requirements which could change over time. The adoption and deployment rate of new technology, such as 5G, smart metering, Solar PV, can also provide variability against expected future earnings. Whilst Management and the Board take a balanced view on the level of client demand that is expected to arise when forecasting financial performance, there is a risk that these levels may change over time.

In addition, the potential variability in client demand presents operational challenges to the Group. In this regard, Management and the Board are conscious of the need to maximise the variability of the Group’s cost-base and structures by maintaining an appropriate balance between an employee-based workforce and the use of specialist subcontractors. A flexible workforce model is therefore maintained to attract, mobilise, and retain key resources to ensure that they are available at the right time and right place to match customers' forecasts of volume as they change over time.

Contract management

Given that Service Stream’s operating model is premised on the provision of infrastructure-related services to clients under periodically renewed contracts, Management and the Board are conscious of the risks that can arise through the acceptance of sub-optimal conditions in client contracts and through the ineffective commercial administration of these contracts over their term. Management and the Board therefore remain focused on ensuring that appropriate contract management disciplines are effectively embedded in the organisation to manage contract risks and to maximise contract entitlements.

A Group Commercial function is in place to mitigate this risk. Group Commercial is responsible for the development and maintenance of a Bid Management Framework in respect of winning new business and a Commercial Health-Check Program in respect of existing business, and generally for ensuring that sound contract management disciplines are embedded across the Group

Renewal of client contracts

Service Stream is a contracting business and as such there is always a natural cycle of contracts coming up for renewal. The renewal of contracts remains a key risk that Management and the Board continues to actively monitor and manage.

Service Stream operates in a limited number of market segments in which there are relatively few competitors. Management and the Board are therefore particularly conscious of the risks related to the loss of business to competitors either through their ability to potentially leverage

	more cost-effective business platforms or as a consequence of their potential adoption of loss-leading strategies to maintain or increase market share. The Board is confident that the Group's superior performance and consistency of service delivery will ensure successful delivery on these contracts, but failure to do so would have a material impact on the Group.
Working with potential safety hazards	In undertaking work and delivering programs for its clients, Service Stream's employees and subcontractors can operate in potentially hazardous environments and perform potentially hazardous tasks. Management and the Board remain alert to the safety risks posed to employees and subcontractors, devote significant time to monitoring the effectiveness of the Group's safety framework, and have implemented a wide range of controls and proactive programs to increase awareness of significant hazards and prevent injuries to employees and subcontractors.
Digital disruption	As technology continues to change and evolve at a rapid pace, it is possible that such advances may cause disruptions to certain elements of the markets in which Service Stream operates, or to services that Service Steam provides. Management and the Board spend time each year during a planning cycle to update the Group Strategic Plan which extends across a four-year horizon. This planning process includes a detailed assessment of relevant external factors, including digital disruption or technological changes, which may have a bearing on the Group's current markets and service offerings.
Information technology systems and cyber security	The Group's operational agility, overall cost effectiveness and ability to convert works to cash in a timely manner are becoming increasingly reliant on a number of business-critical systems and in turn, the appropriate management of data and information and risks associated with cyber security and malicious emails. Management and the Board remain alert to ensure that funds are sufficient and made available to maintain fit-for-purpose system applications and infrastructure, and that IT investments are appropriately prioritised and undertaken effectively as part of the Group's annual strategic planning process. Service Stream has established a comprehensive cyber security capability to protect both our clients and the Group's information assets. The backbone of our approach is a formal Information Security Management System (ISMS), which provides a detailed overview to the Board, Audit and Risk Committee, and our Managers of key security risks.

Dividends

Dividends paid or determined by the Company during and since the end of the year are set out in Note 19 to the financial statements and further set out below:

	Final 2022	Interim 2022	Final 2021
Per share (cents)	1.00	-	-
Total amount ($ million)	6.15	-	-
Franked	100%	-	-
Payment date	5 October 2022	-	-

Significant changes in the State of affairs

Except as stated in the review of operations and financial performance, there were no other significant changes in state of affairs of the Group during the financial year.

Events after the reporting date

There has not been any other matters or circumstance 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.

Environmental regulation

Other than compliance with general obligations under Federal and State environmental laws and regulations, the Group's operations are not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory law.

Shares under performance rights

Details of unissued shares under performance rights at the date of this report are:

Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
FY20 LTI Tranche	Ordinary	$0.00	September 2022	166,460
FY21 LTI Tranche	Ordinary	$0.00	September 2023	1,558,980
FY22 LTI Tranche	Ordinary	$0.00	September 2024	3,452,199
				5,177,639

The holders of these rights do not have the right, but virtue of the performance right, to participate in any share issue of the Company or of any other body corporate or registered scheme. No further performance rights have been issued since the end of the financial year.

In accordance with the Employee Share Ownership Plan, the shares relating to the Long-Term Incentive (LTI) Plan will be issued to participants after release of the financial statements in the relevant financial year, to the extent that the vesting criteria have been satisfied.

Directors' meeting attendance

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member).

	Meetings of Committees				
	Board meetings	Audit and Risk	Remuneration and Nomination	Health, Safety, Environment & Sustainability	Term of Directorship
No. of meetings held	**16**	**4**	**5**	**4**	
No. of meetings attended by					
B Gallagher	16	4*	5*	4	12 years
G Adcock	16	4	5*	4	6 years
P Dempsey	15	4	5	3*	11 years
D Page	16	4	5	4*	11 years
E Ward	10#	3*	4	3	1 year
L Mackender	16	3*	4*	4	8 years
T Coen	11^	3* ^	3^	3^	3 years

* Attended as Standing Invitee
^ Tom Coen retired on 10 March 2022.
# Elizabeth Ward joined Service Stream Board on 6 September 2021.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretaries, and all officers of the Group and any related body corporate against a liability incurred as a Director, Secretary or officer to the extent permitted under the *Corporations Act 2001*.

The contract of insurance prohibits the general disclosure of the terms and conditions, nature of the liability insured and the amount of the deductible or premium paid for the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services and auditors

Details of any amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 32 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) are compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*.

PricewaterhouseCoopers has been the auditor of the company since FY 2013, and Trevor Johnston has been the Partner responsible since FY 2018. Trevor Johnson will be rotating off as the Partner responsible during 2022 and will be replaced by Andrew Cronin.

The Directors are of the opinion that the services disclosed in note 32 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 39 of the annual financial report.

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.

Corporate governance statement

Service Stream Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Service Stream has reviewed its corporate governance practices against the 4th edition ASX Corporate Governance Principles and Recommendations. Service Stream is materially compliant with all ASX Corporate Governance Principles and Recommendations.

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at: http://www.servicestream.com.au/investors/corporate-governance. The corporate governance statement is accurate and up to date as at 23 August 2022 and has been approved by the Board.

Sustainability report

Service Stream Limited and the Board recognise the importance of driving long-term sustainable practices which support and enhance the environment, social and economic performance for both the Group and our wider stakeholders.

The Group's current sustainability report can be viewed at: http://www.servicestream.com.au/investors/corporate-governance.

Remuneration Report

Message from the Chairman of the Remuneration and Nomination Committee

26 August 2022

Dear Shareholders,

On behalf of the Board, I am pleased to be writing to you as Chairman of Service Stream's Remuneration and Nomination Committee (RNC) and to present Service Stream's FY22 Remuneration Report.

Service Stream's FY22 Remuneration Report provides information about the remuneration of its Key Management Personnel and Non-Executive Directors and seeks to explain how performance has been linked to reward outcomes for the FY22 financial year.

2021 Annual General Meeting

At our 2021 Annual General Meeting, 98.60% of all votes cast by shareholders were in favour of the FY21 Remuneration Report. The Board remains of the view that an incentive scheme which rewards Management for taking a longer-term view of the Business, and that drives behaviour and decisions over the long term to deliver growth and a more sustainable future, is in the best interests of all shareholders.

Ongoing Review

Notwithstanding the strong voting result on the FY21 Remuneration Report, in FY22 the Board continued to review the Company's short-term incentive (STI) and long-term incentive (LTI) plans (together the "Incentive Plans") and proactively consulted with a selection of proxy advisors and shareholders in the process.

The key changes to the FY22 Incentive Plans that maintain the Board's reward philosophy are summarised below:

- Following the acquisition of Lendlease Services Pty Ltd ("LLS") and after year-end, the Board rebased the vesting conditions for Year 1 of the FY22 LTI, with Years 2 and 3 of the plan to be assessed against the vesting terms disclosed below in the Remuneration Report.

In FY22 the RNC engaged EY to conduct a review of Service Stream's incentive framework against market practices and provide executive remuneration market data. This information will be one input used to assess whether any changes to the executive remuneration framework are required for FY23, along with expected wage inflationary pressures.

The Board remains committed to being transparent with our stakeholders in the development and implementation of the Board's reward philosophy.

Remuneration Policy for Key Management Personnel

The Managing Director and CFO remuneration is reviewed annually and benchmarked against peer companies. For FY22, the Board determined that the Managing Director's remuneration would remain unchanged. The other KMP, being the Chief Financial Officer, received an adjustment to her fixed annual remuneration in February 2022 to reflect market benchmarks for like roles against peer companies and the increased level of responsibilities in her role following the LLS acquisition. The Chief Financial Officer had not received an adjustment to her fixed annual remuneration since 2020.

The results for FY22 reflect a solid contribution from existing operations and a positive financial impact from LLS. The acquisition has created a strong platform for the business to expand its capability and realise its growth plans for the future. This transformational year was taken into consideration when considering remuneration outcomes for the Managing Director and CFO.

In FY22 the Managing Director and CFO were awarded 77.5% and 79.1% respectively, of the total potential STI payable to those individuals. Further details on the Managing Director's scorecard is set out in the Remuneration Report.

Remuneration Policy for the Chairman and Non-Executive Directors

Fees for the Chairman and Non-Executive Directors are also reviewed annually and benchmarked against peer companies. In-line with the Board's decision concerning the Managing Director's remuneration, no changes were made to the Chairman's and Non-Executive Director's fees for FY22.

Summary

The Board believes that the Company's Incentive Plans achieve the Board's objective of rewarding Management for delivering outcomes that contribute to the long-term, sustainable performance and success of the business.

The Board is also of the view that the remuneration outcomes for FY22 are appropriate, present a fair alignment between pay and performance, and recognise the challenges that presented the business in FY22.

I look forward to engaging with you in FY23 and thank you for your ongoing support of Service Stream.

Peter Dempsey

Chairman of the Remuneration and Nomination Committee

Introduction and scope

The Service Stream Limited remuneration report sets out information about the remuneration of Service Stream's KMP for the year ended 30 June 2022 (FY22). The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

The remuneration report covers the following matters:

1. Year in review

Over the course of the past year, Service Stream has continued to refine its remuneration policies and frameworks, based on business drivers, industry and competitor analysis and stakeholder feedback. Changes to the remuneration policy and frameworks have been summarised in the table below and outlined in detail throughout the report.

Summary of remuneration policy and framework changes

Policy	Enhancements
FY22 Long-term incentive (LTI) tranche vesting criteria	EPS performance vesting requirements from the FY22 Tranche has been adjusted to reflect a sliding scale award on those which qualify for vesting in any period as per the table below:

EPS Growth Measure	% of performance rights that will vest
<5%	0%
5%	40%
5% to 10%	Pro-rata so that 12% of the performance rights in the tranche will vest for every 1% between 5% and 10%
10% or above	100%

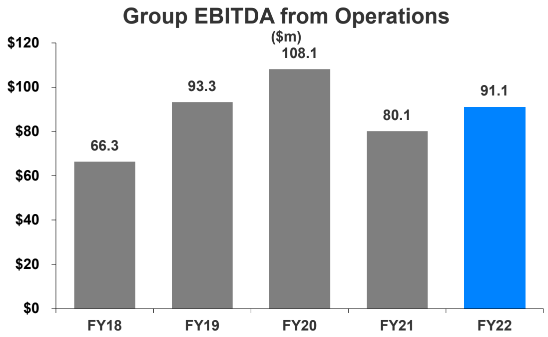
TSR Ranking	% of performance rights that qualify for vesting
<50th percentile	0%
50th percentile	40%
Above 50th and below 75th percentile	Pro-rata so that 2.4% of the performance rights in the tranche will vest for every 1 percentile increase between the 50th and 75th percentile
75th percentile and above	100%

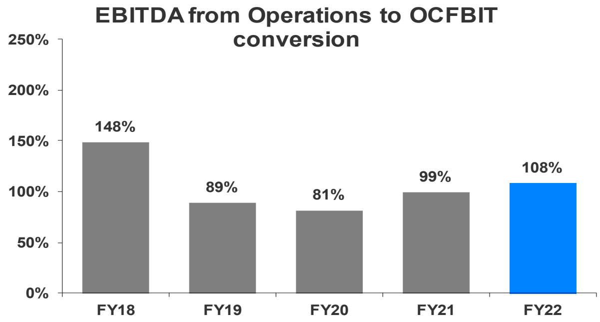
The EPS and TSR requirements each have a 50% weighting in relation to the FY22 grant.

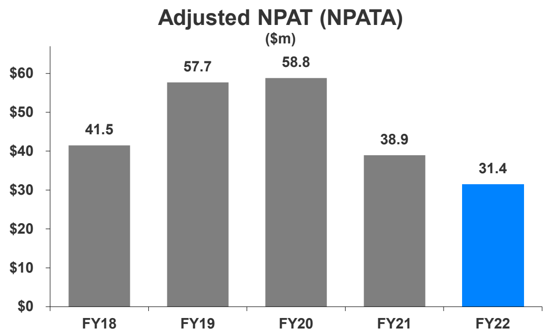
Group performance

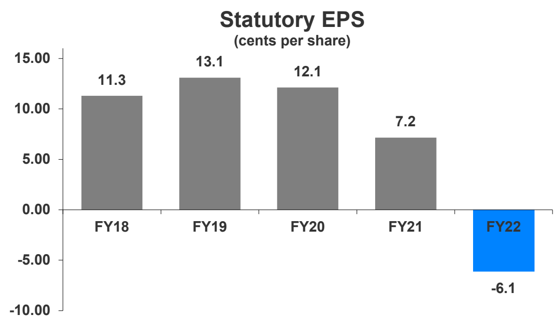
The graphs below outline the Group's performance against key financial and non-financial performance indicators over the past 5 years.

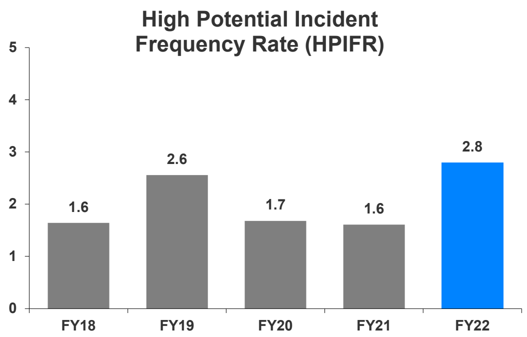
Key Indicators	2018	2019	2020	2021	2022
Total Revenue ($'000)	632,946	852,178	929,133	804,163	1,563,767
EBITDA ($'000)	67,296	89,543	105,588	75,153	64,609
EBITDA from Operations ($'000)	66,300	93,266	108,115	80,111	91,114
Net profit after tax ($'000)	41,107	49,859	49,315	29,274	(36,324)
Earnings per share (cents)	11.29	13.09	12.13	7.15	(6.09)
Dividends per share (cents)	7.5	9.0	9.0	2.5	1.0
Share price 30 June ($)	1.51	2.81	1.91	0.87	0.88

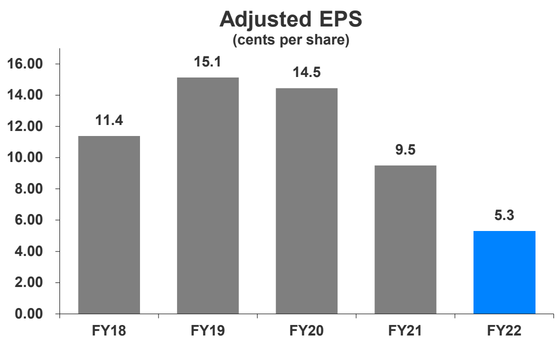












2. Details of Key Management Personnel (KMP)

As a result of the acquisition of LLS and the enlarged consolidated Group, and alongside internal structure and responsibility changes, a review was undertaken to determine which roles would be identified as Key Management Personnel (KMP). Following this review it was determined that based on the definition of a KMP under AASB 124, from 1 November 2021 (i.e. acquisition date) only the Managing Director and Chief Financial Officer roles would be KMP (being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity) for the FY22 Remuneration Report.

The following table depicts the Directors and Executive Key Management Personnel of the Group who were classified as KMP for the entire financial year unless otherwise indicated.

Non-Executive Directors	
Brett Gallagher	Chairman
Greg Adcock	Non-Executive Director
Tom Coen	Non-Executive Director
Peter Dempsey	Non-Executive Director
Deborah Page AM	Non-Executive Director
Elizabeth Ward	Non-Executive Director

Executive Directors	
Leigh Mackender	Managing Director

Key Management Personnel	
Linda Kow	Chief Financial Officer
Paul McCann (KMP ceased 1 November 2021)	Executive General Manager, Utilities
Kevin Smith (KMP ceased 1 November 2021)	Executive General Manager, Telecommunications

[#]Following the acquisition of Lendlease Services Pty Ltd on 1 November 2021, the Board reviewed the list of Key Management Personnel from the FY21 Remuneration Report and determined that only the Managing Director and CFO meet the definition of KMP across the enlarged consolidated Group.

3. Role of the Remuneration and Nomination Committee (RNC)

The Board's RNC is responsible for reviewing and making recommendations to the Board on the remuneration arrangements for the Non-Executive Directors, the Managing Director, KMP and the executive management team.

Information on the RNC's role and responsibilities is contained in its charter, which is available on the Group's website at: www.servicestream.com.au.

4. Remuneration policy and framework

The Board, through the RNC, oversees and approves the implementation of Service Stream's remuneration policies and frameworks. The objectives of the Group's remuneration policy are to ensure that it:

- supports Service Stream's strategy and reinforces our culture and values;
- provides consistent and market competitive rewards which attract, motivate and retain highly skilled employees;

- aligns employee activities to the achievement of business objectives;
- supports alignment between executive remuneration and shareholder outcomes;
- maintains fair and equitable rates of pay for all employees based on their performance and the markets in which the Group operates;
- encourages, recognises and rewards individual, team and group performance in alignment with shareholder returns;
- operates a remuneration system that is transparent, accountable, scalable, flexible and consistent, enabling comparison with the external market; and
- reflects market practice by benchmarking remuneration outcomes against relevant peer companies.

Linking performance to executive remuneration

The executive remuneration framework is linked to the Group's performance by:

- requiring a significant portion of executive remuneration to vary with short-term and long-term performance;
- a 'Minimum Group Performance Threshold' is required to be met before any STI can be paid, linked to achieving the Group's EBITDA from Operations target;
- individual performance goals are tied to the annual objectives of the Group, linked directly to the overall Group strategy; and
- delivering a significant portion of remuneration in equity, to align with shareholder interests.

Service Stream measures performance across the following key corporate measures:

- Group EBITDA from Operations;
- Divisional/Business Unit EBITDA;
- Health & Safety Performance (TRIFR, HPIFR and LTIFR);
- Market & Customer
- Risk & Governance
- Earnings Per Share (EPS) and Adjusted Earnings Per Share (EPS-A); and
- Total Shareholder Returns (TSR) relative to the ASX 200 Industrials index.

Remuneration reviews

The RNC reviews the remuneration packages of all Directors and Senior Executives on an annual basis and makes recommendations to the Board in respect to any changes thereto. Remuneration packages are reviewed with due regard to performance, the relativity of remuneration to comparable companies and the level of remuneration required to attract and compensate Directors and Senior Executives, given the nature of their work and responsibilities.

The RNC periodically seeks independent advice from external consultants on various remuneration-related matters to assist in performing its duties and making recommendations to the Board. During FY22, the RNC has continued to engage Korn Ferry Hay to provide remuneration benchmarking data for salaried roles across the organisation that are consistent with the markets in which Service Stream operates. In addition, the RNC engaged EY to conduct a review of Service Stream's reward framework against market practices and provide executive remuneration market data. This information will be one input used to assess whether any changes to the executive remuneration framework are required for FY23, along with expected wage inflationary pressures.

Employment conditions

The table below outlines the remuneration components for the Managing Director and executive KMP.

Position	Notice periods and termination payments
Managing Director	• 6 months either party (or payment in lieu) • Immediate for serious misconduct or breach of contract • Statutory requirements only for termination with cause
Chief Financial Officer	• 6 months either party (or payment in lieu) • Immediate for serious misconduct or breach of contract • Statutory requirements only for termination with cause

5. Overview of remuneration components

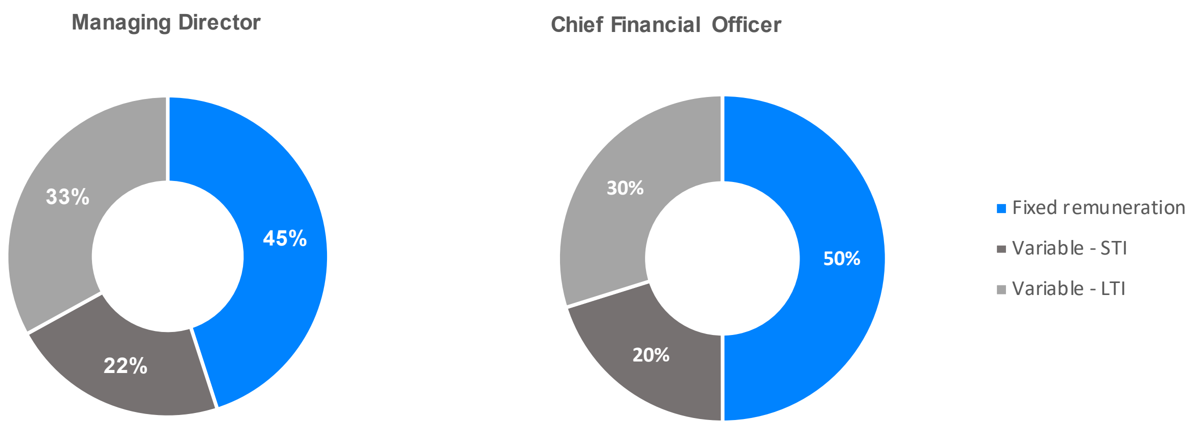
The table below depicts the potential remuneration components that apply to the Managing Director and CFO employed for the entire financial period.

Fixed remuneration	Variable remuneration
• Fixed salary set by reference to appropriate benchmark information and individual performance • Includes superannuation and salary-sacrificed non-monetary benefits	• Cash incentive paid under the annual short-term incentive (STI) plan, with hurdles linked to both Group and Individual performance targets • Performance rights issued under the annual long-term incentive (LTI) plan, with hurdles linked to annual EPS targets and Relative TSR

Details of each remuneration component payable to the Managing Director and CFO are set out below, including details of maximum STI and LTI opportunity as a percentage of fixed remuneration.

		Variable remuneration at risk	
Managing Director	100% Fixed Remuneration	50% STI (at risk)	75% LTI (at risk)
CFO	100% Fixed Remuneration	40% STI (at risk)	60% LTI (at risk)

The graphs below depict the maximum potential remuneration components that apply to the Managing Director and CFO as a percentage of total remuneration.



5.1 STI & LTI Opportunity

Details of the STI and LTI opportunities for FY22 are outlined in the table below.

Incentive Participation Rates					
Executive Position	Target STI % of fixed remuneration	Maximum STI % of fixed remuneration	Target LTI % of fixed remuneration	Maximum LTI % of fixed remuneration	Maximum total performance-based pay as a % of fixed remuneration
Managing Director	50	50	75	75	125
Chief Financial Officer	40	40	60	60	100

Details of individual performance indicators for the Managing Director are outlined in section 6.

5.2 Fixed Remuneration

Fixed remuneration consists of base compensation and statutory superannuation contributions. Executives may also elect to have other benefits provided out of their fixed remuneration, including additional superannuation and the provision of a motor vehicle.

In recognition of the continued uncertainty that COVID-19 has presented on Service Stream's operations, the Managing Director's fixed remuneration was unchanged for the period 1 July 2021 to 30 June 2022. An adjustment was made to the Chief Financial Officer's fixed remuneration effective from 1 February 2022 to reflect market benchmarks for like roles against peer companies and the increased size and scope of the role following the Lendlease Services acquisition. This is consistent with our policy where adjustments to executive salaries are made only in instances where executive roles and responsibilities change significantly, and market data supports the adjustment.

5.3 Short Term Incentive (STI)

5.3.1 STI Overview

The STI plan provides for an annual payment which varies depending on the performance achieved over the assessment period. The incentive plan is designed to reward participants for the delivery of financial and operational performance which is key to the success of Service Stream.

The award of any STI related incentives are first subject to Group performance meeting or exceeding the 'Minimum Group Performance Threshold', this being the achievement of at least 90% of the Group's EBITDA from Operations target for the financial year. The minimum Group Performance Threshold exists as a gate and is applicable to all STI participants, regardless of their individual performance.

Where 90% or more of the Group's EBITDA from Operations target is achieved, the STI payment is payable to employees based on Group, Divisional and individual performances against target. Any STI payments are at the Board's discretion.

Group Performance

Group Performance is set annually and is reflected as the Group's EBITDA from Operations target for the financial year. Each year the Board assesses the proposed budgets put forward by Management, aligned to the Group's strategic plan. Following detailed analysis and discussion a target is agreed which reflects the Group's annual EBITDA budget.

Following the acquisition of LLS, the Group FY22 EBITDA from Operations target was adjusted by the Board to reflect 8-months of LLS in the Service Stream Group.

Individual Performance

Individual performance goals are tied to the annual objectives of the Group, linked directly to the overall Group strategy and categorised into the four quadrant measures of Financial Performance, Market & Customer, Safety & People and Risk & Governance.

Individual performance targets under each Performance Quadrant for the Managing Director for the FY22 STI is outlined in section 6.

5.3.2 STI summary table

Feature	Program detail
Purpose of short- term incentive plan	Reward participants for the delivery of financial and operational performance that are key to the success of Service Stream
Minimum performance threshold	Achievement of 90% or more against annual Group EBITDA target before the award of incentives under the Group, Divisional or Individual Performance will be considered
Performance requirements	All STIs have performance criteria set across two separate areas: 1. Group Financial Performance 2. Individual Performance is set across the following areas: • Financial Performance • Market & Customer • Safety & People • Risk & Governance
Target STI Opportunity	50% of total fixed remuneration for the Managing Director 40% of total fixed remuneration for the Chief Financial Officer
Maximum STI opportunity	50% of total fixed remuneration for the Managing Director 40% of total fixed remuneration for the Chief Financial Officer
Performance period	1 July 2021 to 30 June 2022
Assessment period	August 2022, following the audit of the Group's financial statements
Payment form	Cash based payment
Payment timing	September 2022
Board Discretion	The Board has discretion to adjust STI payments upwards and downwards including to nil in certain circumstance e.g. where an executive has acted inappropriately.
Eligibility	The Managing Director and CFO are eligible to participate in the STI program in the year in which they commence their position with the Company. A pro-rata entitlement will be applied for up to and including start date if the start date is pre-31 March. Post-31 March no employee will be entitled to a pro-rata payment for the year in which they commence with the Company.

Termination of employment	On cessation of employment with the Group prior to the end of the assessment period, there is no STI payable.
Treatment of significant items	From time to time the Group's performance may be impacted by significant items. When this occurs, the Board has the discretion to adjust for the impact (positively or negatively) on a case-by-case basis.

5.4 Long-Term Incentive (LTI)

5.3.3 LTI Overview

The LTI is an equity-based plan that provides for an incentive award that vests subject to company performance over a three-year performance period. A three-year measure of performance is considered to be the most appropriate and reasonable time period which is consistent with market practice and Service Stream's specific industry dynamics.

The LTI operates within the shareholder approved Employee Share Ownership Plan (ESOP), which is overseen by the Remuneration and Nomination Committee. 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.

The LTI Award is in the form of performance rights which are issued to participating employees, with each performance right converting into one ordinary share of Service Stream Limited on meeting the vesting criteria. 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 opportunity, which is expressed as a percentage of the participant's total fixed remuneration, 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.

5.3.4 LTI Performance Requirements

FY22 Tranche

Performance rights for each of the LTI tranches relevant to FY22 Tranche are subject to service and performance criteria being:

1. Adjusted Earnings Per Share (Adjusted EPS) growth over the performance period. The Board considers Adjusted EPS growth to be an appropriate performance measure for KMP reward as it represents an accurate measure of short-term and long-term sustainable profit; and
2. Relative Total Shareholder Returns (TSR) being calculated as the difference in share price plus the value of dividends paid on those shares over the performance period, expressed as a percentage of the share price at the beginning of the performance period. The Board considers relative TSR to be an appropriate performance measure for KMP reward as it focuses on the extent to which shareholder returns (being income and capital gain) are generated relative to the performance of an appropriate comparator group.

Adjusted Earnings Per Share (Adjusted EPS) - 50% Weighting

The Adjusted EPS growth performance condition is based on the Company's adjusted EPS growth over the three years to 30 June 2024. The tranche of performance rights will vest on a pro-rata basis upon achieving the annual Adjusted EPS target as set by the Board.

In FY22 and following the acquisition of LLS and after year-end, the Board reset the Year 1 Adjusted EPS growth performance measure for the FY22 Tranche.

The performance vesting scale that will apply to the performance rights which are subject to the Adjusted EPS growth test is outlined in the table below and disclosed in the Board paper on FY22 LTI outcomes:

% of performance rights that vest	FY22 EPS Target
0%	< 5% EPS Growth
40%	5% EPS Growth
Proportional vesting	5% to 10% EPS Growth
100%	>10% EPS Growth

Relative Total Shareholder Return (TSR) - 50% Weighting

The relative TSR performance condition is based on the company's TSR performance relative to the TSR of comparative companies, comprising the ASX 200 Industrials, at the start of the performance period and measured over the 3 years to 30 June 2024. If the TSR in the comparison group is ranked from highest to lowest, the median TSR is the percentage return to shareholders that exceeds the TSR for half of the comparison companies. The 75th percentile TSR is the percentage return required to exceed the TSR for 75% of the comparison companies.

The performance vesting scale that will apply to the performance right which are subject to the TSR test is outlined in the table below:

TSA Ranking	% of performance rights that vest
< 50th percentile	0%
50th percentile	40%
Above 50th and below 75th percentile	Pro-rata so that 2.4% of the performance rights in the tranche will vest for every 1 percentile increase between the 50th and below 75th percentile
75th percentile and above	100%

The Board does retain discretion to retain individuals in the LTI plan for factors such as death, total and permanent disability or retirement. The Board also retains discretion to vest awards in the form of cash.

FY20 & F21 Tranches

% of Performance Rights that Vest	FY21 EPS Target (50% weighting)	FY20 EPS target (80% weighting)
0%	Below Target and below PY Adjusted EPS	Below Target and below PY Adjusted EPS
40%	Below Target but equal to PY Adjusted EPS	Below Target but equal to PY Adjusted EPS
Proportional vesting	Below Target but greater than PY Adjusted EPS	Below Target but greater than PY Adjusted EPS
100%	100% of Target and above	100% of Target and above

50% of the performance rights granted in FY21 and 20% of the performance rights granted in FY20 tranches will vest where the Group's 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:

TSR Ranking	% of performance rights that vests
< 50th percentile	0%
50th percentile	50%
Above 50th and below 75th percentile	Proportional vesting
75th percentile or above (top quartile)	100%

5.3.5 Performance re-testing

The Board is strongly of the view that the structure, conditions, and operation of the LTI scheme is the most appropriate for the Group because:

- the retesting regime at the end of the three-year period (based on average results for that period) allows the Board to take a longer-term outlook;
- the Board is conscious that a contracting business like Service Stream can be subject to market volatility and encounter issues that adversely impact individual years and therefore a retesting regime at the end of the three-year period is appropriate;
- management should be rewarded to the extent that the Group's performance over the entire period of review meets the set targets for that period;
- the review period accords with the average length of the Group’s annuity and panel client contracts, being 3 to 4-year terms, thereby enabling performance under the full term of each contract to be recognised; and
- the service criteria (i.e. the requirement that the participant remain employed by the Group at the end of the three-year period) and the retesting arrangement provide significant focus on a longer time horizon

5.3.6 FY22 LTI summary table

Feature	Program detail
Purpose of long-term incentive plan	Reward participants for the delivery of performance which is linked to enhancing long-term shareholder value over a three-year period. Manage risks associated with a tendency to focus on short-term performance against longer-term performance.
Performance requirements	All LTIs have performance criteria set across two areas: 1. Annual Earning Per Share (EPS) growth 2. Relative Total Shareholder Returns (TSR), measured against a relevant per group being the ASX 200 Industrials index.
LTI Opportunity	75% of total fixed remuneration for the Managing Director 60% of total fixed remuneration for the Chief Financial Officer
Maximum LTI opportunity	75% of total fixed remuneration for the Managing Director 60% of total fixed remuneration for Chief Financial Officer
Performance period	1 July 2021 to 30 June 2024
Assessment period	August 2024, following the audit of the Group's financial statements
Award form	Performance rights
Award timing	September 2024
Board discretion	The Board has discretion to adjust LTI award including to nil in certain circumstance e.g where an executive has acted inappropriately.
Eligibility	Selected Executives and Senior Management may be invited to participate in the LTI program in the year in which they commence their position with the Group.
Termination of employment	Where a participant ceases employment with the Group prior to the end of the assessment period, any unvested performance rights will be forfeited.

6. Managing Director and Senior Executive Remuneration

Executive remuneration table

The information provided in the table below has been prepared in accordance with Australian accounting standards.

		Short-term employee benefits				Post-employment benefits	Long-term benefits	Share-based payments			
	Year	**Salary**	**Termination benefits**	**Short-term incentives**	**Non-monetary**	**Super**	**LSL**	**Performance rights**	**Total**	**Fixed**	**At Risk**
L Mackender	2022	878,997	-	449,744*		23,568	16,599	13,977	1,382,885	66%	34%
	2021	878,997	-	-	-	21,694	16,758	148,045	1,065,494	86%	14%
L Kow	2022	627,928	-	302,789*		31,246	1,764	51,179	1,014,906	65%	35%
	2021	578,997	-	-	-	21,694	513	95,264	696,468	86%	14%
P McCann [1]	2022	159,666	-	-	8,128	7,856	3,177	(37,525)	141,302	127%	-27%[1]
	2021	458,164	-	-	24,384	21,694	23,221	55,896	583,359	90%	10%
K Smith [2]	2022	176,332	-	58,019	-	7,856	7,920	2,389	252,516	76%	24%
	2021	528,997	-	-	-	21,694	10,575	66,657	627,923	89%	11%
S Laffey [3]	2021	110,077	-	-	-	9,039	-	5,342	124,458	96%	4%
J Ash [4]	2021	5,296	232,947	-	-	1,750	-	-	239,993	100%	0%
Total	**2022**	**1,842,923**	**-**	**810,552**	**8,128**	**70,526**	**29,460**	**30,020**	**2,791,609**	**70%**	**30%**
	2021	2,560,528	232,947	-	24,384	97,565	51,067	371,204	3,337,695	89%	11%

[1] P McCann ceased as a KMP as of 1 November 2021. His reported remuneration is for the period from 1 July 2021 to that date. During FY22 P McCann resigned, forfeiting his existing performance rights.

[2] K Smith ceased as a KMP as of 1 November 2021. His reported remuneration is for the period from 1 July 2021 to that date.

[3] S Laffey was the Acting Executive General Manager of Energy & Water until 9 November 2020. The position ceased being a KMP role following the consolidation of the Utilities operations.

[4] J Ash resigned from his position as the Executive General Manager, Network Construction effective 6 July 2020.

* Short-term incentive includes a one-off discretionary bonus awarded by the Board for the successful acquisition and integration of Lendlease Services

FY22 STI performance outcomes

2022 STI	
Name	**Paid %**
L Mackender	77.5%
L Kow	79.1%

L Mackender

The table below summarises the performance of the Managing Director against the individual elements of his scorecard.

Measure	Weighting	Target	Outcome			
Financial	50%	Delivery of Group EBITDA from Operations target, which has been adjusted for the proforma contribution from LLS	Below threshold	Partially achieved	Fully achieved	Above target
Delivery	30%	Acquisition and integration of LLS, including successful exit from TSA by 30 June 2022 Deliver LLS acquisition synergy targets	Below threshold	Partially achieved	Fully achieved	Above target
Safety & People	15%	FY22 Annual Group HPIFR Target of < 1.61 is met or exceeded	Below threshold	Partially achieved	Fully achieved	Above target
Risk & Governance	5%	Restructure Group Executive with appointments made to key roles, consistent with the enlarged business	Below threshold	Partially achieved	Fully achieved	Above target

Specific financial, commercial and operational targets remain commercially sensitive and as such, have not been disclosed.

FY22 LTI performance outcomes

There were no LTI awards which vested for the Managing Director or KMP during FY22.

Summary of grants under LTI

Name	Plan	Balance at 1 July 2021 Number	Granted as compen-sation Number	Vested Number	Forfeited Number	Balance at 30 June 2022 Number	Fair value Fair value when granted $	Fair value at vesting $
L Mackender	FY20 LTI	238,544	-	-	(190,835)	47,709	524,838	n/a
	FY21 LTI	361,879	-	-	-	361,879	652,558	n/a
	FY22 LTI	-	794,792	-	-	794,792	516,481	n/a
Total		600,423	794,792	-	(190,835)	1,204,380		
L Kow	FY21 LTI	193,076	-	-	-	193,076	348,164	n/a
	FY22 LTI	-	424,491	-	-	424,491	275,848	n/a
Total		193,076	424,491	-	-	617,567		
P McCann	FY20 LTI	76,776	-	-	(76,776)	-	165,458	n/a
	FY21 LTI	132,791	-	-	(132,791)	-	239,455	n/a
	FY22 LTI	-	324,540	-	(324,540)	-	210,896	n/a
Total		209,567	324,540	-	(534,107)	-		
K Smith	FY20 LTI	106,903	-	-	(85,522)	21,381	230,384	n/a
	FY21 LTI	162,254	-	-	-	162,254	292,585	n/a
	FY22 LTI	-	356,829	-	-	356,829	231,879	n/a
Total		269,157	356,829	-	(85,522)	540,464		
Total		**1,272,223**	**1,900,652**	**-**	**(810,464)**	**2,362,411**		

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.

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

Shareholding of key management personnel

The table below sets out the equity in Service Stream held by key management personnel for the 2022 and 2021 financial years:

Name	Balance at 1 July	Received on vesting of performance rights	(Disposed) / Acquired during the year	Balance at date of appointment	Balance at date of resignation	Balance at 30 June
2022						
L Mackender	1,100,700	-	466,901	-	-	1,567,601
L Kow	70,000	-	1,167,660	-	-	1,237,660
P McCann [1]	539,017	-	277,778	-	-	816,795
Kevin Smith [2]	2,482,425	-	-	-	-	2,482,425
2021						
L Mackender	1,100,700	-	-	-	-	1,100,700
L Kow	70,000	-	-	-	-	70,000
P McCann	538,522	-	495	-	-	539,017
Kevin Smith	2,481,930	-	495	-	-	2,482,425
J Ash	123,411	125,755	-	-	249,166	-

[1] Paul McCann ceased being a Key Management Personnel (KMP) on 1 November 2021. Shares acquired of 277,778 represents acquisitions made during the period he was KMP. Balance at 30 June 2022 represents actual shareholdings at that date.

[2] Kevin Smith ceased being a Key Management Personnel (KMP) on 1 November 2021. Balance at 30 June 2022 represents actual shareholdings at that date.

7 Non-Executive Directors' Remuneration

The Board's RNC is responsible for reviewing and making recommendations to the Board on the remuneration for the Non-Executive Directors. Non-Executive Directors are remunerated only by way of fixed fees (inclusive of superannuation where applicable). To preserve independence and impartiality, Non-Executive Directors do not receive any performance related compensation.

The current maximum aggregate fee pool for the Non-Executive Directors is $1,000,000 as approved by shareholders on 23 October 2019. Board and committee fees (inclusive of superannuation where applicable) are included in the aggregate pool. No changes were made to Non-Executive Director fees in FY22.

Fees are reviewed annually taking into account comparable roles and market data provided by the Board's independent remuneration advisor.

Non-Executive Directors' remuneration

	Year	Board and Committee fees	Super	Total
B Gallagher	2022	182,648	18,264	200,912
	2021	182,648	17,352	200,000
G Adcock[1]	2022	130,000	-	130,000
	2021	130,000	-	130,000
P Dempsey	2022	118,722	11,872	130,594
	2021	118,721	11,279	130,000
D Page	2022	130,000	-	130,000
	2021	124,361	5,639	130,000
E Ward[3]	2022	88,175	8,818	96,992
	2021	-	-	-
T Coen[2]	2022	80,822	8,082	88,904
	2021	107,763	10,237	118,000
Total	**2022**	**730,367**	**47,036**	**777,402**
	2021	663,493	44,507	708,000

[1] G Adcock's remuneration was paid to Ausadcock Pty Ltd, a company in which Mr Adcock has a beneficial interest.

[2] T Coen's remuneration was paid up to the date of his retirement on 10 March 2022.

[3] E Ward's remuneration was paid from her start date of 6 September 2021.

Non-Executive Directors' Shareholding

Name	Balance at 1 July	Received on vesting of performance rights	(Disposed) / Acquired during the year	Balance at date of appointment	Balance at date of resignation	Balance at 30 June
2022						
B Gallagher	3,299,673	-	700,327	-	-	4,000,000
G Adcock	70,000	-	23,333	-	-	93,333
T Coen [1]	38,444,918	-	1,281,497	-	39,726,415	-
P Dempsey	1,050,000	-	350,000	-	-	1,400,000
D Page	509,800	-	137,001	-	-	646,801
E Ward [2]	-	-	-	-	-	-
2021						
B Gallagher	3,299,673	-	-	-	-	3,299,673
G Adcock	50,000	-	20,000	-	-	70,000
T Coen	38,444,918	-	-	-	-	38,444,918
P Dempsey	1,050,000	-	-	-	-	1,050,000
D Page	443,293	-	66,507	-	-	509,800

[1] T Coen retired as Non-Executive Director effective 10 March 2022.

[2] Elizabeth Ward was appointed as an Independent Non-Executive Director effective 6 September 2021. Ms Ward has advised the Chairman that she intends to purchase SSM shares on-market following the cessation of the Company's Closed Period for securities trading, in accordance with and as specified in the Company's Securities Trading Policy.

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001.*

On behalf of the Directors

Brett Gallagher
Chairman
26 August 2022

Leigh Mackender
Managing Director
26 August 2022

Auditor’s Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Trevor Johnston

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
26 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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

Notes to the financial statements are included on pages 45 to 85

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 45 to 85

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 45 to 85

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

Notes to the financial statements are included on pages 45 to 85

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

Notes to the consolidated financial statements

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	Utilities	Transport	Other	Total
	$'000	$'000	$'000	$'000	$'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	Utilities	Transport	Other	Total
	$'000	$'000	$'000	$'000	$'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 $'000	Timing difference related to prior periods [1] $'000	DTL (Net) Acquired through Acquisition $'000	Charged to Income $'000	Charged to equity $'000	Closing balance $'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 $'000	Timing difference related to prior periods [1] $'000	DTL (Net) Acquired through Acquisition $'000	Charged to Income $'000	Charged to equity $'000	Closing balance $'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.

Impairment of financial assets

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.

Trade receivables and accrued revenue

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 Directors' 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 financial statements were authorised for issue by the Directors on 26 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

Current tax

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.

Deferred tax

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

<u>Basic earnings per share</u>

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.

<u>Diluted earnings per share</u>

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.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 26

Note 33 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Directors.

Brett Gallagher
Chairman
26 August 2022

Leigh Mackender
Managing Director
26 August 2022

Independent auditor's report

To the members of Service Stream Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Service Stream Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2022
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $7.6 million, which represents approximately 0.5% of the Group's revenue from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group revenue from continuing operations because, in our view, it is an appropriate benchmark against which to measure the performance of the Group.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Business combination accounting
(Refer to note 29) $316.6 million

The Group acquired Service Stream Maintenance Pty Ltd (formerly Lendlease Services Pty Ltd) and its controlled entities on 1 November 2021 for total consideration of $316.6 million, as described in note 29 of the financial report.

The accounting for the acquisition was a key audit matter because it was a significant transaction in the year. In addition, the Group made complex judgements when accounting for the acquisition, including:

- identifying all assets and liabilities of the newly acquired business and estimating the fair value of each asset and liability for initial recognition by the Group, particularly the customer contracts and relationships.

The accounting for the acquisition is provisional at the time of authorisation of the financial report.

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Assisted by our PwC valuation experts in aspects of our work, our procedures included the following, amongst others:

- evaluating the identification of the assets and liabilities acquired against the requirements of Australian Accounting Standards;
- assessing the fair values of the acquired assets and liabilities recognised, including:
  - considering key assumptions used in estimating the fair values of customer contracts and relationships;
  - considering the valuation methodologies applied against the requirements of Australian Accounting Standards; and
  - assessing the competence and capability of the Group's experts.
- considering the adequacy of the business combination disclosures in light of the requirements of Australian Accounting Standards.

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<tr><td>

Goodwill impairment assessment - Energy & Water and Comdain Infrastructure
(Refer to note 14) $120.3 million

The Group is required by Australian Accounting Standards to test goodwill annually for impairment at the cash generating unit (CGU) level.

The consolidated balance sheet at 30 June 2022 includes goodwill relating to the Energy & Water ($20.0 million) and Comdain Infrastructure ($100.3 million) CGU's. An impairment of $38.2 million has been recorded against the Energy & Water CGU in the current year.

The determination of the recoverable amount of each CGU, being the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires judgement and estimation on the part of management.

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To evaluate the recoverable amount of the Energy & Water and Comdain Infrastructure CGU's, with assistance from PwC Valuation experts in aspects of our work, we performed the following procedures, amongst others:

- assessed the appropriateness of the discount rate in consideration of the forecast cash flows;
- evaluated the Group's historical ability to forecast future cash flows by comparing forecast cash flows with reported actual performance;
- evaluated the underlying cash flow assumptions for key customer contracts with reference to historical results and expected project pipelines on a sample basis; and
- considered whether the allocation of corporate costs between CGUs was appropriate.

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Key audit matter	How our audit addressed the key audit matter
In undertaking impairment testing, the following assumptions require estimation: ● expected cash flows, as taken from Board approved budgets and strategic plans, including assumptions regarding extending existing and winning new contracts. ● discount rates used to discount the estimated cash flows. ● the long-term growth rate to be applied to the forecast cash flows in the terminal year. This was a key audit matter because of the level of estimation required by the Group in determining the assumptions used to perform the impairment testing.	We considered the adequacy of the disclosures relating to the Group's goodwill impairment assessment in light of the requirements of Australian Accounting Standards.
Revenue recognition *(Refer to note 3) $1,513.8 million* For the year ended 30 June 2022, the Group recognised $1,513.8 million of revenue from contracts with customers, of which $273.8 million was accrued at 30 June 2022. Revenue from the provision of ticket of work services involves a high volume of transactions and is recognised at a point in time once services or activities have been completed. Additionally, due to contractual terms and certain customers requiring payment claims to be submitted and approved prior to invoices being issued, this process can extend the time that revenue is classified as accrued. Judgement is required to determine if accrued revenue will be recoverable. Only revenue that is highly probable of not reversing can be recorded. Revenue recognition in relation to the delivery of projects is complex because it is based on the Group's estimates of: ● the stage of completion of the contract activity ● total forecast contract costs, and ● variable consideration This was a key audit matter because of its significance to profit, the high volume of revenue transactions associated with ticket of work services	We evaluated the design of relevant key internal controls over the recognition of revenue. For revenue from the provision of ticket of work services, amongst other procedures and for a sample of transactions, we obtained evidence supporting the amount of revenue recognised in the current year. For revenue from the delivery of projects, amongst other procedures and for a sample of contracts, we: ● obtained an understanding of the terms and conditions of contracts ● obtained an understanding, and agreed to supporting documents, the estimates of total contract revenue and forecast contract costs and evaluated the percentage of completion based on the actual costs incurred to date and the estimated costs to complete; and ● assessed the Group's forecasting accuracy by comparing historical actual costs incurred relative to the forecast of those costs. In addition, for revenue that was accrued at 30 June 2022 we evaluated the appropriateness of management's recoverability assessment. For all categories of revenue our procedures included identifying a sample of journal entries impacting revenue based on specific criteria and obtaining source documents to determine if the journals were reasonable.

Key audit matter	How our audit addressed the key audit matter
and the estimation required in recognising revenue from the delivery of projects.	

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 18 to 37 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Trevor Johnston
Partner

Melbourne
26 August 2022

Corporate Directory

Directors

Brett Gallagher
Leigh Mackender
Peter Dempsey
Greg Adcock
Deborah Page AM
Elizabeth Ward

Company Secretaries

Chris Chapman
Jamie O'Brien

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Auditor

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