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# Service Stream Limited

ABN 46 072 369 870

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## Appendix 4D (rule 4.2A) Half-Year Ended 31 December 2022

(Previous corresponding period:  
Half-year ended 31 December 2021)

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### Results for announcement to the market

Half-Year To	31 Dec 22 \$'000	% change	31 Dec 21 \$'000
<b>Revenue</b> from ordinary activities	955,415	70.5%	560,364
<b>Loss</b> from ordinary activities after tax	(6,287)	(217.8%)	5,338
<b>Net loss</b> attributable to members	(6,287)	(217.8%)	5,338
<b>EBITDA from Operations</b> <sup>1</sup>	34,891	(11.2%)	39,284
<b>NPAT-A</b> <sup>2</sup>	(2,259)	(113.8%)	16,357

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<sup>1</sup> Earnings before interest, tax, depreciation and amortisation and non-operational costs. Refer to Note 4 for details on non-operational costs in the interim financial statements.

<sup>2</sup> Net profit after tax adjusted for amortisation of customer contracts, non-operational costs

The Directors have declared an interim dividend of 0.5 cents per share with respect to the half-year ended 31 December 2022 (2022 interim: nil).

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Net Tangible Asset Backing	31 Dec 22 cents	31 Dec 21 cents
Consolidated net tangible assets per share	1.14	0.14

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

# Interim Report

for the half-year ended 31 December 2022

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## Directors' Report

The Directors of Service Stream Limited ("the Company") present their report together with the Condensed Consolidated Interim Financial Statements of the Company and its controlled entities ("the Group") for the half-year ended 31 December 2022 and Independent Auditors Review Report thereon.

### Directors

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

Brett Gallagher (Chairman)  
Leigh Mackender (Managing Director)  
Peter Dempsey  
Martin Monro (appointed on 3 October 2022)  
Deborah Page AM  
Elizabeth Ward  
Sylvia Wiggins (appointed on 7 November 2022)  
Greg Adcock (retired on 19 October 2022)

### Review of Operations

Information in the Operating and Financial Review is based on the Consolidated Interim Financial Statements. Non-IFRS measures presented are used internally by management to assess the performance of the business and make decisions on the allocation of resources.

A full review of operations of the Group is contained in the Australian Securities Exchange announcement dated 22 February 2023.

Key financial highlights for the half-year ended 31 December 2022 include:

- Revenue of \$955.4m, an increase of \$395.1m (70.5%) compared to first half FY22, primarily due to an additional four months contribution from the acquisition of Service Stream Maintenance Pty Ltd (formerly Lendlease Services Pty Ltd) and its controlled entities ("LLS"), which was completed on 1 November 2021. Revenue growth was further assisted by strong volumes in the Telecommunications division across fixed-line and wireless work programs.
- Underlying EBITDA from Operations was \$55.0m (up 40.1%), also reflective of the additional four month contribution from LLS.
- Statutory NPAT was a loss of \$6.3m, down \$11.6m compared to first half FY22. This is primarily due to the additional \$20 million onerous contract provision recognised in respect of the Queensland Utility project.
- Operating cash flow for the period of \$9.7 million, compared to \$78.9 million last year. The prior year's operating cash flow result benefitted from favourable timing of receipts from customers, and a one-off benefit from the release in working capital built up in LLS prior to Completion from recent project mobilisations.

Review of Operations (continued)

\$'000	FY23 1st half	FY22 1st half	Change		
<b>Revenue</b>	<b>955,415</b>	<b>560,364</b>	395,051	70.5%	▲
<b>EBITDA from Operations <sup>1</sup></b>	<b>34,891</b>	<b>39,284</b>	(4,393)	(11.2%)	▼
Non-operational costs	(1,634)	(8,850)	7,216	(81.5%)	▼
Joint venture adjustments	(590)	-	(590)	n/a	▼
Depreciation & amortisation	(23,190)	(14,625)	(8,565)	58.6%	▼
Loss on disposal of fixed assets	(4,078)	-	(4,078)	n/a	▼
Amortisation of customer contracts / relationships	(7,567)	(4,327)	(3,240)	74.9%	▼
<b>EBIT</b>	<b>(2,168)</b>	<b>11,482</b>	(13,650)	(118.9%)	▼
Net financing costs	(6,787)	(2,419)	(4,367)	180.5%	▼
Income tax expense	2,668	(3,725)	6,393	(171.6%)	▲
<b>Net profit after tax</b>	<b>(6,287)</b>	<b>5,338</b>	(11,625)	(217.8%)	▼
<b>Cashflow &amp; Capital Management:</b>					
Operating cashflow	9,736	78,864	(69,128)	(87.7%)	▼
Net cash / (debt) <sup>3</sup>	(91,153)	(47,051)	(44,102)	93.7%	▼
Statutory basic EPS (cents)	(1.02)	0.93	(1.95)	(209.7%)	▼
Dividends declared per share (cents)	0.5	-	0.5	100.0%	▲
<b>Adjusted Profitability <sup>4</sup>:</b>					
<b>Total Revenue</b>	<b>993,596</b>	<b>566,166</b>	<b>427,430</b>	<b>75.5%</b>	<b>▲</b>
<b>Underlying EBITDA from Operations <sup>2</sup></b>	<b>55,032</b>	<b>39,284</b>	<b>15,748</b>	<b>40.1%</b>	<b>▲</b>
<i>Underlying EBITDA from Operations %</i>	<i>5.5%</i>	<i>6.9%</i>	<i>(1.4%)</i>	<i>n/a</i>	<i>▼</i>
<b>Adjusted NPAT (NPAT-A)</b>	<b>17,137</b>	<b>16,357</b>	<b>780</b>	<b>4.8%</b>	<b>▲</b>
<b>Adjusted EPS (cents)</b>	<b>2.78</b>	<b>2.84</b>	<b>(0.06)</b>	<b>(2.0%)</b>	<b>▼</b>

<sup>1</sup>Earnings before interest, tax, depreciation and amortisation and non-operational costs.

<sup>2</sup>Underlying EBITDA from Operations excludes impact of onerous provision associated with the QLD Utility project

<sup>3</sup>Net cash / (debt) excludes lease liabilities.

<sup>4</sup>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 3.

## Review of Operations (continued)

### Reconciliation between IFRS and non-IFRS financial information

\$'000	FY23 1st half	FY22 1st half
<b>Underlying EBITDA from Operations</b>	<b>55,032</b>	<b>39,284</b>
- Onerous contract provision for QLD Utility project	(20,141)	-
<b>EBITDA from Operations</b>	<b>34,891</b>	<b>39,284</b>
- Adjustment for joint ventures	(590)	-
- Non-operational costs (before tax)	(1,634)	(8,850)
- Depreciation and amortisation	(30,757)	(18,952)
- Loss on disposal of assets	(4,078)	-
- Financing costs	(6,787)	(2,419)
- Tax expense	2,668	(3,725)
<b>Net profit/(loss) after tax</b>	<b>(6,287)</b>	<b>5,338</b>
Add-back:		
- Customer relationships (tax effected)	5,298	3,029
- Non-operational costs (after tax)	4,028	7,990
- Onerous contract provision for QLD Utility project (tax effected)	14,098	-
<b>NPAT-A</b>	<b>17,137</b>	<b>16,357</b>
Avg number of shares on issue (millions)	616.0	576.6
Statutory basic EPS (cents)	(1.02)	0.93
<b>Adjusted EPS (cents)</b>	<b>2.78</b>	<b>2.84</b>

### Events subsequent to balance date

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

### Rounding of amounts

The Company is of the kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Instrument.

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

On behalf of the Directors,



Brett Gallagher  
Chairman  
22 February 2023



Leigh Mackender  
Managing Director  
22 February 2023



## Auditor's Independence Declaration

As lead auditor for the review of Service Stream Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', is written over a faint, light blue grid background.

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
22 February 2023

## Consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2022

	Half-year ended Consolidated entity	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>Revenue from continuing operations</b>		
Revenue from contracts with customers	954,054	559,309
Other income	1,361	1,055
	<b>955,415</b>	<b>560,364</b>
<b>Expenses</b>		
Employee salaries and benefits	(225,317)	(147,338)
Subcontractor fees	(572,852)	(312,186)
Raw materials and consumables used	(76,964)	(36,168)
Consulting and temporary staff fees	(14,258)	(8,039)
Company administration and insurance expenses	(6,874)	(3,693)
Occupancy expenses	(3,915)	(1,990)
Technology and communication services	(13,109)	(10,721)
Motor vehicle expenses	(7,627)	(5,983)
Depreciation and amortisation	(30,757)	(18,952)
Loss on disposal of assets	(4,078)	-
Net Interest expense and other finance costs	(6,787)	(2,753)
Other expenses	(3,206)	(3,478)
Share of profits from investment in joint ventures and associates	1,374	-
<b>(Loss)/Profit before tax</b>	<b>(8,955)</b>	<b>9,063</b>
Income tax expense/(benefit)	2,668	(3,725)
<b>(Loss)/Profit for the period</b>	<b>(6,287)</b>	<b>5,338</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(6,287)</b>	<b>5,338</b>
<b>(Loss)/Profit attributable to the equity holders of the parent</b>	<b>(6,287)</b>	<b>5,338</b>
<b>Total comprehensive (loss)/income attributable to equity holders of the parent</b>	<b>(6,287)</b>	<b>5,338</b>
<b>Earnings/(loss) per share</b>		
Basic (cents per share)	(1.02)	0.93
Diluted (cents per share)	(1.01)	0.92

## Consolidated balance sheet

at 31 December 2022

	Notes	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		104,526	68,677
Trade and other receivables		90,497	105,011
Inventories		17,893	14,738
Accrued revenue		278,971	273,841
Current tax assets		12,581	9,992
Other assets		4,782	7,889
<b>Total current assets</b>		<b>509,250</b>	<b>480,148</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		6,684	5,606
Property, plant and equipment		49,569	59,643
Right-of-use assets		53,689	52,529
Intangible assets		449,651	451,729
<b>Total non-current assets</b>		<b>559,593</b>	<b>569,507</b>
<b>Total assets</b>		<b>1,068,843</b>	<b>1,049,655</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	247,244	267,472
Provisions		73,163	62,350
Borrowings	7	5,667	-
Lease liabilities		17,244	18,304
<b>Total current liabilities</b>		<b>343,318</b>	<b>348,126</b>
<b>Non-current liabilities</b>			
Deferred tax liability (net)		33,122	38,253
Provisions		6,538	7,117
Borrowings	7	188,441	148,907
Lease liabilities		40,752	39,156
<b>Total non-current liabilities</b>		<b>268,853</b>	<b>233,433</b>
<b>Total liabilities</b>		<b>612,171</b>	<b>581,559</b>
<b>Net assets</b>		<b>456,672</b>	<b>468,096</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Contributed equity	8	499,682	499,682
Reserves		(11,004)	(12,024)
Accumulated losses		(32,006)	(19,562)
<b>Total equity</b>		<b>456,672</b>	<b>468,096</b>

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

## Consolidated statement of changes in equity

for the half-year ended 31 December 2022

	Contributed equity	Employee equity-settled benefits reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2021</b>	318,721	(12,151)	16,762	323,332
Profit for the period	-	-	5,338	5,338
<b>Total comprehensive income for the period</b>	-	-	5,338	5,338
Equity-settled share-based payments, inclusive of tax adjustments	-	1,710	-	1,710
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)	-	-
<b>Balance at 31 December 2021</b>	499,682	(10,645)	22,100	511,137
<b>Balance at 1 July 2022</b>	499,682	(12,024)	(19,562)	468,096
Loss for the period	-	-	(6,287)	(6,287)
<b>Total comprehensive loss for the period</b>	-	-	(6,287)	(6,287)
Equity-settled share-based payments, inclusive of tax adjustments	-	1,020	-	1,020
Dividends paid	-	-	(6,157)	(6,157)
<b>Balance at 31 December 2022</b>	499,682	(11,004)	(32,006)	456,672

## Consolidated statement of cash flows

for the half-year ended 31 December 2022

	Half-year ended	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (including GST)	964,877	669,762
Payments to suppliers and employees (including GST)	(943,675)	(582,315)
<b>Cash generated from operations before interest and tax</b>	<b>21,202</b>	<b>87,447</b>
Interest received	314	80
Interest and facility costs paid	(7,101)	(2,632)
Income taxes paid	(4,679)	(6,031)
Net cash provided by operating activities	9,736	78,864
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(2,220)	(701)
Proceeds from the sale of property, plant and equipment	2,252	584
Payments for intangible assets	(1,817)	(1,096)
Payments for businesses (net of cash acquired)	-	(313,537)
Net cash used in investing activities	(1,785)	(314,750)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	85,201	179,082
Proceeds from issue of shares (net of transaction costs)	-	179,228
Purchase of shares (net of transaction costs)	-	(204)
Repayments of borrowings	(40,000)	(95,000)
Principal elements of lease payments	(11,146)	(7,239)
Dividends paid	(6,157)	-
Net cash provided by financing activities	27,898	255,867
<b>Net increase in cash held</b>	<b>35,849</b>	<b>19,981</b>
Cash at the beginning of the period	68,677	50,573
<b>Cash at the end of the period</b>	<b>104,526</b>	<b>70,554</b>

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

## Notes to the consolidated financial statements for the half-year ended 31 December 2022

### 1 Significant accounting policies

#### Basis of preparation of half-year report

Service Stream Limited (the "Company") is a company limited by shares that are publicly traded on the Australian Securities Exchange. These financial statements have been prepared as a consolidation of the financial statements of Service Stream Limited and its controlled entities (the "Group"). The Group is a for-profit entity. Entities within the Group are domiciled and incorporated in Australia.

This consolidated interim financial report for the half-year reporting period ended 31 December 2022:

- Has been prepared in accordance with *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. In accordance with this standard, the interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Service Stream Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.
- Is presented in Australian dollars, which is the Group's functional and presentation currency
- Has been rounded to the nearest thousands of dollars, unless otherwise stated, in accordance with *ASIC Corporations (rounding in financial report and directors' report) Instrument 2016/191*; and
- Has adopted all accounting policies in accordance with Australian accounting standards and consistent with those of the previous financial year and corresponding interim reporting period with the exception of the below.

#### Investments in joint ventures

A joint venture is an arrangement in which Service Stream has joint control and 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, investments in joint ventures are initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise Service Stream's share of profit or loss and other comprehensive income of the joint venture.

The interim financial statements were authorised for issue by the Directors on 22 February 2023. The Directors have the power to amend and reissue the interim financial statements.

### 2 Segment information

The Group's operating segments have been determined based on the nature of the business activities undertaken by the Group and by reference to the structure of internal reporting that is prepared and provided to the chief operating decision maker, being the Managing Director, who is responsible for allocating resources and assessing performance.

The Group acquired Service Stream Maintenance Pty Ltd (formerly Lendlease Services Pty Ltd) and its controlled entities ("LLS") on 1 November 2021 (refer note 9). This resulted in a re-organisation of its segments with the creation of a new reportable segment, Transport, and the combining of the LLS Telecommunications and Utilities segments into Service Stream's existing structure.

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

Telecommunications ("Telco")	Telco 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. Principal customers include nbn co, Telstra, Optus and other wireless carriers.
Utilities	Utilities provides a broad range of operations, maintenance, design and construction services to gas, water and electricity network owners, industrial assets owners and other customers in Australia. Service capability includes asset maintenance, upgrades and replacement, engineering, design and construction of network assets, 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).

## 2 Segment information (continued)

Performance is measured on the segment result which is EBITDA from Operations (earnings before depreciation and amortisation, interest, taxation, and non-operational costs\*) 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. Certain non-operational costs including financing and income taxes are managed at the Group level and are not allocated to operating segments. The information presented to the Managing Director does not report on segment assets and liabilities and as such these are not presented in this report.

31 December 2022	Telco	Utilities	Transport	Eliminations/ unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>	<b>458,174</b>	<b>408,345</b>	<b>87,257</b>	<b>278</b>	<b>954,054</b>
Other income	-	499	862	-	1,361
Share of revenue from joint ventures	-	-	38,181	-	38,181
<b>Total revenue (including joint venture) <sup>1</sup></b>	<b>458,174</b>	<b>408,844</b>	<b>126,300</b>	<b>278</b>	<b>993,596</b>
<b>EBITDA from Operations <sup>2</sup></b>	<b>41,412</b>	<b>(7,658)</b>	<b>8,129</b>	<b>(6,992)</b>	<b>34,891</b>

31 December 2021	Telco	Utilities	Transport	Eliminations/ unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>	234,094	277,413	49,185	(1,383)	559,309
Other income	-	-	-	1,055	1,055
Share of revenue from joint ventures	-	-	5,802	-	5,802
<b>Total revenue (including joint venture) <sup>1</sup></b>	<b>234,094</b>	<b>277,413</b>	<b>54,987</b>	<b>(328)</b>	<b>566,166</b>
<b>EBITDA from Operations <sup>2</sup></b>	<b>21,115</b>	<b>16,278</b>	<b>3,929</b>	<b>(2,038)</b>	<b>39,284</b>

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

<sup>2</sup> Performance is measured using EBITDA from Operations. Non-operational cost items include acquisition and integration costs associated with the Lendlease Services transaction (refer note 4).

Reconciliation of EBITDA from Operations to net profit after tax	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>EBITDA from Operations</b>	<b>34,891</b>	39,284
Adjustments for joint ventures	(590)	-
Depreciation and amortisation	(30,757)	(18,952)
Loss on disposal of assets	(4,078)	-
Non-operational costs (before tax) (refer note 4)	(1,634)	(8,850)
Net finance costs	(6,787)	(2,419)
Income tax expense	2,668	(3,725)
<b>Net profit after tax</b>	<b>(6,287)</b>	5,338

### 3 Disaggregation of segment revenue

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

31 December 2022	Telco \$'000	Utilities \$'000	Transport \$'000	Other \$'000	Total \$'000
Segment revenue	458,174	408,345	87,257	534	954,310
Intra / Inter-segment revenue	-	-	-	(256)	(256)
<b>Revenue from contracts with customers</b>	<b>458,174</b>	<b>408,345</b>	<b>87,257</b>	<b>278</b>	<b>954,054</b>
Timing of revenue recognition					
At point in time	191,937	251,385	18,980	278	462,580
Over time	266,237	156,960	68,277	-	491,474
<b>Revenue from contracts with customers</b>	<b>458,174</b>	<b>408,345</b>	<b>87,257</b>	<b>278</b>	<b>954,054</b>

31 December 2021	Telco \$'000	Utilities \$'000	Transport \$'000	Other \$'000	Total \$'000
Segment revenue	234,094	277,413	49,185	284	560,976
Intra / Inter-segment revenue	-	-	-	(1,667)	(1,667)
<b>Revenue from contracts with customers</b>	<b>234,094</b>	<b>277,413</b>	<b>49,185</b>	<b>(1,383)</b>	<b>559,309</b>
Timing of revenue recognition					
At point in time	154,664	117,153	17,315	284	289,416
Over time	79,430	160,260	31,870	(1,667)	269,893
<b>Revenue from contracts with customers</b>	<b>234,094</b>	<b>277,413</b>	<b>49,185</b>	<b>(1,383)</b>	<b>559,309</b>

### 4 Non-operational costs

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>Individual non-operational items included in statement of profit and loss</b>		
Acquisition and integration costs <sup>1</sup>	1,634	8,850
<b>Non-operational costs excluded from EBITDA from Operations</b>	<b>1,634</b>	<b>8,850</b>
Write-off of software assets <sup>2</sup>	4,121	-
<b>Total non-operational costs</b>	<b>5,755</b>	<b>8,850</b>
Tax on non-operational costs	(1,726)	(860)
<b>Non-operational costs after tax</b>	<b>4,029</b>	<b>7,990</b>

<sup>1</sup> Costs associated with the acquisition and integration of Lendlease Services Pty Ltd. Refer note 9.

<sup>2</sup> Write-off of software assets acquired as part of the Lendlease Services acquisition.

### 5 Dividends

The Directors have declared an interim dividend of 0.5 cents per share (Dec 2021: nil).

## 6 Trade and Other Payables

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Trade creditors	80,109	76,677
Sundry creditors and accruals	118,822	148,222
Goods and services tax payable	5,738	2,312
Income in advance	42,575	40,261
	<b>247,244</b>	<b>267,472</b>

## 7 Borrowings

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b>Current</b>		
Borrowings	5,667	-
<b>Non-current</b>		
Borrowings	190,013	150,013
Establishment fees	(1,572)	(1,106)
	<b>188,441</b>	<b>148,907</b>
	<b>194,108</b>	<b>148,907</b>

During the half-year, the Group refinanced its banking facilities with these facilities now maturing in November 2025 (previously: November 2023). Key terms and conditions associated with these facilities remain unchanged.

## 8 Contributed Equity

	2022		2021	
	No.'000	\$'000	No.'000	\$'000
(i) Contributed equity				
Balance at 1 July	615,953	499,682	410,393	318,721
Issue of shares (net of transaction costs)	-	-	205,560	180,961
Dividend reinvestment plan	-	-	-	-
<b>Balance at 31 December</b>	<b>615,953</b>	<b>499,682</b>	<b>615,953</b>	<b>499,682</b>
(ii) Other equity				
Balance at 1 July	-	-	-	-
Acquisition of treasury shares	-	-	(229)	(204)
Shares issued under employee share schemes	-	-	229	204
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company issued nil ordinary shares in the current interim reporting period (Dec 2021: 205.6m).

## 9 Business combination - Lendlease Services Pty Ltd and its controlled entities

In the prior year, 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**). Subsequently, it changed its name to Service Stream Maintenance Pty Ltd.

The acquisition was provisionally accounted for as at 30 June 2022 pending finalisation of the Completion adjustment. This amount was finalised during the period ended 31 December 2022 resulting in a change to consideration paid, and a change in the fair values of certain assets and liabilities acquired.

The final fair value of the cash consideration paid is tabled below:

Purchase consideration	\$'000
Cash paid	316,566
Deferred cash consideration <sup>1</sup>	12,896
<b>Total consideration</b>	<b>329,462</b>

1. The deferred cash consideration represents the Completion adjustment payment for the finalised fair value of assets and liabilities acquired as determined by the Independent Expert as disclosed in the prior year annual report, Note 30. This consideration was accrued for as at December 2022 and paid on 3 January 2023.

The final and provisional fair values attributable to the net assets acquired and goodwill recognised in the current year and prior year respectively are as reported below.

	Provisional	Final	Change
	30 Jun 2022 \$'000	31 Dec 2022 \$'000	
Cash and cash equivalents	3,029	<b>3,029</b>	-
Trade and other receivables	79,062	<b>79,062</b>	-
Accrued revenue	138,717	<b>138,717</b>	-
Inventories	6,066	<b>6,066</b>	-
Other assets	4,422	<b>4,422</b>	-
Property, plant and equipment	59,360	<b>59,360</b>	-
Right-of-use assets	25,476	<b>25,476</b>	-
Investments accounted for using the equity method	4,239	<b>4,239</b>	-
Intangible assets	110,991	<b>104,891</b>	(6,100)
Trade and other payables	(125,246)	<b>(125,246)</b>	-
Provisions	(36,281)	<b>(36,281)</b>	-
Lease liabilities	(26,090)	<b>(26,090)</b>	-
Deferred tax liability (net)	(17,842)	<b>(15,319)</b>	2,523
Net identifiable assets acquired	225,903	<b>222,326</b>	(3,577)
Add: Goodwill	90,663	<b>107,136</b>	16,473
<b>Total consideration</b>	<b>316,566</b>	<b>329,462</b>	12,896

## 10 Intangible assets and impairment

On 1 July 2022, an assessment of the organisational structure following the acquisition and integration of Lendlease Services led the Group to reassess its cash generating units (CGUs). This assessment has resulted in changes to the CGU construct, including:

- The disbandment of the Ex-Lendlease Services CGU
- Consolidation of the legacy Telecommunication CGU and the Ex-Lendlease Services Telco business to form the new Telecommunications CGU.
- Consolidation of the legacy Comdain and Energy and Water CGUs with the Ex-Lendlease Utilities business to form a new CGU group – Utilities which will be used for monitoring of goodwill associated with the Utilities segment.
- Creation of a new separate Transport CGU.

The revised CGU composition and goodwill allocation are as follows:

CGU	31 December 2022 \$'000
Telecommunication	159,667
Utilities	129,947
Transport	9,297
	<b>298,911</b>

An impairment trigger assessment of the original CGUs was carried out upon the change with no impairment recognised.

### **Impairment testing at half-year**

In accordance with Australian Accounting Standards, the Group is required to perform impairment testing at least annually and at any time when indicators of impairment exist.

Each of the CGUs was reviewed for indicators of impairment using both external and internal sources of information. This includes an assessment of performance against expectations and changes in market values or discount rate.

As at 31 December 2022, the only CGU where there were indicators of impairment identified related to the Utilities CGU, where the impacts of the onerous provision associated with the major Queensland contract resulted in an underperformance of the CGU's results for the interim period.

The impairment assessment resulted in no impairment charge.

### **Key assumptions and estimates used in 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. The recoverable amount of the Utilities CGU was determined through a fair value less costs to sell calculation using a detailed 4-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 cash flows are based on Management prepared forecasts 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 the business continues to undertake significant work with new and existing customers.

The following table sets out the key assumptions for the Utilities CGU used in the calculation of recoverable amount.

	Utilities
Revenue growth rate*	6.1%
Terminal growth rate	2.5%
Pre-tax discount rate	12.6%

\*4 year compounded annual growth rate to FY2027

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

The terminal growth rate represents estimates of the CGUs growth to perpetuity. This ranges between the country's long-term inflation and GDP growth targets.

**Impact of possible changes in key assumptions**

For the Utilities CGU, there is limited headroom by which the recoverable amount exceeds the carrying value. Management has identified that a reasonable possible change to the following key assumptions would cause the carrying value to equal its recoverable amount.

Percentage change required for carrying value to equal recoverable amount	Utilities
Decrease in forecasted EBITDA from Operations (FY23 – FY27)	5.7%
Increase in pre-tax discount rate	170 bps

**11 Subsequent events**

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

## Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors,



Brett Gallagher  
Chairman  
Melbourne  
22 February 2023



Leigh Mackender  
Managing Director  
Melbourne  
22 February 2023



## ***Independent auditor's review report to the members of Service Stream Limited***

### **Report on the half-year financial report**

#### ***Conclusion***

We have reviewed the half-year financial report of Service Stream Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2022, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### ***Basis for conclusion***

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### ***Responsibilities of the directors for the half-year financial report***

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



### ***Auditor's responsibilities for the review of the half-year financial report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Andrew Cronin'.

Andrew Cronin  
Partner

Melbourne  
22 February 2023

## Corporate Directory

### Directors

Brett Gallagher (Chairman)  
Leigh Mackender (Managing Director)  
Peter Dempsey  
Martin Monro  
Deborah Page AM  
Elizabeth Ward  
Sylvia Wiggins

### Company Secretary

Chris Chapman  
Jamie O'Brien

### Registered Office

Level 4  
357 Collins Street  
Melbourne, Victoria 3000  
Tel: +61 3 9677 8888  
Fax: +61 3 9677 8877  
[www.servicestream.com.au](http://www.servicestream.com.au)

### Bankers

Australia & New Zealand Banking Group  
Commonwealth Bank of Australia  
HSBC Bank Australia Limited  
Westpac Banking Corporation

### Share Registry

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria 3067  
Tel: 1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)  
Fax: +61 3 9473 2500

### Auditors

PricewaterhouseCoopers