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# Service Stream Limited

ABN 46 072 369 870

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## Appendix 4E (rule 4.3A) Preliminary Final Report Year ended 30 June 2023

(Previous corresponding period: 30 June 2022)

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### Results for Announcement to the market

Year Ended	30 Jun 23 \$'000	% change	30 Jun 22 \$'000
Revenue from ordinary activities	2,052,767	35.4%	1,516,537
Profit/(loss) from ordinary activities after tax	4,462	(112.3%)	(36,324)
Net profit/(loss) attributable to members	4,462	(112.3%)	(36,324)
EBITDA from Operations <sup>1</sup>	93,957	3.1%	91,114
NPAT-A <sup>2</sup>	36,768	17.2%	31,385

<sup>1</sup>Earnings before interest, tax, depreciation and amortisation, impairment of goodwill, non-operational costs and adjustments for equity accounted joint ventures. Refer to Note 6(c) for details on non-operational costs.

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

A 1.0 cents per share final dividend has been declared by the Directors with respect to the year ended 30 June 2023 (2022: 1.0 cents).

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Net Tangible Asset Backing	30 Jun 23 cents	30 Jun 22 cents
Consolidated net tangible assets per share <sup>1</sup>	4.60	2.66

<sup>1</sup>Consolidated net tangible assets per share has been calculated to include right-of-use assets.

## Annual Report

for the year ended 30 June 2023

Contents	
Directors' report	Page 1
Remuneration report	Page 17
Auditor's independence declaration	Page 35
Financial report	
Consolidated statement of profit or loss and other comprehensive income	Page 36
Consolidated statement of financial position	Page 37
Consolidated statement of changes in equity	Page 38
Consolidated statement of cash flows	Page 39
Notes to the consolidated financial statements	Page 40
Directors' declaration	Page 79
Independent auditor's report to the members	Page 80

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 22 August 2023. 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](http://www.servicestream.com.au).

# Annual Report

22 August 2023

## Chairman's Letter

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The past 12 months has been one of consolidation in a challenging economic environment impacted by increased inflation and the ongoing labour shortage in Australia. Notwithstanding these macroeconomic headwinds, and a one-off financial impact of an onerous contract in Queensland, Service Stream has delivered solid underlying financial performance underpinned by our strong portfolio of contracted operations across growing markets.

Despite these challenges which are forecast to remain over the short-term, the Group remains well positioned to continue to grow and further diversify throughout FY24. We continue to experience strong demand from our clients as they continue to invest in the construction, upgrade and maintenance of their essential infrastructure networks driven by population growth, aging infrastructure, the digital transition and energy transition.

While the Board was disappointed with the reported onerous contract and associated financial impacts on the business, we are pleased by the way in which the executive team has steered the business through this issue. Consequently, the Board together with the executive team have successfully pivoted the Group away from uncommercial and higher-risk contracting models that are materially exposed to environmental and economic uncertainty.

The Board has every confidence in the Executive Management Team, led by Leigh Mackender, to successfully execute the Group's new strategy and deliver consistent and incremental value for our shareholders in FY24 and beyond.

### Safety

The health and safety of our workforce, clients and the communities in which we operate remains the number one priority for the Board and Management. Pleasingly, all of the Group's lag-indicator frequency rates demonstrated strong improvement in FY23, with the business continuing to deliver industry leading safety performance. The Board remains committed to supporting Management's focus on driving superior safety performance, supported by a strong safety culture and leading practices.

### Financial performance

Notwithstanding the financial challenges encountered in FY23, the Group recorded Total Revenue of \$2,151m, which was a 37.5% increase on the prior year, and saw underlying EBITDA from Operations of \$114m, an increase of 25.2% on FY22. Additionally, the team delivered a strong cash result with an Underlying EBITDA from Ops to OCFBIT conversion rate of 81%, with net debt significantly reduced to \$34.3m following ongoing focus on the Group's profit-to-cash life-cycle and the receipt of a material tax refund under the ATO's Loss Carry Back Tax Offset initiative. The Board is very pleased with the strength of the business' balance sheet heading into FY24.

### Sustainability

The Board recognise the importance of driving long-term sustainable practices which support and enhance the environment, social and economic performance for both Service Stream and our wider business stakeholders. The Board remains committed to the development and continual improvement of performance and understands the increasing demands of our stakeholders in appropriately managing ESG related risks and opportunities.

During the year, Service Stream strengthened its delivery across its core focus areas, aligned to the Group's 5 pathways framework, encompassing: Safety, People, Community, Environment and Governance.

The business has taken an important step in delivering tangible social and economic results including the implementation of a formal Innovative Reconciliation Action Plan, and our Group's inaugural Diversity, Equity and Inclusion strategy, each providing a detailed plan and set of focussed initiatives for the years ahead.

## **Dividends**

The Board remains committed to the consistent payment of dividends to our shareholders aligned to the business' profit, while ensuring the Group maintains an appropriate capital management strategy which can support both operational delivery and the execution of our strategic plan. Following the year's performance and strong cashflow result, the Board is pleased to confirm a final fully-franked dividend of 1.0 cents per share.

## **Board Refresh**

This past year we have continued to implement the Board refresh process for our longstanding directors. I would like to thank retired directors Deborah Page and Greg Adcock for their significant contributions and support during their time with Service Stream. I am also very pleased to welcome Martin Monro and Sylvia Wiggins to the Board who each bring a wealth of experience, knowledge and skills that are complementary to the business.

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

A handwritten signature in black ink, appearing to read 'Brett Gallagher', is positioned above the printed name and title.

**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 2023, 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 joined Service Stream Limited in February 2008, and has held many leadership roles across the company as it has evolved through both organic and acquisition growth. Prior to being appointed Managing Director, Leigh had executive responsibility for the Group's utility operations, accountable for the operational and financial performance and strategic growth of the division.

Leigh has held senior roles in government, private and public businesses, always maintaining a strong focus on the strategic development and implementation of business strategy, operational and financial management, health & safety and information technology.

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.



**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 was Chairman of the Remuneration and Nomination Committee (until 28 February 2023) and is a member of the Remuneration and Nomination Committee and Audit and Risk Committee.

Peter held a listed company directorship with Monadelphous Limited (retired 22 November 2022) and has held no other listed company directorships in the last three years.



**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 Chair of the Health, Safety, Environment & Sustainability Committee and a member of the Remuneration and Nomination Committee.

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



**Martin Monro**  
**Non-Executive Director**

Term of Office: Non-Executive Director since October 2022.

Qualifications: BA (Psych) FAICD, FAIB.

Martin Monro brings to the Board extensive operational, contracting and commercial expertise gained across large-scale infrastructure projects in Australia and overseas. He has over 30 years' experience as a CEO, senior executive and strategic advisor across these sectors. He has specific experience in risk management, industrial relations, contract management, stakeholder engagement and service delivery.

Martin was previously Managing Director and CEO of Watpac Limited (now BESIX Watpac) and held senior roles at Baulderstone Hornibrook. He is an experienced company director gained across listed entities such as Fleetwood Limited, Big River Industries and BESIX Watpac, as well as private and government enterprises such as Moits Geo-Civil Contracting, Pannell Enoteca (previously S.C. Pannell Wines) and Royal Melbourne Showgrounds Unincorporated Joint Venture. He has experience in audit and risk, health and safety, and remuneration board committees.

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

Martin is currently a Non-Executive Director of Fleetwood Limited and Big River Industries and has held no other listed company directorships in the last three years.



**Sylvia Wiggins**  
**Non-Executive Director**

Term of Office: Non-Executive Director since November 2022.

Qualifications: LLB, LJuris Law, GAICD.

Sylvia Wiggins brings to the Board extensive infrastructure, finance, strategic planning and risk management gained across a diverse range of industries including energy, infrastructure, finance, funds management, transport and government in Australia and overseas. She has over 30 years' experience as a CEO, senior executive and strategic advisor across these sectors. She has specific experience in corporate finance, audit, risk management, contract management, stakeholder engagement and service delivery.

Sylvia was previously a public market CEO at Global Investments Limited and Executive Director of Finance & Commercial of ASX listed company Infigen Energy Group, prior to its takeover.

Sylvia is an experienced company director and currently a Non-Executive Director of Aeris Resources Limited, Collgar Renewables Group, the Scheme Financial Vehicle Pty Limited and 5 B Solar Pty Limited, and was a director of Infigen Energy Group from 2016 to 2020.

Sylvia is Chair of the Audit and Risk Committee.

Sylvia is currently a Non-Executive Director of Aeris Resources 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. Deborah retired 30 April 2023.

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

Deborah Page brought 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 was Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee until her retirement on 30 April 2023.

Deborah is currently a Non-Executive Director of Brickworks Limited, Growthpoint Properties Australia Limited and The Star Entertainment Group Limited. During the last three years, Deborah held a listed company directorship with Service Stream Limited (retired 30 April 2023) and Pandal Group Limited (retired 23 January 2023 as entity acquired in January 2023). Deborah is a member of the Chief Executive Women and is a member of the Takeovers Panel.



**Greg Adcock**  
**Non-Executive Director**

Term of Office: Non-Executive Director since June 2016. Greg retired 19 October 2022.

Qualifications: MAICD, MAIPM.

Greg Adcock brought 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 was Chairman of the Health, Safety, Environment & Sustainability Committee and a member of the Audit and Risk Committee until his retirement on 19 October 2022.

During the last three years, Greg held a listed company directorship with Service Stream Limited (retired 19 October 2022) and OptiComm Limited (retired as entity was acquired in November 2020).

## Directors' Shareholdings

The following table sets out each Director's relevant interest in shares of the Company as at the date of this report.

Directors	Fully paid ordinary shares Number	Performance rights Number
B Gallagher	4,000,000	-
P Dempsey	1,530,000	-
E Ward	80,901	-
M Monro	40,000	-
S Wiggins	66,000	-
L Mackender	1,712,601	1,966,173

## Key updates (retirement of Greg Adcock and Deborah Page AM)

Greg Adcock retired from the Service Stream Limited Board on 19 October 2022.

Deborah Page AM retired from the Service Stream Limited Board on 30 April 2023.

## 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 17 to 33.

## 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:

Director and senior executives	Number of rights granted	Number of ordinary shares under rights
L Mackender	990,441	990,441
L Kow	544,629	544,629
D Zropf	519,995	519,995
K Smith	442,853	442,853
J Van Dyk	333,918	333,918
	<b>2,831,837</b>	<b>2,831,837</b>

## 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 services provider in Australia. 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	FY23	FY22	Change	
<b>Revenue</b>	<b>2,052,767</b>	<b>1,516,537</b>	<b>536,230</b>	<b>35.4%</b>
<b>EBITDA from Operations <sup>1</sup></b>	<b>93,957</b>	<b>91,114</b>	<b>2,843</b>	<b>3.1%</b>
Non-operational costs	(5,081)	(25,537)	20,456	(80.1%)
Joint venture adjustments	(1,998)	(968)	(1,030)	106.5%
Depreciation & amortisation	(52,639)	(39,298)	(13,341)	33.9%
Amort. of customer contracts / relationships	(15,411)	(14,024)	(1,387)	9.9%
Impairment expense	-	(38,206)	38,206	n/a
<b>EBIT</b>	<b>18,828</b>	<b>(26,919)</b>	<b>45,747</b>	<b>(169.9%)</b>
Net financing costs	(13,605)	(7,163)	(6,442)	89.9%
Income tax expense	(761)	(2,242)	1,481	(66.1%)
<b>Net profit / (loss) after tax</b>	<b>4,462</b>	<b>(36,324)</b>	<b>40,786</b>	<b>(112.3%)</b>
Statutory EPS (cents)	0.72	(6.09)	6.81	(111.7%)
Total Dividends (cents per share)	1.50	1.00	0.50	50%

#### Adjusted profitability <sup>2</sup>:

<b>Total Revenue</b>	<b>2,150,782</b>	<b>1,563,767</b>	<b>587,015</b>	<b>37.5%</b>
<b>Underlying EBITDA from Operations</b>	<b>114,098</b>	<b>91,114</b>	<b>22,984</b>	<b>25.2%</b>
<i>Underlying EBITDA from Operations margin</i>	<i>5.3%</i>	<i>5.8%</i>	<i>(0.5%)</i>	
<b>Adjusted NPAT (NPAT-A)</b>	<b>36,768</b>	<b>31,385</b>	<b>5,383</b>	<b>17.2%</b>
<b>Adjusted EPS (cents)</b>	<b>5.9</b>	<b>5.3</b>	<b>0.62</b>	<b>11.7%</b>

<sup>1</sup>Earnings before interest, tax, depreciation and amortisation, non-operational costs and joint venture proportionate consolidation adjustments.

<sup>2</sup>Adjusted profitability includes non-IFRS measures that have been adjusted for non-operational costs, impairment charges, amortisation of customer contracts 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

Revenue increased by 35.4% to \$2,052.8 million from \$1,516.5 million with the full year impact of the Lendlease Services acquisition adding an additional 4 months of revenue from the acquired business. Underlying pro forma revenue growth was 11.8% driven by strong performance in the Telecommunications segment.

Group EBITDA from Operations increased to \$94.0 million from \$91.1 million. This was predominantly driven by a strong contribution from the Telecommunications segment, partially offset by lower earnings in the Utilities segment which was impacted by the onerous contract provision relating to the Queensland utility project.

Non-operational costs of \$5.1 million were incurred in FY23 comprising of business integration and transitional services costs relating to the acquisition of Lendlease Services.

Depreciation & amortisation expense increased by \$13.3 million due to:

- Additional assets acquired through Lendlease Services in November 2021. This included the impact of revaluation of fleet assets as part of the acquisition purchase price accounting.
- \$6.6 million of non-cash asset write-downs recognised from decommissioning of software assets as part of integration activities.

Group earnings before interest and tax (EBIT) was \$18.8 million, an increase of \$45.7 million on FY22. The FY22 result includes a \$38.2 million non-cash impairment charge to the carrying value of goodwill against the legacy Energy and Water cash generating unit.

The Group's net financing costs increased by \$6.4 million to \$13.6 million driven by additional 4 months of acquisition funding and rate increases on loan facilities.

Tax expense reduced to \$0.8 million in FY23 reflecting an effective tax rate (ETR) of 15%. The lower ETR was driven by tax credits associated with dividend payments from joint ventures and the true-up from the finalisation of prior year's tax return.

Group net profit after tax (NPAT) was \$4.5 million in FY23 from a loss of \$36.3 million in FY22. The FY22 loss was primarily attributed to the non-cash impairment charge to the carrying value of goodwill.

Adjusted NPAT (NPAT-A) was \$36.8 million, an increase of \$5.4 million driven by the revenue and EBITDA from Operations drivers outlined above.

The Directors have declared a final FY23 dividend of 1.0 cents per share (fully franked).

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

\$'000	FY23	FY22
<b>Reconciliation of Total Revenue to revenue</b>		
<b>Total Revenue</b>	<b>2,150,782</b>	<b>1,563,767</b>
Less: Share of revenue from joint ventures <sup>1</sup>	98,015	47,230
<b>Revenue</b>	<b>2,052,767</b>	<b>1,516,537</b>
<b>Reconciliation of Underlying EBITDA from Operations to net profit/(loss) after tax</b>		
<b>Underlying EBITDA from Operations</b>	<b>114,098</b>	<b>91,114</b>
Onerous contract provision for QLD Utility project	(20,141)	-
<b>EBITDA from Operations</b>	<b>93,957</b>	<b>91,114</b>
Adjustments for joint ventures <sup>2</sup>	(1,998)	(968)
Depreciation and amortisation	(68,050)	(53,322)
Non-operational costs (before tax) <sup>3</sup>	(5,081)	(25,537)
Net finance costs	(13,605)	(7,163)
Tax expense	(761)	(2,242)
<b>Net profit / (loss) after tax</b>	<b>4,462</b>	<b>(36,324)</b>
<b>Reconciliation of NPAT-A to net profit/(loss) after tax</b>		
<b>Adjusted NPAT (NPAT-A)</b>	<b>36,768</b>	<b>31,385</b>
- Amort. of customer contracts (tax-effected)	(10,787)	(9,669)
- Non-operational costs (after tax) <sup>3</sup>	(7,421)	(19,834)
- Impairment expense	-	(38,206)
- Onerous contract provision for QLD Utility project (tax effected) <sup>2</sup>	(14,098)	-
<b>Net profit/(loss) after tax</b>	<b>4,462</b>	<b>(36,324)</b>

<sup>1</sup>Proportionate share of revenue from equity accounted joint ventures.

<sup>2</sup>Relates to depreciation and amortisation, interest and tax expense associated with equity accounted joint ventures.

<sup>3</sup>Non-operational costs include acquisition, business integration and restructuring costs. Refer note 6(c).

## Segment Results

\$'000	FY23	FY22	Change	
Telecommunications	970,380	639,968	330,412	51.6%
Utilities	888,429	696,987	191,442	27.5%
Transport	292,246	220,078	72,168	32.8%
Eliminations, interest & other revenue	(273)	6,734	(7,007)	(104.1%)
<b>Total Revenue</b>	<b>2,150,782</b>	<b>1,563,767</b>	<b>587,015</b>	<b>37.5%</b>
Telecommunications	85,460	61,509	23,951	38.9%
Utilities (Underlying)	28,425	19,533	8,892	45.5%
Transport	14,791	9,864	4,927	50.0%
Unallocated corporate costs	(14,578)	208	(14,786)	n/a
<b>EBITDA from Operations (underlying)</b>	<b>114,098</b>	<b>91,114</b>	<b>22,984</b>	<b>25.2%</b>
Telecommunications	8.8%	9.6%	(0.8%)	
Utilities	3.2%	2.8%	0.4%	
Transport	5.1%	4.5%	0.6%	
<b>EBITDA from Ops Margin</b>	<b>5.3%</b>	<b>5.8%</b>	<b>(0.5%)</b>	

### Telecommunications

Telecommunications' Total Revenue increased by \$330.4 million (51.6%) compared to FY22 due to:

- Acquisition of Lendlease Services contributing an additional 4 months of revenue; and
- Continued strong client demand driven by the nbn fibre upgrade and wireless programs.

Telecommunications' EBITDA from Operations was \$85.5 million, an increase of 38.9% against prior year reflecting impact of the revenue drivers outlined above. EBITDA margin decreased to 8.8% due to the full year impact of Lendlease Services contracts, and increased competition for resources to support higher demand and program targets.

### Utilities

Utilities' Total Revenue increased by \$191.4 million (27.5%) compared to FY22 driven by the additional 4 months of revenue contribution from the Lendlease Services acquisition. Utilities Underlying EBITDA from Operations was \$28.4 million, an increase of \$8.9 million, primarily driven by improved earnings delivered in the second half of the year as the business progressively closed out problematic legacy projects and addressed under-performing contracts. Underlying EBITDA margin was 3.2% with the business incurring higher operating expenses driven by inflationary pressures, weather related delays and additional costs incurred to proactively close-out under-performing projects.

### Transport

Transport's Total Revenue increased by \$72.2 million (32.8%) compared to FY22. The increase relates to 4 months of additional revenue from the Lendlease Services acquisition and strong growth achieved in the Connect Sydney joint venture as it entered its second year of operations. This was partially offset by lower maintenance revenue due to the insourcing of works by Main Roads WA.

Strong earnings growth and margin improvement was driven by the scale up of Connect Sydney joint venture and additional program of maintenance works in WA.

## Cashflow and Financial Position

\$'000	FY23	FY22	Change	
<b>Underlying EBITDA from Operations</b>	<b>114,098</b>	<b>91,114</b>	<b>22,984</b>	<b>25.2%</b>
+/- non-cash items & change in working capital	(16,750)	6,768	(23,518)	(347.5%)
Adjustment for joint ventures	(4,962)	825	(5,787)	(701.4%)
<b>OCFBIT<sup>1</sup></b>	<b>92,386</b>	<b>98,707</b>	<b>(6,321)</b>	<b>(6.4%)</b>
<b>EBITDA to OCFBIT<sup>1</sup> conversion %</b>	<b>81.0%</b>	<b>108.3%</b>		
Non-operational costs and onerous contract <sup>2</sup>	(31,151)	(22,637)	(8,514)	37.6%
Net interest and financing paid	(10,889)	(6,740)	(4,149)	61.6%
Income taxes paid	44,466	(10,783)	55,249	(512.4%)
<b>Operating cashflow</b>	<b>94,812</b>	<b>58,547</b>	<b>36,265</b>	<b>61.9%</b>
Capital expenditure	(7,984)	(5,379)	(2,605)	48.4%
Business acquisitions (net of cash acquired)	(12,896)	(313,537)	300,641	(95.9%)
Proceeds from sale of assets	3,970	1,175	2,795	237.8%
<b>Free cashflow</b>	<b>77,902</b>	<b>(259,194)</b>	<b>337,096</b>	<b>(130.1%)</b>
Dividends paid	(9,236)	-	(9,236)	
Lease liability payments	(23,064)	(16,739)	(6,325)	37.8%
Proceeds / (repayment) of borrowings	(30,012)	115,013	(145,025)	(126.1%)
Proceeds from capital raising	-	179,228	(179,228)	(100.0%)
Purchase of shares	-	(204)	204	(100.0%)
<b>Net increase in cash</b>	<b>15,590</b>	<b>18,104</b>	<b>(2,514)</b>	<b>(13.9%)</b>

<sup>1</sup> Operating Cashflow before interest, tax and non-operational costs

<sup>2</sup> Non-operation costs and onerous contract includes non-operational costs related to acquisition and integration of Lendlease Service transaction (Note 6(c)) and net cash outflow associated with the QLD utility project onerous contract.

### Cash Flow

Operating cash flow was \$94.8 million, an increase of \$36.3 million driven by:

- \$49.4 million income tax refund received in June 2023 arising from a one-off tax deduction claimed on the acquired accrued revenue asset balance from the Lendlease Services acquisition.

This was partially offset by:

- Higher working capital driven by increase in debtors supporting revenue growth.
- Higher finance costs due to additional 4 months' debt to fund the Lendlease acquisition and increase in interest rates across the Group's funding facilities.
- Non-operational costs associated primarily with the Queensland Utility onerous contract.

Operating cash flow before interest, tax and non-operational costs (OCFBIT) was \$92.4 million, representing an 81.0% cash flow conversion rate which exceeded expectations.

Net investing cash outflows were \$16.9 million and comprised:

- \$8.0 million of capital expenditure relating to investment in technology and plant & equipment.
- \$12.9 million paid for the finalisation of the Completion Payment and working capital adjustment relating to the Lendlease Services acquisition in accordance with the Share sale agreement.
- Net of \$4.0 million received as proceeds from the sale of fleet assets.

Net financing outflows for the year were \$62.3 million which included:

- Operating lease payments for fleet assets and property;
- Dividends of \$9.2 million.
- Repayment of net borrowing of \$30.0 million, as the Group reduced its net debt profile following a strong operating cash flow result.

## Financial position

The Group had net assets of \$465.4 million at 30 June 2023 (2022: \$468.1 million).

### Cash and financing facilities

- The Group ended the year with net debt (excluding lease liabilities) of \$34.3 million, a reduction of \$45.9 million from prior year. The decrease is driven primarily by a one-off tax deduction claimed on the acquired accrued revenue asset balance from the Lendlease Services acquisition and strong cash flow generated by operating activities.
- As at 30 June 2023, the Group had liquidity of \$246.5 million comprising cash balances of \$84.3 million and an undrawn committed loan facility of \$161.6 million.
- During the year, the Group extended the term of its syndicated debt facility of \$395 million to November 2025.
- The Group was in compliance with each of the financial covenants that applied during the year across all its financing facilities 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 2023 was a net asset position of \$86.9 million, an increase of \$20.3 million from 30 June 2022. This is primarily attributed to an increase in trade debtors supporting growth in revenue across the business.
- Plant and equipment at 30 June 2023 was \$43.0 million compared to \$59.6 million at 30 June 2022. The decrease is primarily resulting from a higher depreciation charge for the year which included revalued fleet assets acquired as part of the Lendlease Services acquisition.
- Intangibles at 30 June 2023 were \$437.0 million compared to \$451.7 million. This included amortisation of customer intangible assets acquired through business combinations and the write-off of software assets decommissioned during business integration. This was partially offset by an increase in goodwill recognised as part of the finalisation of the Lendlease Services consideration; and
- Right-of-use assets and lease liabilities recognised under AASB 16 *Leases* were \$50.2 million (2022: \$52.5 million) and \$53.2 million (2022: \$57.5 million), respectively. The reduction was attributed to property leases as the Group continued to consolidate its premises footprint following the acquisition of Lendlease Services.

## Overall Group strategy, prospects and risks

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 positions Service Stream to grow across a stable and attractive blue-chip client base of utility, telecommunications and transport asset owners and operators.

The transformational acquisition of Lendlease Services completed in FY22 aligns to the Group's strategic priorities to grow the business' operations and further diversify the Group's revenues, enhance current capabilities and expand operations across additional market sectors.

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

Inflation	<p>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 less than the actual inflationary impacts incurred, and may not directly align with the timing of the business incurring inflationary pressures.</p>
Weather / Climatic Conditions	<p>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.</p> <p>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.</p>
Retention of key personnel and sourcing of subcontractors	<p>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.</p> <p>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.</p>
Integration risk	<p>The acquisition of Lendlease Services which completed on 1 November 2021, created a leading multi-network essential services provider with diverse operations.</p> <p>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 include:</p> <ul style="list-style-type: none"><li>• unanticipated or higher than expected costs or delays in the planned upgrades, migration, integration and decommission of information technology systems and platforms; and</li><li>• historical payment practices inconsistent with Service Stream payroll systems.</li></ul>

Client concentration	<p>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 such concentration is a natural consequence of operating in the Australian market.</p> <p>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.</p> <p>The acquisition of Lendlease Services, completed on 1 November 2021, expanded the Group's customer base by creating a broader portfolio of operations across the wider infrastructure services market to assist in further addressing this risk.</p>
Client demand	<p>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 and 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.</p> <p>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.</p>
Contract management	<p>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.</p> <p>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.</p>
Renewal of customer contracts	<p>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.</p> <p>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.</p> <p>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.</p>
Working with potential safety hazards	<p>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.</p>

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 Stream 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 will continue to invest in cyber security capability to protect both our clients and the Company'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 declared 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 2023	Interim 2023	Final 2022
Per share (cents)	1.00	0.50	1.00
Total amount (\$ million)	6.15	3.08	6.15
Franked	100%	100%	100%
Payment date	5 October 2023	6 April 2023	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 matter or circumstance arising in the interval between the end of the financial year and the date of this consolidated financial report, that in the opinion of the Directors that affect significantly the operations, 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	Rights vesting date	Share grant date	Number of shares under rights
FY21 LTI Tranche	Ordinary	\$0.00	30 June 2023	September 2023	720,587
FY22 LTI Tranche	Ordinary	\$0.00	30 June 2024	September 2024	3,182,182
FY23 LTI Tranche	Ordinary	\$0.00	30 June 2025	September 2025	5,956,153
					<b>9,858,923</b>

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
<b>No. of meetings held</b>	<b>19</b>	<b>4</b>	<b>4</b>	<b>4</b>	
No. of meetings attended by					
B Gallagher	17	3*	3*	4	13 years
P Dempsey	19	4	4	4*	12 years
E Ward	18	4*	4	4	1 year
M Monro <sup>1</sup>	15	2* 1#	2* 1#	1* 2#	7 months
S Wiggins <sup>2</sup>	13	3	3*	2*	6 months
L Mackender	19	4*	4*	4	9 years
D Page <sup>3</sup>	13	3	3	3*	12 years
G Adcock <sup>4</sup>	6	1	1*	2	6 years

\* Attended as Standing Invitee

# Attended as a member

<sup>1</sup>M Monro joined Service Stream Board on 3 October 2022. He was appointed Chair of Remuneration and Nomination Committee effective 1 March 2023, following the retirement of P Dempsey as Chair.

<sup>2</sup>S Wiggins joined the Service Stream Board effective 7 November 2022. She was appointed is Chair of Audit and Risk Committee effective 1 May 2023, following the retirement of D Page as a Director.

<sup>3</sup>D Page retired on 30 April 2023.

<sup>4</sup>G Adcock retired on 19 October 2022.

## 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 of the Company or of any related body corporate against a liability incurred as an officer.

The auditors of the Group are not indemnified by the Group or covered in any way by the above insurance in respect of the audit.

## 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 Andrew Cronin has been the Partner responsible since FY 2023. Trevor Johnson rotated off as the Partner responsible at the end of FY 2022.

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 35 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 22 August 2023 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

22 August 2023

Dear Shareholders,

On behalf of the Board, I am pleased to be writing to you as the new Chairman of Service Stream's Remuneration and Nomination Committee (RNC) and to present Service Stream's FY23 Remuneration Report. I would like to thank outgoing RNC Chairman Peter Dempsey for his leadership and guidance over the past 12 years.

Service Stream's FY23 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 FY23 financial year.

#### 2022 Annual General Meeting

At our 2022 Annual General Meeting (AGM), the Company received a first strike against its FY22 Remuneration Report. The Board acknowledges the feedback received at last year's AGM and in subsequent discussions with various stakeholders (including proxy advisors). We have sought to address the principal concerns raised by those stakeholders through improved disclosures in our FY23 Remuneration Report and the ongoing review of the Company's remuneration and incentive schemes.

#### Improved Disclosures

The Board remains committed to being transparent with all stakeholders in the development and implementation of Service Stream's reward philosophy. Noting the feedback from some stakeholders, some of the improvements to our disclosure reporting include:

- separation of discretionary payment (if any) from any STI payments to Key Management Personnel (KMP);
- improved STI and LTI plan disclosures; and
- explanation for Service Stream's chosen comparator group (ASX 200 Industrials).

#### Ongoing Review

It is the view of the Board 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.

In 2022, the Board reviewed the Company's short-term incentive (STI) and long-term incentive (LTI) plans (together the "Incentive Plans") and proactively consulted with stakeholders in the process. The RNC also engaged Ernst and Young (EY) to conduct a review of Service Stream's incentive framework against market practices and provide executive remuneration market data.

The key changes to the FY23 Incentive Plans that maintain the Board's reward philosophy are summarised below:

- introduction of a 25% deferral of any awarded STI for Executive Level Management for a period of 1 year to allow for any claw back in the event it was ever needed;
- adjustments to the sliding scale mechanism for the STI and LTI plans;
- STI targets significantly weighted to financial metrics for KMP (for the Managing Director 60% at a Group level, with a portion of his individual component (30%) also relating to financial performance);
- introduction of a point-to-point compound annual growth rate (CAGR) for measuring the Company's Adjusted Earnings Per Share (EPS) performance for the LTI plan; and
- the removal of the single year re-testing mechanism for the LTI plan (LTI performance is measured over a 3-year horizon).

### Remuneration Policy for Key Management Personnel

The Managing Director's and CFO's remuneration is reviewed annually and benchmarked against peer companies. For FY23, the Board determined that the Managing Director's remuneration would be increased to \$1,050,000 (inclusive of Superannuation) given the complexity of the enlarged Company and the expanded duties and responsibilities of the Managing Director. The Managing Director had not received an adjustment to his fixed annual remuneration since 2019. The Chief Financial Officer received an adjustment to her fixed annual remuneration to \$720,000 in February 2022, to reflect market benchmarks for like roles against peer companies and the increased level of responsibilities in her role following the Lendlease Services acquisition. The Chief Financial Officer had not received an adjustment to her fixed annual remuneration since 2020.

In FY23, neither the Managing Director nor CFO were awarded any of their potential STI payments and no component of the applicable LTI plan vested.

The Board accepts that the way in which the FY22 STI payments made to the Managing Director and CFO were disclosed in the FY22 Remuneration Report was not patently clear to shareholders, particularly due to the payment of a one-off discretionary bonus to the KMP for the successful completion of the Lendlease Services acquisition. However, the Board remains of the view that it should retain the right to award discretionary bonuses in unique circumstances. While unlikely to occur in the foreseeable future, the Board will ensure that the amount and rationale for any discretionary bonus is more thoroughly articulated to shareholders.

### 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 FY23, no adjustments were made to the Chairman's and Non-Executive Directors' fees except for compulsory superannuation increases. For those Non-Executive Directors who transitioned into being a Chair of a Board sub-committee during the period, their fees were adjusted in accordance with the Company's current fee structure.

### 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 FY23 are appropriate, present a fair alignment between pay and performance, and recognise the challenges that presented in the business in FY23.

I look forward to engaging with you in FY24 and thank you for your ongoing support of Service Stream.



**Martin Monro**

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 2023 (FY23). 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. Details of Key Management Personnel

### 2. Remuneration policy and framework

#### 2.1 Objectives of Remuneration Policy and Framework

#### 2.2 Remuneration Reviews

### 3. Linking Remuneration to Company Performance

#### 3.1 Group Financial Performance

### 4. Remuneration Governance – Role of the RNC

### 5. Overview of remuneration structure

#### 5.1 Fixed Remuneration

#### 5.2 Short Term Incentive

#### 5.3 Long-Term Incentive

#### 5.4 Cessation of single-year testing mechanism

### 6. Executive Remuneration

#### 6.1 Fixed Remuneration and Incentive Outcomes

#### 6.2 Shareholdings of Managing Director and Chief Financial Officer

### 7. Non-Executive Director Remuneration

#### 7.1 Non-Executive Director Fees

#### 7.2 FY23 Non-Executive Director Remuneration

#### 7.3 Non-Executive Director Shareholdings

#### 7.4 Related Party and Other Transactions

## 1. Details of Key Management Personnel (KMP)

The following tables depict the Personnel of the Group who were classified as KMP for the entire financial year unless otherwise indicated in accordance with the definition of a KMP under AASB 124.

Non-Executive Directors	
Brett Gallagher	Chairman
Peter Dempsey	Non-Executive Director
Elizabeth Ward	Non-Executive Director
Martin Monro <sup>1</sup>	Non-Executive Director
Sylvia Wiggins <sup>2</sup>	Non-Executive Director
Deborah Page AM <sup>3</sup>	Non-Executive Director
Greg Adcock <sup>4</sup>	Non-Executive Director

<sup>1</sup>M Monro commenced on 3 October 2022.

<sup>2</sup>S Wiggins commenced on 7 November 2022.

<sup>3</sup>D Page retired on 30 April 2023.

<sup>4</sup>G Adcock retired on 19 October 2022.

Executive Key Management Personnel	
Leigh Mackender	CEO & Managing Director
Linda Kow	Chief Financial Officer

## 2. Remuneration policy and framework

### 2.1 Objectives of Remuneration Policy and Framework

The objectives of Service Stream's remuneration policy and framework is 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.

To achieve the objectives of the Group's remuneration policy, the Remuneration and Nomination Committee (RNC) will:

- set measurable performance objectives for all employees on an annual basis;
- undertake an annual salary review based on performance and market rates;
- utilise an external evaluation system to review rates of pay against the market in which the Company operates; and
- implement short-term and long-term incentive plans for relevant employees to incentivise behaviour and to reward outcomes that generate shareholder value.

## 2.2 Remuneration Reviews

The RNC reviews the remuneration packages of all Directors and 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, retain, and compensate Directors and 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 FY23, 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.

## 3. Linking Remuneration to Company Performance

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;
- requiring a 'Minimum Group Performance Threshold' to be met before any STI can be paid to executive management; linked to achieving the Group's EBITDA from Operations target;
- tying individual performance goals 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 key corporate measures, including:

- Group EBITDA from Operations;
- Reported EBITDA to OCFBIT conversion;
- Adjusted earnings per share (EPS) performance measured using a point-to-point compounding annual growth rate (CAGR);
- Total Shareholder Returns (TSR) relative to the ASX 200 Industrials index; and
- Health & Safety Performance based on High Potential Incident Frequency Rate (HPIFR)

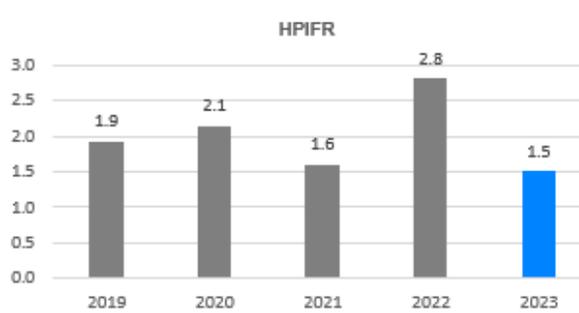
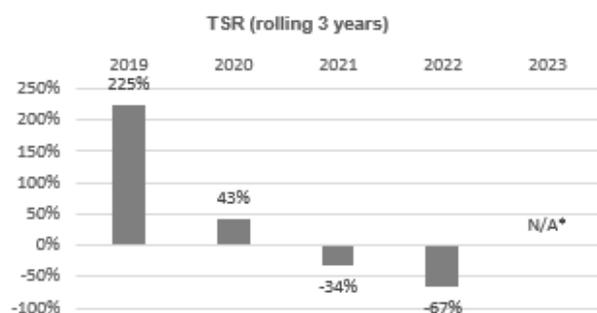
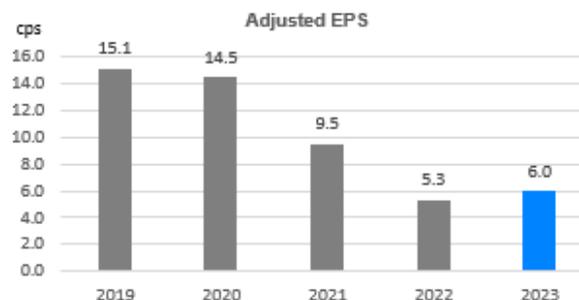
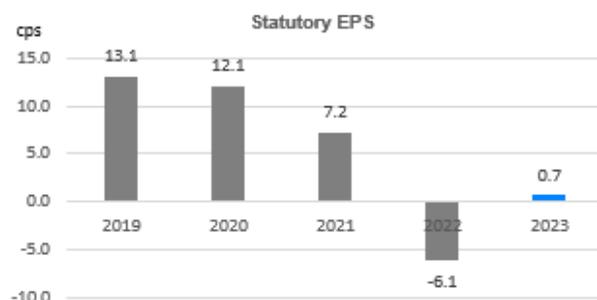
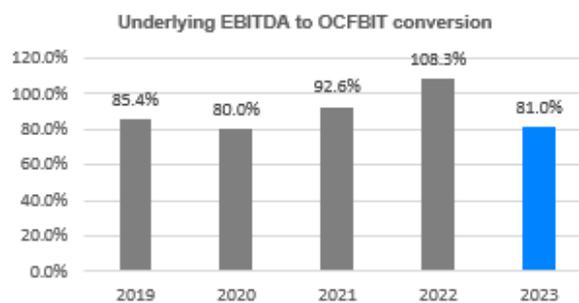
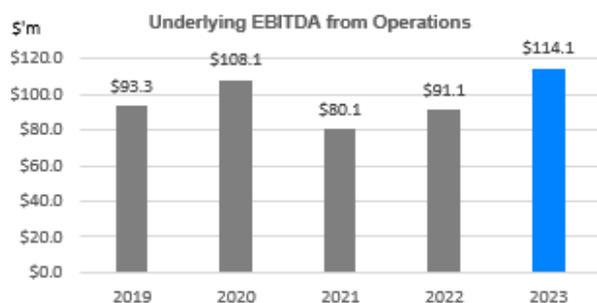
Performance across the key corporate measures for the past 12 months are summarised in the tables below and outlined in detail throughout the report.

### 3.1 Group Financial Performance

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

Key Indicators	2019	2020	2021	2022	2023
Total Revenue (\$'000)	852,178	929,133	804,163	1,563,767	2,150,782
Underlying EBITDA from Operations <sup>1</sup> (\$'000)	93,266	108,115	80,111	91,114	114,097
Net profit after tax (\$'000)	49,859	49,315	29,274	(36,324)	4,462
Statutory Earnings per share (cents)	13.1	12.1	7.2	(6.1)	0.7
Adjusted Earnings per share (cents)	15.1	14.5	9.5	5.3	6.0
Total Dividends per share (cents)	9.0	9.0	2.5	1.0	1.5
Share price 30 June (\$)	2.81	1.91	0.87	0.88	0.81

<sup>1</sup> Total Revenue and EBITDA from Operations are non-IFRS measures that have been derived from statutory information. Non-operational cost items include acquisition and integration costs associated with the Lendlease Services transaction (refer note 6(c))



\* The 10 day VWAP after result announcement is used for TSR calculation. As a result, FY23 TSR is not available yet.

## 4. Remuneration Governance - Role of the RNC

The RNC is comprised of three Non-Executive Directors and is responsible for reviewing and making recommendations to the Board on the remuneration policies and frameworks for the Group, as well as the remuneration packages for the Non-Executive Directors, the Managing Director, KMP and the executive management team.

Specifically, the Board has delegated power to the RNC to:

- Develop strategies to drive performance, including the annual evaluation of the performance of the Managing Director, by giving guidance to the Board.
- Develop strategies to identify the necessary and desirable competencies of directors, and to evaluate the extent to which those competencies are reflected in the diversity and mix of skills, expertise and experience offered by the Board.
- Assist with the management of the Company's remuneration policy by overseeing the remuneration philosophy and policy, its specific application to the Managing Director and executives reporting to the Managing Director, and its general application to all employees throughout the Company.
- Oversee the remuneration of Non-Executive Directors.
- Carry out succession planning, including the development of appropriate succession plans for the Board and Managing Director.
- Develop people strategies, including strategies for advancing diversity in the workplace, in particular diversity reporting and compliance and improving employee engagement.
- Recommend appropriate Board performance review methodologies.
- Make recommendations to the Board in respect of any remuneration related disclosures in the annual report, or otherwise as required by ASX Listing Rules, the Corporation Act 2001 (Cth) or other relevant laws.

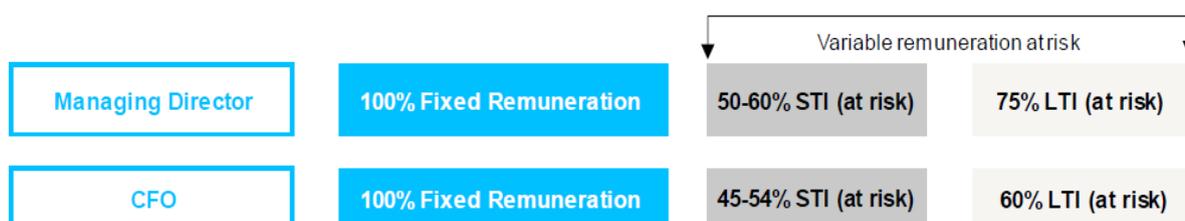
The RNC is accountable to the Board for the performance of its duties.

## 5. Overview of Remuneration Structure

The Managing Director's and Chief Financial Officer's total remuneration packages are comprised of both fixed and variable components:

- a fixed annual remuneration (inclusive of superannuation);
- a variable short-term cash-based incentive (STI), of which 25% of any award is deferred into equity for 12-months; and
- a variable long-term share-based incentive (LTI), measured over a 3-year horizon.

The below graph depicts the fixed and 'at risk' components of the Managing Director's and Chief Financial Officer's remuneration.



The below table describes the maximum total performance-based remuneration (as a percentage of total remuneration) that may be payable to the Managing Director and Chief Financial Officer.

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	60	75	75	135
Chief Financial Officer	45	54	60	60	114

Details of each component of the Managing Director's and Chief Financial Officer's remuneration packages are outlined below.

### 5.1 Fixed Remuneration

Fixed remuneration consists of base compensation and the direct cost of providing employee benefits including superannuation contributions and fringe benefits tax.

The Managing Director's and Chief Financial Officer's remuneration is reviewed annually and benchmarked against peer companies.

In FY23, the Managing Director's remuneration was increased to \$1,050,000 (inclusive of Superannuation) due to the complexity of the enlarged Company following the acquisition of Lendlease Services Pty Ltd and the expanded duties and responsibilities of the Managing Director. Other than for statutory changes to superannuation contributions, the Managing Director's fixed remuneration had not been adjusted since 2019.

No adjustment was made to the Chief Financial Officer's fixed remuneration in FY23 other than for statutory changes to superannuation contributions. The Chief Financial Officer's remuneration was last adjusted to \$720,000 in February 2022.

## 5.2 Short Term Incentive (STI)

### 5.2.1 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'; that 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 senior management participants regardless of their individual performance.

Where 90% or more of the Group's EBITDA from Operations target is achieved, the STI is payable based on Group, Divisional and Individual performance against measurable targets. For Senior Management, a stretch opportunity may be available for the Group and Divisional EBITDA components only of the STI, should challenging stretch targets be met or exceeded.

For Executive Management, 75% of any STI award is paid in cash after finalisation of the annual audited results. The remaining 25% of the STI award is deferred for 12-months and remunerated in the form of performance rights.

The Board retains discretion over the payment of any STI.

### 5.2.2 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.

### 5.2.3 Individual Performance

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

The Performance Quadrants applicable to the Managing Director for the FY23 STI are outlined in section 6.

### 5.2.4 STI summary table

The key terms of the FY23 STI, including those applicable to the Managing Director and CFO, are summarised as follows:

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 for senior management 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: <ol style="list-style-type: none"> <li>Group Financial Performance</li> <li>Individual Performance can be set across the following areas: <ul style="list-style-type: none"> <li>Financial Performance</li> <li>Market &amp; Customer</li> <li>Safety &amp; People</li> <li>Risk &amp; Governance</li> </ul> </li> </ol>
Target STI Opportunity	50% of total fixed remuneration for the Managing Director 45% of total fixed remuneration for the Chief Financial Officer
Stretch STI Target Opportunity	The stretch award will commence at 101% of the Group's EBITDA from Operations target being met and will increase with 2.5% incremental STI paid for each 1% in EBITDA delivered up to 120% of the EBITDA from Operations target.  The stretch is applicable to financial performance only (being Group / Divisional EBITDA) and will be capped at up to 150% of the applicable financial targets.

Maximum STI opportunity	60% of total fixed remuneration for the Managing Director 54% of total fixed remuneration for the Chief Financial Officer
Performance period	1 July 2022 to 30 June 2023
Assessment period	August 2023, following the audit of the Group's financial statements.
Payment form	75% cash based payment, 25% performance rights payment for deferred component.
Payment timing	September 2023 for the cash payment of 75% of the award. The 25% deferred component will be paid one year following the award in the form of performance rights.
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.
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.
Change in control	If a change of control event occurs, the Board in its absolute discretion may determine if a cash STI payment will be made and the treatment of unvested deferred awards. Where the Board does not exercise a discretion if a change of control event occurs, all unvested STI deferred awards will vest.

## 5.3 Long-Term Incentive (LTI)

### 5.3.1 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, the average term of our customer contracts and Service Stream's specific industry dynamics.

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

Any LTI award will be 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 do not carry rights to dividends or voting.

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 (VWAP) of the Group's shares over 10-days of trading following the release of full-year results.

### 5.3.2 LTI summary table

The key terms of the FY23 LTI Tranche, including those applicable to the Managing Director and CFO, are summarised as follows:

Feature	Program detail
Purpose of long-term incentive plan	Objective of rewarding Management for delivering outcomes that contribute to the long-term, sustainable performance and success of the business.
Performance period	1 July 2022 to 30 June 2025

Assessment period	August 2025, following the audit of the Group's financial statements.																				
Performance rights grant date	Issued in September 2025																				
Payment form	Performance rights																				
Issue Price	\$0.7951 per share, being the volume-weighted average market price (VWAP) of the Group's shares over 10-days of trading following the release of the FY22 full-year results.																				
Target LTI Opportunity	<ul style="list-style-type: none"> <li>75% of total fixed remuneration for the Managing Director</li> <li>60% of total fixed remuneration for the Chief Financial Officer</li> </ul>																				
Maximum LTI Opportunity	<ul style="list-style-type: none"> <li>75% of total fixed remuneration for the Managing Director</li> <li>60% of total fixed remuneration for the Chief Financial Officer</li> </ul>																				
Performance conditions	<p>The performance rights granted will each vest where the following vesting conditions are met:</p> <ul style="list-style-type: none"> <li>50% of the performance rights granted will vest where the EPS CAGR over the three financial years ending 30 June 2025 (<b>Performance Period</b>) meet the growth targets (<b>EPS Target</b>); and</li> <li>50% of the performance rights granted will vest where the Company's Total Shareholder Return (<b>TSR</b>) over the Performance Period is such that it would rank in the top quartile of a relevant peer group of companies (being the ASX200 Industrials).</li> </ul> <p>The performance rights are subject to proportional vesting according to the tables below where the vesting conditions specified above are not fully met.</p> <p><b>Earnings Per Share (50% weighting)</b></p> <p>The growth performance condition is based on the Company's EPS CAGR over the Performance Period. The tranche of performance rights will vest on a pro-rata basis upon achieving annual EPS CAGR growth of between 5% and 10%.</p> <p>The performance vesting scale that will apply to the performance rights which are subject to the EPS Target is outlined in the table below:</p> <table border="1"> <thead> <tr> <th>EPS CAGR</th> <th>Percentage of performance rights which qualify for vesting subject to the EPS conditions</th> </tr> </thead> <tbody> <tr> <td>&lt; 5%</td> <td>0%</td> </tr> <tr> <td>5%</td> <td>50%</td> </tr> <tr> <td>Above 5% and less than 10%</td> <td>Straight-line vesting (i.e., 10% incremental vesting for each 1% of EPS CAGR delivered)</td> </tr> <tr> <td>10% or more</td> <td>100%</td> </tr> </tbody> </table> <p><b>Relative Total Shareholder Return (TSR) (50% weighting)</b></p> <p>The relative TSR performance condition is based on the Company's TSR performance relative to the TSR of comparative companies, as at the start of the Performance Period and measured over the Performance Period. 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.</p> <p>The comparator companies for the purposes of the TSR is the ASX200 Industrials. The Board considers this the most appropriate comparator group as it includes Service Stream's peer competitor companies.</p> <p>The performance vesting scale that will apply to the performance rights which are subject to the TSR test is outlined in the table below:</p> <table border="1"> <thead> <tr> <th>The Company's TSR ranking</th> <th>Percentage of performance rights which qualify for vesting subject to the TSR condition</th> </tr> </thead> <tbody> <tr> <td>&lt; 50th percentile</td> <td>0%</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>Above 50th and below 75th percentile</td> <td>straight-line vesting (i.e., 2% incremental vesting for each percentile ranking achieved)</td> </tr> <tr> <td>75th percentile and above</td> <td>100%</td> </tr> </tbody> </table>	EPS CAGR	Percentage of performance rights which qualify for vesting subject to the EPS conditions	< 5%	0%	5%	50%	Above 5% and less than 10%	Straight-line vesting (i.e., 10% incremental vesting for each 1% of EPS CAGR delivered)	10% or more	100%	The Company's TSR ranking	Percentage of performance rights which qualify for vesting subject to the TSR condition	< 50th percentile	0%	50th percentile	50%	Above 50th and below 75th percentile	straight-line vesting (i.e., 2% incremental vesting for each percentile ranking achieved)	75th percentile and above	100%
EPS CAGR	Percentage of performance rights which qualify for vesting subject to the EPS conditions																				
< 5%	0%																				
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Above 50th and below 75th percentile	straight-line vesting (i.e., 2% incremental vesting for each percentile ranking achieved)																				
75th percentile and above	100%																				
Eligibility	Eligible participants must remain an employee of the Company on 30 June 2025.																				

Ceasing Executive	<p>If an executive resigns from the Company or a subsidiary, the Board has discretion to issue shares to that executive in respect of financial years during the Performance Period which ended before the executive's employment ceased, where the directors determine that the executive performed consistently at an outstanding level.</p> <p>Further, if an executive ceases their employment with the Company or a subsidiary because of his or her death or permanent disability, or because the executive is aged 55 or older and retires from permanent employment, or because the executive's contract of employment is terminated due to genuine redundancy, the performance rights relating to the financial years during the Performance Period which ended before the executive's employment ceased that have not vested will not be forfeited.</p>
Trading	Vested shares may only be traded in accordance with the Company's Securities Trading Policy.
Board discretion	The Board has the power to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the LTI / LTI Rules) for the implementation and administration of the LTI, as they may think fit.
Change in control	<p>If there is an event which results in the Change of Control of the Company, then the Service Stream Board retains discretion to determine the treatment of unvested Rights.</p> <p>Where the Board does not exercise a discretion in a Change of Control event, a pro-rata amount of unvested Rights (reflecting the portion of the Performance Period completed up to the Change of Control event) will be tested against the Performance Conditions at the time of Change of Control (subject to the Board's discretion noted above to determine another treatment) and vest subject to achievement of the Performance Conditions.</p>

#### 5.4 Cessation of single year testing mechanism

The Board is aware of the concerns raised by some of our stakeholders regarding the single year testing mechanism that was contained within the Company's FY21 and FY22 LTI plans. Following consultation, the Board removed the single year re-testing mechanism from the FY23 LTI plan.

For the FY23 LTI plan, the Board introduced a point-to-point compound annual growth rate (CAGR) for measuring the Company's Adjusted Earnings Per Share (EPS) performance over a 3-year horizon. Management will therefore be rewarded to the extent that the Group's performance over the entire period of review meets the set targets for that period.

The Board remains of the view that a 3-year horizon is appropriate as it accords with the average length of the Group's annuity and panel client contracts, thereby enabling performance under the full term of each contract to be recognised.

The FY21 LTI performance period concluded on 30 June 2023. The FY22 LTI performance period will conclude on 30 June 2024.

## 6. Executive Remuneration

### 6.1 Fixed Remuneration and Incentive Outcomes

#### 6.1.1 FY23 Remuneration

Table 1 below provides remuneration information prepared in accordance with Australian accounting standards.

**Table 1 – statutory remuneration table**

	Year	Short-term employee benefits				Post-employment and Long-term benefits		Share-based payments	Total	Fixed	At Risk
		Salary	Termination benefits	Short-term incentives	Non-monetary	Super	LSL	Performance rights			
		\$	\$	\$	\$	\$	\$	\$	%	%	
L Mackender	2023	1,024,708	-	-	-	25,292	63,827	424,658	1,538,485	72%	28%
	2022	878,997	-	449,744	-	23,568	16,599	13,977	1,382,884	66%	34%
L Kow	2023	696,432	-	-	-	25,292	13,853	232,884	968,461	76%	24%
	2022	627,928	-	302,789	-	31,246	1,764	51,179	1,014,906	65%	35%
P McCann <sup>1</sup>	2023	-	-	-	-	-	-	-	-	-	-
	2022	159,666	-	-	8,128	7,856	3,177	(37,525)	141,302	127%	(27%) <sup>1</sup>
K Smith <sup>2</sup>	2023	-	-	-	-	-	-	-	-	-	-
	2022	176,332	-	58,019	-	7,856	7,920	2,389	252,516	76%	24%
<b>Total</b>	<b>2023</b>	<b>1,721,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,585</b>	<b>77,680</b>	<b>657,541</b>	<b>2,506,946</b>	<b>74%</b>	<b>26%</b>
	2022	1,842,923	-	810,552	8,128	70,526	29,460	30,020	2,791,608	70%	30%

<sup>1</sup> P McCann ceased as 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.

<sup>2</sup> 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.

#### 6.1.2 FY23 STI performance outcomes

A minimum of 90% or more against the annual Group EBITDA target must be achieved before the award of an STI under the Group, Divisional or Individual Performance will be considered for KMP.

In FY23, the minimum of 90% against the annual Group EBITDA target was not achieved and accordingly no STI was awarded to the Executive KMP. Refer to section 3.1 for more detail on Group Performance.

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

Measure	Weighting	Target	Outcome			
<b>Financial</b>	60%	Delivery of Group EBITDA from Operations target Delivery of Group OCFBIT target	Below threshold	Partially achieved	Fully achieved	Above target
<b>Delivery</b>	30%	Delivery Group organic & strategic growth targets Development and endorsement of 5-year strategic plan Deliver integration phase 2	Below threshold	Partially achieved	Fully achieved	Above target
<b>Safety &amp; People</b>	10%	FY23 Annual Group HPIFR Target of < 2.52 is met or exceeded	Below threshold	Partially achieved	Fully achieved	Above target

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

### 6.1.3 LTI performance outcomes

The FY21 LTI performance period concluded on 30 June 2023. Table 1 below summarises the LTI performance measures tested, with the outcome being that the EPS growth target was not achieved. While the TSR performance measure has not yet been determined, it is unlikely that this measure will be achieved. Therefore, no FY21 LTI performance rights are expected to vest for the Executive KMP.

**Table 1 - FY21 LTI performance**

Executive(s)	LTI Measure	LTI Performance Outcome	% LTI tranche that vested
<b>L Mackender</b>	EPS growth target	Not achieved	0%
<b>L Kow</b>	TSR Ranking relative to ASX200 Industrials	Not yet determined, unlikely to be achieved	N/A

Table 2 below summarises the LTI grants balance for the Managing Director and the Chief Financial Officer at the end of the FY23 financial year. Note that 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.

**Table 2 - Summary of grants under LTI**

Name	Plan	Balance as at 1 July 2022 Number	Awarded but not vested Number	Vested Number	% of total vested %	Forfeited Number	Balance as at 30 June 2023 Number	Fair value per right \$	Unamortised value \$
<b>L Mackender</b>	FY20 LTI	47,709	-	-	-	(47,709)	-	2.20	-
	FY21 LTI	361,879	-	-	-	(180,940)	180,940	1.80	-
	FY22 LTI	794,792	-	-	-	-	794,792	0.65	165,570
	FY23 LTI	-	990,441	-	-	-	990,441	0.48	316,941
<b>L Kow</b>	FY20 LTI	-	-	-	-	-	-	-	-
	FY21 LTI	193,076	-	-	-	(96,538)	96,538	1.80	-
	FY22 LTI	424,491	-	-	-	-	424,491	1.74	88,429
	FY23 LTI	-	544,629	-	-	-	544,629	0.50	181,543

## 6.2 Shareholdings of Managing Director and Chief Financial Officer

The table below sets out the equity holdings in fully paid ordinary shares in Service Stream of the Managing Director and Chief Financial Officer for the 2023 and 2022 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
<b>2023</b>						
L Mackender	1,567,601	-	145,000	-	-	1,712,601
L Kow	1,237,660	-	136,950	-	-	1,374,610
<b>2022</b>						
L Mackender	1,100,700	-	466,901	-	-	1,567,601
L Kow	70,000	-	1,167,660	-	-	1,237,660

## 6.3 Employment Contracts

The below table identifies the key terms of the employment contracts for the Managing Director and Chief Financial Officer.

Position	Term	Detail
<b>Managing Director</b>		
	Term	No fixed end date Until terminated by either party
	Total Fixed Remuneration	\$1,050,000 (inclusive of Superannuation)
	Incentives	<ul style="list-style-type: none"> <li>• STI: 50% of total fixed remuneration up to a maximum of total 60% of fixed remuneration</li> <li>• LTI: 75% of total fixed remuneration</li> </ul>
	Termination	<ul style="list-style-type: none"> <li>• 6 months either party (or payment in lieu)</li> <li>• Immediate for serious misconduct or breach of contract</li> <li>• Statutory requirements only for termination with cause</li> </ul>

Position	Term	Detail
<b>Chief Financial Officer</b>		
	Term	No fixed end date Until terminated by either party
	Fixed Remuneration	\$721,724(inclusive of superannuation)
	Incentives	<ul style="list-style-type: none"> <li>• STI: 45% of total fixed remuneration up to a maximum of total 54% of fixed remuneration</li> <li>• LTI: 60% of total fixed remuneration</li> </ul>
	Termination	<ul style="list-style-type: none"> <li>• 6 months either party (or payment in lieu)</li> <li>• Immediate for serious misconduct or breach of contract</li> <li>• Statutory requirements only for termination with cause</li> </ul>

## 7 Non-Executive Director Remuneration

The RNC is responsible for reviewing and making recommendations to the Board on the remuneration for the Non-Executive Directors. Non-Executive Directors are remunerated 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 \$1,300,000 as approved by shareholders on 19 October 2022. Board and Committee fees (inclusive of superannuation where applicable) are included in the aggregate pool.

Fees are reviewed annually taking into account comparable roles and market data provided by the Board's independent remuneration advisor. In FY23, no adjustments were made to the Non-Executive Director fees other than for compulsory superannuation increases.

### 7.1 Non-Executive Director Fees

The fees payable to the Non-Executive Directors of Service Stream are summarised in the below table.

Role	Fees
Chairman of the Board	\$201,826 per annum (inclusive of superannuation)
Base Fee Non-Executive Director	\$118,536 per annum (inclusive of superannuation)
Additional Fee as Chair of a Board Sub-Committee	\$12,594 per annum; taking that Director's total to \$131,187 (inclusive of superannuation)

## 7.2 FY23 Non-Executive Directors' remuneration

The below Table lists the fees by Non-Executive Directors in FY23 that are measured in accordance with Australian Accounting Standards.

Name	Year	Board and Committee fees	Super	Total
B Gallagher	2023	182,648	19,178	201,826
	2022	182,648	18,264	200,912
P Dempsey	2023	115,859	12,165	128,024
	2022	118,722	11,872	130,594
E Ward <sup>1</sup>	2023	114,905	12,065	126,970
	2022	88,175	8,818	96,992
M Monro <sup>2</sup>	2023	91,585	9,616	101,201
	2022	-	-	-
S Wiggins <sup>3</sup>	2023	78,372	-	78,372
	2022	-	-	-
D Page <sup>4</sup>	2023	108,333	-	108,333
	2022	130,000	-	130,000
G Adcock <sup>5</sup>	2023	39,140	-	39,140
	2022	130,000	-	130,000
T Coen <sup>6</sup>	2023	-	-	-
	2022	80,822	8,082	88,904
<b>Total</b>	<b>2023</b>	<b>730,842</b>	<b>53,024</b>	<b>783,866</b>
	2022	730,367	47,036	777,402

<sup>1</sup>E Ward's remuneration for 2022 was paid from her start date of 6 September 2021. Her remuneration was adjusted following her appointed as Chair of the Health, Safety, Environment & Sustainability Committee on 1 November 2022.

<sup>2</sup>M Monro's remuneration was paid from his start date of 3 October 2022. His remuneration was adjusted following his appointment as Chair of the Remuneration and Nomination Committee on 1 March 2023.

<sup>3</sup>S Wiggins' remuneration was paid to Pigeon Pty Ltd as Trustee for the Pigeon Trust (a trust in which Ms Wiggins has a beneficial interest), from her start date of 7 November 2022. Her remuneration was adjusted following her appointment as Chair of the Audit & Risk Committee on 1 May 2023.

<sup>4</sup>D Page's remuneration was paid up to the date of her retirement on 30 April 2023.

<sup>5</sup>G Adcock's remuneration was paid to Ausadcock Pty Ltd up to the date of his retirement on 19 October 2022 (a company in which Mr Adcock has a beneficial interest).

<sup>6</sup>T Coen's remuneration was paid up to the date of his retirement on 10 March 2022.

### 7.3 Non-Executive Directors' Shareholding

The table below sets out the equity holdings in fully paid ordinary shares in Service Stream of the Non-Executive Directors for the 2023 and 2022 financial years.

Name	Balance at 1 July 2022	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 2023
B Gallagher	4,000,000	-	-	-	-	4,000,000
P Dempsey	1,400,000	-	130,000	-	-	1,530,000
E Ward	-	-	80,901	-	-	80,901
M Monro <sup>1</sup>	-	-	40,000	-	-	40,000
S Wiggins <sup>2</sup>	-	-	66,000	-	-	66,000
D Page <sup>3</sup>	646,801	-	27,019	-	673,820	-
G Adcock <sup>4</sup>	93,333	-	-	-	93,333	-

<sup>1</sup>M Monro was appointed as a Non-Executive Director effective 3 October 2022.

<sup>2</sup>S Wiggins was appointed as a Non-Executive Director effective 7 November 2022.

<sup>3</sup>D Page retired as a Non-Executive Director effective 30 April 2023.

<sup>4</sup>G Adcock retired as a Non-Executive Director effective 19 October 2022.

### 7.4 Related Party and Other Transactions

There were no other transactions entered into with KMP and their related parties during FY23.

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

22 August 2023



Leigh Mackender

Managing Director

22 August 2023



## Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2023, 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.

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', is positioned above the printed name.

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
22 August 2023

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

	Notes	2023 \$'000	2022 \$'000
<b>Revenue from continuing operations</b>			
Revenue from contracts with customers	3	2,048,658	1,513,804
Other income	4	4,109	2,733
		<b>2,052,767</b>	<b>1,516,537</b>
<b>Expenses</b>			
Employee salaries and benefits		(503,466)	(381,866)
Subcontractor fees		(1,193,670)	(901,477)
Raw materials and consumables used		(159,217)	(88,111)
Consulting and temporary staff fees		(28,831)	(20,058)
Company administration and insurance expenses		(17,544)	(11,359)
Occupancy expenses		(10,041)	(5,280)
Technology and communication services		(28,112)	(29,772)
Motor vehicle expenses		(18,925)	(13,278)
Depreciation and amortisation	6	(68,050)	(53,322)
Impairment	14	-	(38,206)
Net finance costs	5	(13,605)	(7,163)
Other expenses		(10,745)	(2,919)
Share of profits from investment in joint ventures and associates	25	4,662	2,192
<b>Profit / (loss) before tax</b>		<b>5,223</b>	<b>(34,082)</b>
Income tax expense	7	(761)	(2,242)
<b>Profit / (loss) for the year</b>		<b>4,462</b>	<b>(36,324)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>4,462</b>	<b>(36,324)</b>
<b>Profit / (loss) attributable to the equity holders of the parent</b>		<b>4,462</b>	<b>(36,324)</b>
<b>Total comprehensive income / (loss) attributable to equity holders of the parent</b>		<b>4,462</b>	<b>(36,324)</b>
<b>Earnings per share</b>			
Basic (cents per share)	8	0.72	(6.09)
Diluted (cents per share)	8	0.71	(6.09)

## Consolidated statement of financial position at 30 June

	Notes	2023 \$'000	2022 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	20	84,267	68,677
Trade and other receivables	9	186,120	105,011
Inventories	10	16,445	14,738
Accrued revenue	11	254,436	273,841
Other assets	12	11,038	9,992
Current tax asset	7	-	7,889
<b>Total current assets</b>		<b>552,306</b>	<b>480,148</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	25	8,567	5,606
Property, plant and equipment	13	43,017	59,643
Right-of-use assets	15	50,189	52,529
Intangible assets	14	437,028	451,729
<b>Total non-current assets</b>		<b>538,801</b>	<b>569,507</b>
<b>Total assets</b>		<b>1,091,107</b>	<b>1,049,655</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	301,780	267,472
Provisions	17	72,540	62,350
Lease liabilities	15	19,487	18,304
Current tax liabilities	7	3,096	-
<b>Total current liabilities</b>		<b>396,903</b>	<b>348,126</b>
<b>Non-current liabilities</b>			
Deferred tax liability (net)	7	69,671	38,253
Provisions	17	6,806	7,117
Borrowings	20, 21	118,612	148,907
Lease liabilities	15	33,757	39,156
<b>Total non-current liabilities</b>		<b>228,846</b>	<b>233,433</b>
<b>Total liabilities</b>		<b>625,749</b>	<b>581,559</b>
<b>Net assets</b>		<b>465,358</b>	<b>468,096</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Contributed equity	18	499,682	499,682
Reserves		(9,988)	(12,024)
Accumulated losses		(24,336)	(19,562)
<b>Total equity</b>		<b>465,358</b>	<b>468,096</b>

## 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
<b>Balance at 30 June 2021</b>	318,721	(12,151)	16,762	323,332
<b>Loss for the period</b>	-	-	(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)	-	0
<b>Balance at 30 June 2022</b>	<b>499,682</b>	<b>(12,024)</b>	<b>(19,562)</b>	<b>468,096</b>
Profit for the period	-	-	4,462	4,462
<b>Total comprehensive income for the year</b>			4,462	4,462
Equity-settled share-based payments, inclusive of tax adjustments	-	2,036	-	2,036
Dividends paid	-	-	(9,236)	(9,236)
Acquisition of treasury shares	-	-	-	-
Issue of treasury shares to employees	-	-	-	-
<b>Balance at 30 June 2023</b>	<b>499,682</b>	<b>(9,988)</b>	<b>(24,336)</b>	<b>465,358</b>

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

	Notes	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (including GST)		2,194,683	1,647,293
Payments to suppliers and employees (including GST)		(2,135,149)	(1,572,048)
Interest received		1,822	99
Interest and facility costs paid		(12,711)	(6,839)
Income taxes refunded / (paid)		44,466	(10,783)
Dividends from joint venture associates		1,701	825
Net cash provided by operating activities	20	94,812	58,547
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(5,286)	(3,014)
Proceeds from the sale of plant and equipment		3,970	1,175
Payments for intangible assets		(2,698)	(2,365)
Payment for businesses (net of cash acquired)	29	(12,896)	(313,537)
Net cash used in investing activities		(16,910)	(317,741)
<b>Cash flows from financing activities</b>			
Purchase of shares (net of transaction costs)		-	(204)
Proceeds from issue of shares (net of transaction costs)		-	179,228
Principal elements of lease payments		(23,064)	(16,739)
Dividends paid		(9,236)	-
Proceeds from borrowings		141,324	500,013
Repayment of borrowings		(171,336)	(385,000)
Net cash (used in) / provided by financing activities		(62,312)	277,298
<b>Net increase in cash held</b>		<b>15,590</b>	<b>18,104</b>
<b>Cash at the beginning of the year</b>		<b>68,677</b>	<b>50,573</b>
<b>Cash at the end of the year</b>	20	<b>84,267</b>	<b>68,677</b>

## Service Stream Limited

### Notes to the consolidated financial statements

#### Index to Notes

##### Overview

1	General information	Page 41
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##### Section A: Business performance

2	Segment information	Page 41
3	Revenue from contracts with customers	Page 43
4	Other income	Page 44
5	Net finance costs	Page 44
6	Other expense items	Page 44
7	Income tax expense	Page 45
8	Earnings per share	Page 47

##### Section B: Operating assets & liabilities

9	Trade and other receivables	Page 48
10	Inventories	Page 48
11	Accrued revenue	Page 48
12	Other assets	Page 49
13	Property, plant and equipment	Page 49
14	Intangible assets	Page 50
15	Leases	Page 52
16	Trade and other payables	Page 53
17	Provisions	Page 54

##### Section C: Capital and financing

18	Contributed equity	Page 55
19	Dividends	Page 55
20	Notes to the consolidated statement of cash flows	Page 56
21	Financial instruments	Page 57
22	Capital risk management	Page 60
23	Share-based payments	Page 60

##### Section D: Group structure

24	Subsidiaries	Page 62
25	Joint arrangements	Page 62
26	Deed of cross guarantee	Page 64
27	Related party transactions	Page 65
28	Parent entity information	Page 65
29	Business combinations	Page 67

##### Section E: Unrecognised items

30	Contingent assets and liabilities	Page 68
31	Events after the reporting period	Page 68

##### Section F: Other

32	Remuneration of auditors	Page 68
33	Significant accounting policies	Page 68
34	Critical accounting judgements and key sources of estimation uncertainty	Page 78

## 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 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.
Utilities	Utilities provides a broad range of operations, maintenance, design and construction services to gas, water and electricity network owners, industrial asset 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).

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 2023	Telecomm- unications	Utilities	Transport	Eliminations/ Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>	970,373	886,164	192,940	(819)	2,048,658
Other income	7	2,264	1,292	546	4,109
Share of revenue from joint ventures	-	-	98,015	-	98,015
<b>Total revenue (including joint venture)<sup>1</sup></b>	<b>970,380</b>	<b>888,428</b>	<b>292,247</b>	<b>(273)</b>	<b>2,150,782</b>
<b>EBITDA from Operations<sup>2</sup></b>	<b>85,460</b>	<b>8,284</b>	<b>14,791</b>	<b>(14,578)</b>	<b>93,957</b>

30 June 2022	Telecomm- unications	Utilities	Transport	Eliminations/ Unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment revenue</b>	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
<b>Total revenue (including joint venture)<sup>1</sup></b>	<b>639,968</b>	<b>696,987</b>	<b>220,078</b>	<b>6,734</b>	<b>1,563,767</b>
<b>EBITDA from Operations<sup>2</sup></b>	<b>61,509</b>	<b>19,533</b>	<b>9,864</b>	<b>208</b>	<b>91,114</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 6(c)).

Reconciliation of EBITDA from Operations to net profit after tax	2023 \$'000	2022 \$'000
<b>EBITDA from Operations</b>	<b>93,957</b>	91,114
Adjustments for joint ventures	<b>(1,998)</b>	(968)
Depreciation and amortisation	<b>(68,050)</b>	(53,322)
Impairment expense	-	(38,206)
Non-operational costs (before tax) (refer note 6 (c))	<b>(5,081)</b>	(25,537)
Net finance costs	<b>(13,605)</b>	(7,163)
Income tax expense	<b>(761)</b>	(2,242)
<b>Net (loss) / profit after tax</b>	<b>4,462</b>	(36,324)

### (c) Information about major customers

In 2023 and 2022, a customer in the Telecommunication segment contributed more than 10% of the Group's total revenue. Except as disclosed above, no other customers contributed to more than 10% of the Group's total revenue in 2023 or 2022.

### 3 Revenue from contracts with customers

#### (a) Revenue from contracts with customers

	2023 \$'000	2022 \$'000
Revenue	<b>2,048,658</b>	1,513,804
	<b>2,048,658</b>	1,513,804

#### (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 2023	Telecomm- unications	Utilities	Transport	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	<b>970,373</b>	<b>886,164</b>	<b>192,940</b>	<b>1,741</b>	<b>2,051,219</b>
Intra / Inter-segment revenue	-	-	-	<b>(2,560)</b>	<b>(2,560)</b>
<b>Revenue from contracts with customers</b>	<b>970,373</b>	<b>856,548</b>	<b>192,940</b>	<b>(819)</b>	<b>2,048,659</b>
Timing of revenue recognition					
At point in time	<b>402,744</b>	<b>453,489</b>	<b>17,511</b>	<b>432</b>	<b>874,177</b>
Over time	<b>567,629</b>	<b>432,675</b>	<b>175,429</b>	<b>(1,251)</b>	<b>1,174,482</b>
<b>Revenue from contracts with customers</b>	<b>970,373</b>	<b>886,164</b>	<b>192,940</b>	<b>(819)</b>	<b>2,048,659</b>

30 June 2022	Telecomm- unications	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)
<b>Revenue from contracts with customers</b>	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
<b>Revenue from contracts with customers</b>	639,898	695,354	171,977	6,575	1,513,804

#### (c) Assets and liabilities related to contracts with customers

	2023 \$'000	2022 \$'000
Revenue recognised that was included in contract liability balance at the beginning of the period	<b>21,491</b>	8,511
Revenue (reversed) from performance obligations satisfied in previous periods	<b>(1,800)</b>	(1,339)

### 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.

##### Schedule of rates and cost reimbursable contracts

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

	2023 \$'000	2022 \$'000
Gain on disposal of assets	1,248	470
Other	2,861	2,263
	<b>4,109</b>	<b>2,733</b>

### 5 Net finance costs

	2023 \$'000	2022 \$'000
Interest income	(1,822)	(99)
Interest expense: leases	2,332	1,624
Interest expense: borrowings	12,364	4,865
Facility establishment costs	731	773
	<b>13,605</b>	<b>7,163</b>

### 6 Other expense items

#### (a) Depreciation and amortisation expense

	Notes	2023 \$'000	2022 \$'000
Depreciation of plant and equipment	13	19,196	15,196
Depreciation of right-of-use assets	15	21,180	17,296
Amortisation of software	14	5,919	6,806
Amortisation of customer contracts / relationships	14	15,411	14,024
Write-off of software assets		6,344	-
		<b>68,050</b>	<b>53,322</b>

## 6 Other expense items (continued)

### (b) Employee benefit expense

	2023 \$'000	2022 \$'000
Superannuation expense	43,799	32,237
Equity-settled share-based payments	1,470	332
	<b>45,268</b>	<b>32,569</b>

### (c) Non-operational expenses

	2023 \$'000	2022 \$'000
<b>Individual non-operational items included in profit / loss before income tax</b>		
Acquisition and integration costs <sup>1</sup>	5,081	25,537
<b>Non-operational cost excluded from EBITDA from Operations</b>		
Write-off of software assets and other expense <sup>2</sup>	6,594	-
<b>Total non-operational costs (before tax)</b>	<b>11,675</b>	<b>25,537</b>
Tax on non-operational costs	(4,254)	(5,703)
<b>Non-operational costs after tax</b>	<b>7,421</b>	<b>19,834</b>

<sup>1</sup> Cost associated with the acquisition and integration of Lendlease Services Pty Ltd (refer to note 29).

<sup>2</sup> Mainly relates to write-off of software assets decommissioned during integration of the business.

## 7 Income tax expense

### (a) Income tax recognised in profit or loss

	2023 \$'000	2022 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	6,248	-
Over provision in prior years	(638)	(806)
Deferred tax expense	(4,849)	3,048
<b>Income tax expense</b>	<b>761</b>	<b>2,242</b>

### (b) Reconciliation of income tax expense to tax payable

	2023 \$'000	2022 \$'000
Profit / (Loss) before income tax	5,223	(34,082)
<b>Tax at the Australian tax rate of 30%</b>	<b>1,567</b>	<b>(10,225)</b>
<b>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income</b>		
Goodwill impairment	-	11,462
Other non-deductible expenses	776	2,014
Franking credits on dividends received	(510)	(203)
Current year deferred tax revaluations against tax expense	(434)	-
Over provision in prior years	(638)	(806)
<b>Income tax expense as per consolidated statement of profit or loss and other comprehensive income</b>	<b>761</b>	<b>2,242</b>
Over provision in prior years	638	806
Movement through deferred tax (note: 7c)	4,849	(3,048)
<b>Tax payable</b>	<b>6,248</b>	<b>-</b>
Less current year tax instalments paid during the year	(3,152)	(7,889)
<b>Net income tax payable / (refundable)</b>	<b>3,096</b>	<b>(7,889)</b>

*Effective tax rate* 15% 7%

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:

	Opening balance	Timing difference related to prior periods <sup>1</sup>	DTL (Net) Acquired through Acquisition	Charged to Income	Charged to equity	Closing balance
2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Temporary differences</b>						
Trade and other receivables	268	-	-	(124)	-	144
Accrued revenue	(61,879)	(11,784)	(516)	9,080	-	(65,098)
Trade, other payables and provisions	9,291	1,444	(704)	(3,339)	-	6,692
Black hole expenditure	1,768	862	0	(625)	-	2,005
Tax Losses	38,585	(27,895)	0	(3,900)	-	6,788
Employee benefits	18,737	(352)	263	(238)	302	18,711
Plant and equipment	64	(171)	(712)	803	-	(16)
Customer contracts / relationships	(46,194)	285	4,290	4,566	-	(37,052)
Right of use assets	(15,759)	-	-	702	-	(15,057)
Lease liabilities	17,238	(89)	89	(1,265)	-	15,973
Other	(372)	(1,394)	(185)	(811)	-	(2,760)
	(38,253)	(39,094)	2,523	4,849	302	(69,671)

	Opening balance	Timing difference related to prior periods <sup>1</sup>	DTL (Net) Acquired through Acquisition	Charged to Income	Charged to equity	Closing balance
2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Temporary differences</b>						
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)

<sup>1</sup> 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 Consolidated statement of financial position as a net deferred tax liability.

## 7 Income tax expense (continued)

### (d) Tax consolidation

#### Tax consolidation of 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 the head entity in the tax consolidation group).

#### Nature of tax funding arrangements and tax sharing agreements

Entities 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

	2023 Cents per share	2022 Cents per share
Basic earnings / (loss) per share:		
<b>Total basic earnings / (loss) per share</b>	<b>0.72</b>	(6.09)
Diluted earnings / (loss) per share:		
<b>Total diluted earnings / (loss) per share</b>	<b>0.71</b>	(6.09)

#### 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:

	2023 \$'000	2022 \$'000
Profit / (Loss) for the year attributable to owners of the Company	4,462	(36,324)
<b>Earnings / (Loss) used in the calculation of basic EPS</b>	<b>4,462</b>	(36,324)

	2023 \$'000	2022 \$'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	615,953	596,100
Shares deemed to be issued for no consideration in respect of employee share schemes	9,328	-
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>625,281</b>	596,100

## 9 Trade and other receivables

	Trade receivables	Expected credit loss	Total	Trade receivables	Expected credit loss	Total
	2023 \$'000	2023 \$'000	2023 \$'000	2022 \$'000	2022 \$'000	2022 \$'000
Current	142,813	(76)	<b>142,737</b>	82,988	(173)	82,815
1 Month	32,477	(74)	<b>32,403</b>	10,854	(125)	10,729
2 Months	4,304	(74)	<b>4,230</b>	2,692	(138)	2,554
3 Months	3,386	(183)	<b>3,203</b>	2,077	(283)	1,794
Over 3 months	3,054	(74)	<b>2,980</b>	6,433	(177)	6,256
	<b>186,034</b>	<b>(481)</b>	<b>185,553</b>	105,044	(896)	104,148
Other receivables			<b>567</b>			863
			<b>186,120</b>			105,011

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 provided at note 21(c).

## 10 Inventories

	2023 \$'000	2022 \$'000
Inventories	<b>16,445</b>	14,738
	<b>16,445</b>	14,738

Inventories recognised as an expense during the year ended 30 June 2023 amounted to \$159,217,000 (2022: \$88,111,000). These were included in the raw materials and consumables used line item in the consolidated statement of profit and loss and other comprehensive income.

There were no write-downs of inventories to net realisable value amounted during the year (2022: \$348,000).

## 11 Accrued revenue

	2023 \$'000	2022 \$'000
Accrued revenue	<b>254,436</b>	273,841
	<b>254,436</b>	273,841

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 that is 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(e) 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 has 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 is not disclosed further as having an original expected duration of one year or less.

## 12 Other assets

	2023 \$'000	2022 \$'000
Prepayments	10,024	9,356
Other assets	1,014	636
	<b>11,038</b>	<b>9,992</b>

## 13 Property, plant and equipment

	Land \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Year Ended 30 June 2022</b>					
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 <sup>1</sup>	-	-	(488)	(217)	(705)
Depreciation charge	-	(310)	(10,188)	(4,698)	(15,196)
Closing net book value	<b>2,150</b>	<b>588</b>	<b>45,761</b>	<b>11,144</b>	<b>59,643</b>
<b>At 30 June 2022</b>					
Cost	2,150	9,936	74,262	16,532	102,880
Accumulated depreciation	-	(9,348)	(28,501)	(5,388)	(43,237)
Net book value	<b>2,150</b>	<b>588</b>	<b>45,761</b>	<b>11,144</b>	<b>59,643</b>
<b>Year Ended 30 June 2023</b>					
Opening net book value	2,150	588	45,761	11,144	59,643
Additions	-	770	4,501	15	5,286
Disposals <sup>1</sup>	-	-	(2,642)	(74)	(2,716)
Depreciation charge	-	(300)	(13,405)	(5,491)	(19,196)
Closing net book value	<b>2,150</b>	<b>1,058</b>	<b>34,215</b>	<b>5,594</b>	<b>43,017</b>
<b>At 30 June 2023</b>					
Cost	2,150	10,705	73,369	13,739	99,963
Accumulated depreciation	-	(9,647)	(39,154)	(8,145)	(56,947)
Net book value	<b>2,150</b>	<b>1,058</b>	<b>34,215</b>	<b>5,594</b>	<b>43,017</b>

<sup>1</sup>Disposals are net of accumulated depreciation.

## 14 Intangible assets

	Software	Customer contracts and relationships	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000
<b>Year Ended 30 June 2022</b>				
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)
<b>Closing net book value</b>	<b>23,511</b>	<b>145,778</b>	<b>282,440</b>	<b>451,729</b>
<b>At 30 June 2022</b>				
Cost	65,907	189,471	320,646	576,024
Accumulated amortisation & impairment	(42,396)	(43,693)	(38,206)	(124,295)
<b>Net book value</b>	<b>23,511</b>	<b>145,778</b>	<b>282,440</b>	<b>451,729</b>
<b>Year Ended 30 June 2023</b>				
Opening net book value	23,511	145,778	282,440	451,729
Additions	2,698	-	-	2,698
Asset written off	(6,443)	-	-	(6,443)
Amortisation charge	(5,919)	(15,411)	-	(21,330)
Net acquired through finalisation of business combination	-	(6,097)	16,471	10,374
<b>Closing net book value</b>	<b>13,847</b>	<b>124,270</b>	<b>298,911</b>	<b>437,028</b>
<b>At 30 June 2023</b>				
Cost	59,537	183,371	298,911	541,820
Accumulated amortisation & impairment	(45,690)	(59,101)	-	(104,791)
<b>Net book value</b>	<b>13,847</b>	<b>124,270</b>	<b>298,911</b>	<b>437,028</b>

### (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 CGUs and recognition of impairment charges in future periods.

Goodwill is monitored at the level of operating segments. The Group on 1 July 2022 made an assessment of the organisational structure following the acquisition and integration of Lendlease Services resulting in the Group reassessing 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 Telecommunications CGU and the ex-Lendlease Services Telecommunications business to form the new Telecommunications CGU;
- Consolidation of the legacy Comdain and Energy and Water CGUs with the ex-Lendlease Services Utilities business to form a new CGU group – Utilities which will be used for monitoring of goodwill associated with the Utilities segment; and
- Creation of a new separate Transport CGU.

## 14 Intangible assets (continued)

The revised CGU composition and goodwill allocation are as follows:

CGU	2023 \$'000
Telecommunication	159,665
Utilities	129,947
Transport	9,299
	<b>298,911</b>

CGU	2022 \$'000
Telecommunications	71,450
Energy and Water	20,042
Comdain	100,285
Service Stream Maintenance	90,663
	<b>282,440</b>

### (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 all CGUs 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 for further details on fair value measurements).

The cash flows are based on the Board approved budget covering a one-year period together with management prepared cash flows through to FY2028 with a terminal growth rate applied thereafter. Management's determination of cash flow projections is 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:

CGU	Telecommunication	Utilities	Transport
Terminal growth rate	2.5%	2.5%	2.5%
Pre-tax discount rate	13.0%	12.6%	12.6%

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.

## 14 Intangible assets (continued)

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

#### Impact of possible changes in key assumptions

For the Utilities CGU, the recoverable amount approximates its carrying value. As such, any reasonable possible change in the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount leading to an impairment.

The Utilities business has had a challenging year with inflationary pressures, significant weather events impacting operations and additional costs incurred to close-out unprofitable projects. Revenue and profit growth assumptions applied in the impairment assessment are outlined below and assume a recovery in FY24 as the business repositions itself to strategically pull back from large high-risk fixed price design and construct projects, invest in high growth sectors and internally focus on improving operating margins.

Growth rate <sup>1</sup>	Utilities
Revenue	5.0%
EBITDA from Operations	17.8%

1. Compound annual growth rate over the 5-year forecast period from FY23 to FY28. EBITDA from Operations assumes a recovery in FY24 coming off a lower base in FY23 due to the challenges outlined above, with moderate growth assumed thereafter.

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 statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 \$'000	2022 \$'000
Properties	15,012	21,732
Motor vehicles	29,964	26,629
Equipment	5,213	4,168
<b>Total right-of-use assets</b>	<b>50,189</b>	<b>52,529</b>
Current lease liabilities	19,487	18,304
Non-current lease liabilities	33,757	39,156
<b>Total lease liabilities</b>	<b>53,244</b>	<b>57,460</b>

The Group's weighted average incremental borrowing rate applied to the lease liabilities as at 30 June 2023 was 4.17% (2022: 3.24%).

Additions and remeasurements to the right-of-use assets during the 2023 financial year were \$18.8 million (2022: \$40.5 million).

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

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

	2023 \$'000	2022 \$'000
<b>Depreciation of right-of-use assets</b>		
Properties	9,275	10,053
Motor vehicles	10,274	6,264
Equipment	1,631	979
	<b>21,180</b>	<b>17,296</b>
Interest expense (included in interest expense and other finance costs)	2,332	1,624
Expense relating to short-term leases (included in the occupancy and motor vehicle expenses)	3,233	3,044
Income from sub-leasing of right-of-use assets	380	847

The total cash outflow for leases in 2023 was \$25.1 million (2022: \$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 or 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 \$44,342,000 (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

	2023 \$'000	2022 \$'000
Trade creditors	74,996	76,677
Sundry creditors and accruals	120,096	148,222
Goods and services tax payable	11,601	2,312
Income in advance	95,087	40,261
	<b>301,780</b>	<b>267,472</b>

## 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

	2023 \$'000	2022 \$'000
<b>Current</b>		
Employee benefits <sup>1</sup>	49,157	49,547
Provision for contractual obligations <sup>2</sup>	13,608	3,594
Provision for onerous contracts <sup>3</sup>	6,929	7,202
Other provisions <sup>4</sup>	2,846	2,007
	<b>72,540</b>	<b>62,350</b>
<b>Non-current</b>		
Employee benefits <sup>1</sup>	6,806	7,117
	<b>6,806</b>	<b>7,117</b>
<b>Total provisions</b>	<b>79,346</b>	<b>69,467</b>

<sup>1</sup> The provision for employee benefits represents annual leave, sick leave, rostered day-off and long service leave entitlements.

<sup>2</sup> The provision for contractual obligations represents the present value of estimated future outflows of economic benefit that may be required under the Group's obligations for warranties, rectification and rework with its various customers.

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

<sup>4</sup> Other provisions include 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 required to be 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
<b>Balance at 1 July 2021</b>	3,782	343	-
Additions recognised through business combinations	3,662	2,901	-
Additional provisions recognised	1,095	6,569	2,007
Unused amounts reversed	(2,464)	(152)	-
Amounts used during the year	(2,481)	(2,459)	-
<b>Balance at 30 June 2022</b>	<b>3,594</b>	<b>7,202</b>	<b>2,007</b>

	Contractual obligations \$'000	Onerous contracts \$'000	Other provisions \$'000
<b>Balance at 1 July 2022</b>	3,594	7,202	2,007
Additional provisions recognised	10,373	30,761	2,525
Unused amounts reversed	(357)	(472)	(790)
Amounts used during the year	(2)	(30,562)	(896)
<b>Balance at 30 June 2023</b>	<b>13,608</b>	<b>6,929</b>	<b>2,846</b>

### (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	
	2023 No.'000	2022 No.'000	2023 No.'000	2022 No.'000
Fully paid ordinary shares	615,953	615,953	499,682	499,682
	615,953	615,953	499,682	499,682

### (a) Fully paid ordinary shares

	Number of shares	Share capital
	\$'000	\$'000
<b>Balance at 1 July 2021</b>	410,393	318,721
Issue of shares	205,560	180,961
<b>Balance at 30 June 2022</b>	<b>615,953</b>	<b>499,682</b>
<b>Balance at 30 June 2023</b>	<b>615,953</b>	<b>499,682</b>

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	Share capital
	\$'000	\$'000
<b>Balance at 1 July 2021</b>	-	-
Acquisition of treasury shares (average prices; \$0.89 per share)	(229)	(204)
Share issued under employee share schemes	229	204
<b>Balance at 30 June 2022</b>	-	-
<b>Balance at 30 June 2023</b>	-	-

## 19 Dividends

Recognised amounts	2023	2022	2023	2022
	Cents per share	Cents per share	\$'000	\$'000
<b>Fully paid ordinary shares</b>				
Interim dividend	0.50	-	3,077	-
	0.50	-	3,077	-

## 19 Dividends (continued)

	2023 Cents per share	2022 Cents per share	2023 \$'000	2022 \$'000
<b>Fully paid ordinary shares</b>				
Final dividend	1.00	1.00	6,160	6,160
	<b>1.00</b>	<b>1.00</b>	<b>6,160</b>	<b>6,160</b>

A final dividend of 1.0 cent per share has been declared by the Board for the year ended 30 June 2023 (2022: 1.0 cent).

	Company	
	2023 \$'000	2022 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022: 30%)	5,279	42,209

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. The balance excludes the impact on franking credits associated with the final dividends declared at year-end.

## 20 Notes to the consolidated statement of cash flows

### (a) Reconciliation of cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash and cash equivalents	84,267	68,677
Balance per consolidated statement of cash flows	84,267	68,677

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

	2023 \$'000	2022 \$'000
Profit / (Loss) for the year	4,462	(36,324)
Gain on sale of disposal of non-current assets	(1,248)	(470)
Impairment loss	-	38,206
Depreciation and amortisation	68,050	53,322
Equity-settled share-based payments expense	2,051	332
Increase/(Decrease) in tax balances & other tax adjustments	42,403	(8,541)
<u>Movement in working capital net of balances acquired through business combinations:</u>		
Decrease / (increase) in trade and other receivables	(81,124)	20,872
Decrease / (Increase) in accrued income	19,405	(46,706)
(Increase) in other assets	(1,046)	(1,930)
(Increase) in inventories	(1,707)	(1,835)
Increase in trade and other payables	33,687	38,817
Increase in provisions	9,879	2,804
<b>Net cash provided by operating activities</b>	<b>94,812</b>	<b>58,547</b>

## 20 Notes to the consolidated statement of cash flows (continued)

### (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)
<b>Balance as at 30 June 2022</b>	<b>148,907</b>	<b>57,460</b>

\$'000	Borrowings	Lease liabilities
Balance as at 30 June 2022	148,907	57,460
Additions	-	18,848
Financing cash flows	(30,012)	(23,064)
Interest expense	13,063	2,332
Interest payments	(10,379)	(2,332)
<b>Balance as at 30 June 2023<sup>1</sup></b>	<b>121,579</b>	<b>53,244</b>

<sup>1</sup> Bank borrowings as at 30 June 2023 consist of borrowing of \$118.6 million and accrued interest of \$2.9 million, which is classified as trade and other payables.

## 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 2023 the Group's sensitivity to interest rate risk would be equivalent to a \$343,000 per annum unfavourable impact to profit before tax (2022: \$802,000 unfavourable).

### (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.

## 21 Financial instruments (continued)

### (c) Credit risk management (continued)

#### 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.

	Current \$'000	0-30 days \$'000	31-60 days \$'000	61-90 days \$'000	91 days + \$'000	Total \$'000
<b>2023</b>						
Expected loss rate	0.05%	0.23%	1.73%	5.40%	2.42%	
Gross carrying amount - trade receivables	142,813	32,477	4,304	3,386	3,054	186,035
Loss allowance	76	74	74	183	74	481

	Current \$'000	0-30 days \$'000	31-60 days \$'000	61-90 days \$'000	91 days + \$'000	Total \$'000
<b>2022</b>						
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

The loss allowances for trade receivables at 30 June 2023 reconciles to the opening loss allowances as follows:

	2023 \$'000	2022 \$'000
<b>Opening balance</b>	896	583
Acquired through business combination	-	352
Additional provision recognised	-	537
Unused amount reversed	(415)	(576)
<b>Closing balance</b>	481	896

### (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 forecasts 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 2023.

## 21 Financial instruments (continued)

### (d) Liquidity risk management (continued)

#### (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	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
<b>2023</b>								
<b>Financial liabilities</b>								
Lease liabilities	4.17%	(53,244)	(57,498)	(11,505)	(9,759)	(14,223)	(18,955)	(3,057)
Borrowings <sup>1</sup>	4.84%	(118,612)	(133,964)	(2,930)	(2,882)	(5,764)	(122,388)	-
Trade and other payables	N/A	(301,780)	(301,780)	(301,780)	-	-	-	-
		<b>(473,637)</b>	<b>(493,242)</b>	<b>(316,215)</b>	<b>(12,641)</b>	<b>(19,987)</b>	<b>(141,343)</b>	<b>(3,057)</b>

	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
<b>2022</b>								
<b>Financial liabilities</b>								
Lease liabilities	3.24%	(57,460)	(59,897)	(10,723)	(9,643)	(15,790)	(18,661)	(5,080)
Borrowings <sup>1</sup>	1.76%	(148,907)	(153,718)	(1,315)	(1,307)	(151,096)	-	-
Trade and other payables	N/A	(267,472)	(267,472)	(267,472)	-	-	-	-
		<b>(473,839)</b>	<b>(481,087)</b>	<b>(279,510)</b>	<b>(10,950)</b>	<b>(166,886)</b>	<b>(18,661)</b>	<b>(5,080)</b>

1. Borrowings maturity has been updated to reflect the underlying facility expiry.

#### (ii) Financing facilities

	2023 \$'000	2022 \$'000
Bank guarantee	113,355	112,863
Surety bonds	21,835	-
Borrowings	120,000	148,907
<b>Amount used</b>	<b>255,190</b>	<b>261,770</b>

During the period, the Group refinanced and extended its syndicated debt facilities of \$395 million for a further 2 years, expiring in November 2025. There were no material changes to the terms and conditions of the agreement. 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 2023, the Group had undrawn committed loan facilities of \$161.6 million across bank guarantees, borrowings and bank overdraft, of which the overdraft has a maximum draw down of \$25 million available. In the prior year, the Group had unused facilities of \$132 million mainly attributable to borrowings, bank guarantees, bank overdraft and cash advances.

## 21 Financial instruments (continued)

### (e) Categories of financial instruments

	2023 \$'000	2022 \$'000
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	84,267	68,677
Accrued revenue	254,436	273,841
Trade and other receivables	186,120	105,011
	<b>524,823</b>	<b>447,529</b>
	2023 \$'000	2022 \$'000
<b>Financial liabilities at amortised cost</b>		
Lease liabilities	53,244	57,460
Borrowings	118,612	148,907
Trade and other payables	301,780	267,472
	<b>473,637</b>	<b>473,839</b>

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

## 22 Capital risk management

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 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 all of the financial covenants of its borrowing facilities during the 2023 and 2022 financial reporting periods.

## 23 Share-based payments

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

#### *Recognition and measurement*

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 2023 (FY23 LTI). 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. The key terms of the LTI plans are disclosed in the Directors' report.

The amount recognised as expense over the vesting period is adjusted to reflect management estimate of actual number of performance rights that vest except where forfeiture is due to failure to achieve market-based performance indicators.

## 23 Share-based payments (continued)

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

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	Rights vesting date	Share grant date	Performance period
FY21	720,587	21 October 2020	TSR - 166.9cps EPS - 193.8 cps	June 2023	September 2023	1 July 2020 - 30 June 2023
FY22	3,182,182	29 October 2021	TSR - 55.2 cps EPS - 74.7 cps	June 2024	September 2024	1 July 2021 - 30 June 2024
FY23	4,965,711	17 November 2022	TSR - 34.90 cps EPS - 64.93 cps	June 2025	September 2025	1 July 2022 - 30 June 2025
FY23 - CEO	990,441	19 October 2022	TSR - 33.50 cps EPS - 61.77 cp	June 2025	September 2025	1 July 2022 - 30 June 2025

#### Fair value of performance rights

The FY23 LTI performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a Monte-Carlo simulation. The FY23 LTI performance rights 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 <sup>1</sup>	Risk-free interest rate	Dividend yield	Rights vesting date	Share grant date
FY21	\$2.19	2.90 years	40%	0.11%	4.63%	June 2023	September 2023
FY22	\$0.88	2.67 years	40%	1.07%	4.96%	June 2024	September 2024
FY23	\$0.74	2.67 years	40%	3.19%	4.99%	June 2025	September 2025
FY23 – CEO	\$0.71	2.70 years	40%	3.46%	5.16%	June 2025	September 2025

<sup>1</sup>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.

#### 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:

	2023		2022	
	Number of rights	Grant date weighted avg FV \$	Number of rights	Grant date weighted avg FV \$
Balance at start of the financial year	5,177,639	1.047	3,005,626	1.863
Granted during the year	6,155,835	0.497	4,112,340	0.650
Vested during the year	-	-	-	-
Forfeited during the year	(1,474,553)	1.456	(1,940,327)	1.470
Balance at end of the financial year	9,858,921	0.642	5,177,639	1.047

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 (FY23 Tranches), one year (FY22 Tranche) and 3 months (FY21 Tranche)

## 24 Subsidiaries

Details of the Company's subsidiaries at 30 June 2023 are as follows:

Name of entity	Country of incorporation	Ownership interest	
		2023 %	2022 %
<b>Parent entity</b>			
Service Stream Limited	Australia		
<b>Subsidiaries</b>			
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 (formerly Lendlease Services Pty Ltd) (i)	Australia	100	100
Westlink (Services) Pty Limited	Australia	100	100
EnerSafe Pty Ltd	Australia	100	100

(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

### (a) Joint Operations

#### **Delivering for Customers (D4C)**

D4C is an unincorporated jointly controlled entity between Service Stream Utilities Pty Ltd (formerly Comdain Infrastructure Pty Ltd), Service Stream Maintenance Pty Ltd (SSM) (previously Lendlease Services Pty Ltd), John Holland Pty Ltd and WSP Australia Pty Ltd (WSP). 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.

## 25 Joint arrangements (continued)

### The Intelligent Freeways Alliance (IFA)

SSM, WSP and NRW Holdings Ltd entered into incorporated Alliance (The Intelligent Freeways Alliance (IFA)) to deliver the Smart Freeway Mitchell Southbound Reid Highway to Vincent Street contract for The Main Roads Western Australia in Dec 2021.

The alliance is undertaking works to improve traffic flow and safety on the Mitchell Freeway, including freeway entry ramps, installation of coordinated ramp signals managing the flow of traffic entering the freeway, improving safety and cutting travel times for commuters.

The Intelligent Freeways Alliance 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. Service Stream Maintenance Pty Ltd holds 42.1% beneficial interest in IFA.

### Recognition and measurement

In accordance with AASB 11 Joint Arrangements, both entities above are therefore classified as joint operations and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described in note 33(b).

### (b) Details of joint ventures and associates

	Ownership interest		Measurement basis	Principal place of business and country of incorporation
	June 2023	June 2022		
LT Joint Venture Pty Ltd	50%	50%	Equity Accounted	Victoria, Australia
ConnectSydney Pty Ltd	50%	50%	Equity Accounted	New South Wales, Australia
South Australian Road Services Pty Ltd	50%	50%	Equity Accounted	South Australia, Australia
Brisbane Motorway Services Pty Ltd	50%	50%	Equity Accounted	Queensland, Australia

### (c) 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
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 Jul 2021	-	-	-	-	-
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)
<b>Closing balance as at 30 Jun 2022</b>	<b>39</b>	<b>5,219</b>	<b>343</b>	<b>5</b>	<b>5,606</b>
Opening balance as at 1 Jul 2022	39	5,219	343	5	5,606
Total share of profit	12	4,610	40	-	4,662
Dividends received	-	(1,701)	-	-	(1,701)
<b>Closing balance as at 30 Jun 2023</b>	<b>51</b>	<b>8,128</b>	<b>383</b>	<b>5</b>	<b>8,567</b>

#### (i) 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 maintenance contract with Transport for NSW. It is expected that the company will be wound up in FY24.

#### (ii) 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.

## 25 Joint arrangements (continued)

### (iii) 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.

### (iv) 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. The company is in the process of being liquidated and will be wound up in FY24.

## 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 lodgment of financial reports, and Directors' report.

A Consolidated statement of profit or loss and other comprehensive income and Consolidated statement of financial position for the year ended 30 June 2023 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

	2023 \$'000	2022 \$'000
<b>Revenue</b>	<b>2,028,129</b>	1,500,191
<b>Expenses</b>	<b>(2,030,535)</b>	(1,537,733)
Share of profits from investment in associates	4,662	2,192
<b>Profit / (Loss) before tax</b>	<b>2,255</b>	(35,350)
Income tax expense	(761)	(1,712)
<b>Profit / (Loss) profit for the year</b>	<b>1,494</b>	(37,062)
<b>Total comprehensive loss for the year</b>	<b>1,494</b>	(37,062)

### (b) Consolidated statement of financial position of the deed of cross guarantee group

	2023 \$'000	2022 \$'000
<b>ASSETS</b>		
Current assets	545,481	475,716
Non-current assets	538,801	574,557
<b>Total assets</b>	<b>1,084,282</b>	1,050,273
<b>LIABILITIES</b>		
Current liabilities	399,278	350,383
Total non-current liabilities	229,085	233,059
<b>Total liabilities</b>	<b>628,363</b>	583,442
<b>Net assets</b>	<b>455,919</b>	466,831
<b>EQUITY</b>		
<b>Capital and reserves</b>		
Contributed equity	499,667	499,682
Reserves	(9,973)	(12,024)
Retained earnings / (accumulated losses)	(33,775)	(20,827)
<b>Total equity</b>	<b>455,919</b>	466,831

## 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:

	2023	2022
	\$	\$
Short-term employee benefits	2,451,982	3,391,970
Post-employment benefits	103,609	117,562
Other long-term benefits	77,680	29,460
Share-based payments <sup>1</sup>	657,541	30,020
	<b>3,290,812</b>	<b>3,569,012</b>

<sup>1</sup> 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

In the prior year, Tom Coen had a beneficial interest in two of the commercial properties that the Group occupied, of which total rental paid was approximately \$767,000 by the group. Tom Coen retired in March 2022 and there were no other transactions with key management personnel of the Group for the financial year ended 30 June 2023.

## 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

	2023	2022
	\$'000	\$'000
Current assets	-	7,863
Non-current assets	451,216	430,298
<b>Total assets</b>	<b>451,216</b>	<b>438,161</b>
Current liabilities	6,704	-
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>6,704</b>	<b>-</b>
<b>Net assets</b>	<b>444,512</b>	<b>438,161</b>
Issued capital	478,132	478,148
Reserves - equity-settled employee benefits	(9,972)	(9,908)
Accumulated losses	(23,648)	(30,079)
<b>Equity</b>	<b>444,512</b>	<b>438,161</b>

### (b) Financial performance

	2023	2022
	\$'000	\$'000
Profit / (Loss) for the year	15,666	(389)
<b>Total comprehensive income</b>	<b>15,666</b>	<b>(389)</b>

### (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.

#### (ii) 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.

#### (iii) 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

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 FY23, 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 2022 annual report, Note 30. This consideration was paid in 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 30 Jun 2022 \$'000	Final 30 Jun 2023 \$'000	Change \$'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

### 30 Contingent assets and liabilities

At the date of this report there are no contingent assets and liabilities that are expected to materially impact, either individually or in aggregate, the Group's financial position or results from operations (2022: 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

	2023	2022
	\$	\$
Audit and review of the financial report	1,208,000	1,171,000
Other assurance services	60,000	100,000
Tax services	219,599	31,000
	<b>1,487,599</b>	<b>1,302,000</b>

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 22 August 2023.

(i) 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.

(ii) 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.

(iii) New and amended standards adopted by the Group

The group has applied AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141]* for the first time for their annual reporting period commencing 1 July 2022. The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(v) Changes in accounting policy

There were no changes in accounting policies during the period.

(vi) 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.

### 33 Significant accounting policies (continued)

#### (a) Basis of preparation (continued)

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.

#### (b) Joint arrangement

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 statement of financial position 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.

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.

#### (c) 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.

### 33 Significant accounting policies (continued)

#### (d) 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.

#### (e) Revenue recognition

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

##### 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*).

##### 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;
- 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 transfers 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 statement of financial position as an asset, under accrued revenue. Where progress billings exceed recognised revenues, the surplus is shown in the Consolidated statement of financial position, 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 statement of financial position, 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.

### 33 Significant accounting policies (continued)

#### (e) Revenue recognition (continued)

##### 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.

These are recognised on a straight-line basis over the life of the contract or recovered based on an actual cost basis.

##### 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.

##### 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.

#### (f) 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.

### 33 Significant accounting policies (continued)

#### (f) Leases

##### Right-of-use assets

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.

#### (g) 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.

#### (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 consolidated statement of financial position 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.

### 33 Significant accounting policies (continued)

#### (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.

##### 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.

#### (j) 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

### 33 Significant accounting policies (continued)

#### (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.

#### (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.

### 33 Significant accounting policies (continued)

#### (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.

##### (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 consolidated statement of financial position 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.

### 33 Significant accounting policies (continued)

#### (p) Financial instruments (continued)

##### 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

##### (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 statement of financial position 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 statement of financial position.

### 33 Significant accounting policies (continued)

#### (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.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Service Stream Limited.

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

#### (v) Dividends

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

#### (w) Earnings per share

##### Basic earnings per share

Basic earnings per share is calculated by dividing:

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

##### Diluted earnings per share

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

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

#### (x) Rounding of amounts

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

#### (y) Business combinations

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

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

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

### 33 Significant accounting policies (continued)

#### (y) Business combinations (continued)

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

### 34 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

## Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
- (b) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (c) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date, and
- (d) 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
- (e) 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

22 August 2023



Leigh Mackender

Managing Director

22 August 2023



## Independent auditor's report

To the members of Service Stream Limited

### Report on the audit of the financial report

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#### 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 2023 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 statement of financial position as at 30 June 2023
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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#### 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.

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## 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 \$10.1 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 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.

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## 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.



<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p data-bbox="263 488 566 548"><b>Revenue recognition</b> (Refer to note 3) \$2,048.7m</p> <p data-bbox="263 582 853 705">For the year ended 30 June 2023, the Group recognised \$2,048.7 million of revenue from contracts with customers, of which \$254.4 million was accrued at 30 June 2023.</p> <p data-bbox="263 739 853 1086">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.</p> <p data-bbox="263 1120 853 1220">Revenue recognition in relation to the delivery of projects is complex because it is based on the Group's estimates of:</p> <ul data-bbox="311 1254 853 1411" style="list-style-type: none"><li>• the stage of completion of the contract activity</li><li>• total forecast contract costs, and</li><li>• variable consideration</li></ul> <p data-bbox="263 1444 853 1601">This was a key audit matter because of its significance to profit, the high volume of revenue transactions associated with ticket of work services and the estimation required in recognising revenue from the delivery of projects.</p>	<p data-bbox="885 488 1412 548">We evaluated the design of relevant key internal controls over the recognition of revenue.</p> <p data-bbox="885 582 1460 705">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.</p> <p data-bbox="885 739 1444 806">For revenue from the delivery of projects, amongst other procedures and for a sample of contracts, we:</p> <ul data-bbox="933 840 1484 1254" style="list-style-type: none"><li>• obtained an understanding of the terms and conditions of contracts</li><li>• 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</li><li>• assessed the Group's forecasting accuracy by comparing historical actual costs incurred relative to the forecast of those costs.</li></ul> <p data-bbox="885 1288 1452 1377">In addition, for revenue that was accrued at 30 June 2023 we evaluated the appropriateness of management's recoverability assessment.</p> <p data-bbox="885 1411 1484 1568">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.</p>



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="264 490 759 551"><b>Goodwill impairment assessment - Utilities</b> (Refer to note 14) \$129.9m</p> <p data-bbox="264 589 829 678">The Group is required by Australian Accounting Standards to test goodwill annually for impairment at the cash generating unit (CGU) level.</p> <p data-bbox="264 714 834 804">The consolidated statement of financial position at 30 June 2023 includes goodwill relating to the Utilities CGU group (\$129.9 million).</p> <p data-bbox="264 842 842 965">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.</p> <p data-bbox="264 1003 770 1064">In undertaking impairment testing, the following assumptions require estimation:</p> <ul data-bbox="312 1099 845 1413" style="list-style-type: none"><li>• expected cash flows, as taken from Board approved budgets and strategic plans, including assumptions regarding extending existing and winning new contracts.</li><li>• discount rates used to discount the estimated cash flows.</li><li>• the long-term growth rate to be applied to the forecast cash flows in the terminal year.</li></ul> <p data-bbox="264 1451 826 1538">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.</p>	<p data-bbox="887 490 1449 613">To evaluate the recoverable amount of the Utilities CGU, with assistance from PwC valuation experts in aspects of our work, we performed the following procedures, amongst others:</p> <ul data-bbox="935 651 1481 1155" style="list-style-type: none"><li>• assessed the appropriateness of the discount rate in consideration of the forecast cash flows;</li><li>• evaluated the Group’s historical ability to forecast future cash flows by comparing forecast cash flows with reported actual performance;</li><li>• evaluated the underlying cash flow assumptions for key customer contracts with reference to historical results and expected project pipelines on a sample basis; and</li><li>• considered whether the allocation of corporate costs between CGUs was appropriate.</li></ul> <p data-bbox="887 1193 1481 1317">We considered the adequacy of the disclosures relating to the Group’s goodwill impairment assessment in light of the requirements of Australian Accounting Standards.</p>

### 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 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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.

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### **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.

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### **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](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

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### Our opinion on the remuneration report

We have audited the remuneration report included in pages 19 to 33 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

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### 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.

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 August 2023

## **Corporate Directory**

### **Directors**

Brett Gallagher  
Leigh Mackender  
Peter Dempsey  
Elizabeth Ward  
Martin Monro  
Sylvia Wiggins

### **Company Secretaries**

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 Johnson Street  
Abbotsford Victoria 3067  
Tel: 1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)  
Fax: +61 3 9473 2500

### **Auditor**

PricewaterhouseCoopers