Service Stream Limited

(and its subsidiaries)

ABN 46 072 369 870

Appendix 4E (rule 4.3A)
Preliminary Final Report
Year ended 30 June 2021

(Previous corresponding period: 30 June 2020)

Results For Announcement to the Market

Year Ended	30 Jun 21 $'000	% change	30 Jun 20 $'000
Revenue from ordinary activities	804,203	(13.4%)	929,133
Earnings before interest expense, taxation, depreciation and amortisation (EBITDA)	75,153	(28.8%)	105,588
Earnings before interest expense and taxation (EBIT)	45,862	(37.9%)	73,910
Profit from ordinary activities after tax attributable to members	29,274	(40.6%)	49,315
Net profit attributable to members	29,274	(40.6%)	49,315

Dividends	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Interim dividend per share paid on 14 April 2021	**2.50**	**2.50**	**30%**
Total dividend per share for the year	**2.50**	**2.50**	

No final dividend has been declared by the Board for the year ended 30 June 2021.

Net Tangible Asset Backing	30 Jun 21 $	30 Jun 20 $
Consolidated net tangible assets per share [1]	**0.0404**	**0.0211**

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

Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements and the Directors' report.

This report is based on the consolidated financial statements which have been audited by PricewaterhouseCoopers.

Service Stream Limited ABN 46 072 369 870

Annual Report
for the year ended 30 June 2021

Contents

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

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

Level 4, 357 Collins Street Melbourne VIC 3000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and financial performance on pages 4 to 11, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 26 August 2021. 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.

Directors' report

Your Directors present their report on the consolidated entity (the Group) consisting of Service Stream Limited and entities it controlled at the end of, or during, the year ended 30 June 2021, and in order to comply with the provisions of the *Corporations Act 2001*. The Directors report is as follows:

Information about the Directors

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 and, 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 organisations and several private businesses that operate predominantly in the utilities and services sector.

Brett is a member of the Sustainability, Safety, Health & Environment 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 when it acquired AMRS (now Energy & Water) in February 2008, and has worked predominantly within the telecommunications, utilities and infrastructure industries, through roles in both private and public businesses. Prior to being appointed Managing Director, Leigh had executive responsibility for the Energy & Water division's national operations. Leigh has specific expertise in strategic leadership, development and implementation of business strategy, operational and financial management, commercial negotiations, client service and business development. He also has extensive experience in health, safety & environment, governance and compliance, investor relations, mergers & acquisitions, technology, human resources and remuneration practices.

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

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

Greg Adcock

Non-Executive Director

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

Qualifications: MAICD, MAIPM.

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

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

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

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

Tom Coen

Non-Executive Director

Term of Office: Non-Executive Director since February 2019.

Qualifications: GAICD.

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

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

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

Tom 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 these industries. He spent 30 years at Baulderstone, including five years as Managing Director. He has specific expertise in engineering, strategic leadership, health, safety & environment, corporate finance, mergers & acquisitions and human resources.

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

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

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

Deborah Page AM

Non-Executive Director

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

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

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

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

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

Deborah is currently a Non-Executive Director of Brickworks Limited, Pendal Group Limited and Growthpoint Properties Australia Limited. During the last three years, Deborah held a listed company directorship with GBST Holdings Limited (retired as entity was acquired in November 2019).

Directors' shareholdings

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

	Service Stream Limited	
	Fully paid ordinary shares	Performance rights
Directors	Number	Number
B Gallagher	3,904,613	-
G Adcock	93,333	-
T Coen	39,726,415	-
P Dempsey	1,350,050	-
D Page	622,801	-
L Mackender	1,467,601	361,879

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 15 to 33. The term 'key management personnel' 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.

Performance rights granted to Directors and senior management

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

	Service Stream Limited	
Director and senior executives	Number of rights granted	Number of ordinary shares under rights
L Mackender	361,879	361,879
L Kow	193,076	193,076
P McCann	132,791	132,791
K Smith	162,254	162,254
B Wakeford	87,575	87,575
	937,575	**937,575**

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 a 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 a provider of essential network services, including access, design, build, installation and maintenance. These services are provided across fixed-line and wireless telecommunications networks as well as to a range of water, gas and electricity network owners and operators nationally.

Review of operations and financial performance

Financial overview

$'000	FY21	FY20	Change		
Revenue	**804,203**	**929,133**	**(124,930)**	**(13.4%)**	▼
EBITDA [1]	**75,153**	**105,588**	**(30,435)**	**(28.8%)**	▼
Depreciation & amort.	(20,439)	(20,673)	234	(1.1%)	▲
Amort. of customer contracts / relationships	(8,852)	(11,005)	2,153	(19.6%)	▲
EBIT	**45,862**	**73,910**	**(28,048)**	**(37.9%)**	▼
Net financing costs	(4,044)	(3,445)	(599)	17.4%	▼
Income tax expense	(12,544)	(21,150)	8,606	(40.7%)	▲
Net profit after tax	**29,274**	**49,315**	**(20,041)**	**(40.6%)**	▼
Statutory EPS (cents)	7.15	12.13	(4.98)	(41.1%)	▼
Dividends declared per share (cents)	2.50	9.00	(6.50)	(72.2%)	▼
Adjusted profitability [2]:					
EBITDA from Operations	**80,111**	**108,115**	**(28,004)**	**(25.9%)**	▼
EBITDA from Operations %	*10.0%*	*11.6%*	*(1.7%)*		▼
Adjusted EBIT (EBIT-A)	**59,672**	**87,442**	**(27,770)**	**(31.8%)**	▼
Adjusted NPAT (NPAT-A)	**38,941**	**58,787**	**(19,846)**	**(33.8%)**	▼
Adjusted EPS (cents)	**9.51**	**14.46**	**(4.95)**	**(34.2%)**	▼

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

[2]Adjusted for relevant non-operational expenditure and amortisation of customer contracts / relationships. Refer to reconciliation between IFRS and non-IFRS financial information for further details on page 5.

Group results

Group revenue reduced by 13.4% to $804.2 million from $929.1 million with Telecommunications reporting a net reduction of 27.9%, partially offset by Utilities revenue increasing by 7.1%. The reduction in Telecommunications revenue was driven by the conclusion of the nbn design and construction program in FY20, and related to that, a reduction in activation volumes as per nbn's strategic plan. The Utilities segment achieved solid revenue growth of 11.0% across Comdain Infrastructure operations, but this was partially offset by lower metering revenue primarily due to continuing COVID-19 impacts.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) decreased to $75.2 million from $105.6 million, inclusive of $5.0 million non-operational expenditure. EBITDA from Operations excludes this non-operational expenditure which is comprised of costs associated with the assessment of M&A opportunities of $3.5 million, the majority of which relates to due diligence undertaken in relation to the Lendlease Services Acquisition announced on 21 July 2021; and restructuring costs of $1.5 million.

Depreciation & amortisation expense remained stable, decreasing by $0.2 million. Amortisation of customer contracts & relationships expense relates to the Techsafe (2017) and Comdain Infrastructure (2019) acquisitions. This non-operational expense is excluded from the calculation of Adjusted Profitability metrics.

Group earnings before interest and tax (EBIT) was $45.9 million, a decrease of $28.0 million on FY20. The decrease is in line with the movement in EBITDA.

The Group's net financing costs increased by $0.6 million to $4.0 million, predominantly due to the refinancing of the Group's banking facilities undertaken during the year, with total debt facilities increased to $275 million to provide headroom for future growth.

Tax expense for the year was $12.5 million, which is an effective tax rate of 30.0%.

Group net profit after tax (NPAT) decreased from $49.3 million to $29.3 million, and earnings per share (EPS) reduced from 12.13 cents to 7.15 cents per share primarily driven by the reduction in revenue drivers discussed above.

The Directors have determined that a final FY21 dividend will not be declared to assist with funding the Lendlease Services Acquisition.

Reconciliations between IFRS and non-IFRS financial information

$'000	FY21	FY20
Reported EBITDA	**75,153**	**105,588**
Add-back adjustments:		
- Due diligence costs on potential acquisitions	3,470	1,312
- Restructuring costs	1,488	-
- Integration costs (Comdain)	-	1,215
EBITDA from Operations	**80,111**	**108,115**
Statutory NPAT	29,274	49,315
Add-back adjustments:		
- As above for EBITDA	4,958	2,527
- Amort. of cust. contracts / relationships	8,852	11,005
- Tax effect of above (as relevant)	(4,143)	(4,060)
Adjusted NPAT (NPATA) [1]	**38,941**	**58,787**
Avg number of shares on issue (millions)	409.477	406.647
Statutory EPS (cents)	7.15	12.13
Adjusted EPS (cents)	**9.51**	**14.46**

[1]*Adjusted net profit after tax.*

Impact to the Group from COVID-19 pandemic

Service Stream provides essential infrastructure services to gas, electricity, water and telecommunications network owners and operators nationally. Whilst these sectors have largely been able to continue operations throughout the pandemic, there have been a number of continuing COVID-19 related impacts to the Group's operations during the period.

The impacts to FY21 earnings are described below:

- delays to mobilisation programs, caused by lockdowns, border restrictions and/or availability of client supplied free issue materials;
- continuing customer determined moratoriums on electricity and gas disconnections (and subsequent reconnections) impacting metering operations. These restrictions have progressively improved over the latter part of FY21, however, not all clients have resumed normal metering operations;
- deferral of some discretionary maintenance activities by asset owners; and
- increased costs to support specific safety-related protocols across business operations, such as protective equipment, additional cleaning, and operating separate warehouse shifts.

Specifically, the Victorian Stage 4 COVID-19 restrictions resulted in significantly reduced services in the Group's Techsafe operations during the first half of FY21. As a result, the Group received $1.1 million of JobKeeper assistance from the government.

Segment Results

$'000	FY21	FY20	Change		
Telecommunications	392,378	544,170	(151,792)	(27.9%)	▼
Utilities	411,541	384,083	27,458	7.1%	▲
Eliminations, interest & other revenue	284	880	(596)		
Total Revenue	**804,203**	**929,133**	**(124,930)**	**(13.4%)**	▼
Telecommunications	57,783	83,125	(25,342)	(30.5%)	▼
Utilities	29,048	30,810	(1,762)	(5.7%)	▼
Unallocated corporate costs	(6,720)	(5,820)	(900)		
EBITDA from Operations	**80,111**	**108,115**	**(28,004)**	**(25.9%)**	▼
Non-operational costs	(4,958)	(2,527)	(2,431)		
EBITDA	**75,153**	**105,588**	**(30,435)**	**(28.8%)**	▼
Telecommunications	14.7%	15.3%	(0.6%)		▼
Utilities	7.1%	8.0%	(0.9%)		▼
EBITDA margin	**9.3%**	**11.4%**	**(2.1%)**		▼

Telecommunications

The Group's Telecommunications segment provides a wide range of operations, maintenance, installation, design and construction services to the owners of fixed-line and wireless telecommunication networks in Australia. Principal customers include nbn co and Telstra. During the year, the following significant long-term agreements with core delivery partners have been signed:

- nbn Unified Field Operations (Unify Services), which replaces the Operations and Maintenance Master Agreement (OMMA). The agreement is for an initial period of four years, with two x two-year extension options, and Service Stream will be responsible for performing activation, operations and maintenance activities across core network technologies;
- nbn Unified Field Operations (Unify Networks) to perform operations and maintenance activities across core network technologies. The agreement is for an initial period of four years and includes a provision of two x two-year extension options. This agreement supersedes the Network Maintenance & Restoration Agreement (NMRA) that was held by Service Stream and was extended by nbn on multiple occasions since its original execution in September 2012; and

- a multi-year Telstra Field Optimisation Agreement (TFO) for the provision of design and construction services across wireless and fixed-line infrastructure networks. The five-year agreement is for an initial period of three years, with two x one-year extension options.

Telecommunications' financial performance in FY21 declined since the prior year, delivering revenue of $392.4 million and an EBITDA of $57.8 million (14.7% margin), compared with revenue of $544.2 million and EBITDA of $83.1 million (15.3% margin) in the prior year.

Revenue decreased by $151.8 million (27.9%) compared to FY20 due to:

- activation and assurance revenue was $101.6 million lower, with overall activation volumes in line with nbn's corporate plan;
- conclusion of nbn D&C activities following the successful completion of the program during H2 FY20 resulting in revenue reduction of $38.5 million; and
- Wireless revenue of $63.1 million, down $10.0 million from prior period with work volumes continuing to track below expectations due to subdued 5G expenditure.

Telecommunications' EBITDA was $57.8 million, a decrease of 30.5% against prior year due to the aforementioned reasons.

Utilities

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

Utilities achieved further revenue growth in FY21, delivering revenue of $411.5 million and an EBITDA of $29.0 million (7.1% margin) compared with revenue of $384.1 million and EBITDA of $30.8 million (8.0% margin) in the prior year.

Revenue increased by $27.5 million (7.1%) compared to FY20 due to:

- strong performance across Comdain Infrastructure with the business unit achieving 11.0% revenue growth. This includes the first full-year contribution from the Sydney Water D4C Joint Venture (JV);
- metering services revenue was impacted by COVID-19 related reduced activity due to client moratoriums on electrical and gas disconnections and reduced residential land development activity; and
- lower revenue from New Energy due to fluctuating volumes across a number of work programs.

Utilities' EBITDA was $29.0 million, a decrease of $1.8 million against prior year. The EBITDA margin reduction of 0.9% was due to work-mix, with increased weighting of revenue from Comdain Infrastructure which operates at a lower margin than the Energy & Water business unit.

Cashflow and Financial Position

$'000	FY21	FY20	Change		
Reported EBITDA	**75,153**	**105,588**	**(30,435)**	**(28.8%)**	▼
+/- non-cash items & change in working capital	(728)	(19,142)	18,414	(96.2%)	▲
OCFBIT [1]	**74,425**	**86,446**	**(12,021)**	**(13.9%)**	▼
EBITDA to OCFBIT [1] *conversion %*	**99.0%**	**81.9%**			
Net interest and financing paid	(4,698)	(3,586)	(1,112)	31.0%	▼
Income taxes paid	(24,180)	(25,177)	997	(4.0%)	▲
Operating cashflow	**45,547**	**57,683**	**(12,136)**	**(21.0%)**	▼
Capital expenditure (net of proceeds from sales)	(8,839)	(6,485)	(2,354)	36.3%	▼
Free cashflow	**36,708**	**51,198**	**(14,490)**	**(28.3%)**	▼
Dividends paid	(28,719)	(36,303)	7,584	(20.9%)	▲
Principal elements of lease payments	(11,888)	(9,655)	(2,233)	23.1%	▼
Lease incentives received	-	4,164	(4,164)	(100.0%)	▼
Purchase of shares (net of costs)	-	(741)	741	(100.0%)	▲
Repayment of borrowings	(25,000)	-	(25,000)		▼
Net increase / (decrease) in cash	**(28,899)**	**8,663**	**(37,562)**	**(433.6%)**	▼
Net cash [2]	**15,573**	**19,472**	**(3,899)**	**(20.0%)**	▼

[1] Operating cashflow before interest & tax.
[2] Net cash excludes lease liabilities arising from the application of AASB 16 Leases.

Cash Flow

Cash flow from operations for the year was $45.5 million compared to $57.7 million in FY20, with key components being:

- operating cash flow from operations before interest and tax (OCFBIT) was $74.4 million, representing a 99.0% cash flow conversion rate which has improved on last year;
- net interest and financing cash outflows were $4.7 million, $1.1 million higher than FY20 due to the refinancing of debt facilities during the year; and
- tax paid of $24.2 million was $1.0 million lower than FY20, reflective of lower earnings. The Group received a $5.0 million tax payment deferral from the Australian Tax Office during FY20 as part of its initial response to managing potential risks from the COVID-19 pandemic which was paid in Q1 FY21.

Net investing cash outflows were $8.8 million and comprised:

- $9.9 million of capital expenditure investment in technology and plant & equipment. The IFS ERP implementation across Comdain Infrastructure was implemented successfully in FY21; and
- net of $1.1 million of proceeds from the sale of assets.

Net financing outflows for the year were $65.6 million and included:

- payment of motor vehicles and property leases of $11.9 million;
- $28.7 million paid in dividends, a reduction of $7.6 million from prior year; and
- $25.0 million repayments of borrowings.

Financial position

The financial position of the Group was steady, with Net Assets at 30 June 2021 of $323.3 million compared to $321.8 million at 30 June 2020. At 30 June 2021, Current Assets exceeded Current Liabilities by $55.4 million (30 June 2020: $69.2 million).

Net cash and financing facilities

- the Group ended the year with Net Cash (excluding lease liabilities and capitalised borrowing costs) of $15.6 million. Net Cash at 30 June 2021 comprised cash of $50.6 million less borrowings of $35 million;
- the Group completed a refinance of its banking facilities and increased its revolving facilities to $275 million in Q2 FY21; and
- the Group was in compliance with, and had substantial headroom on each of the financial covenants that applied during the year under the Syndicated Facilities Agreement with its bankers.

Other Balance Sheet items / movements

Other key balance sheet movements during the year included:

- working capital (comprising the net of trade & other receivables, inventories, accrued revenue, other assets, trade & other payables and provisions) at 30 June 2021 was a net asset position of $13.1 million, in line with the prior year position;
- plant and equipment at 30 June 2021 was $13.2 million compared to $15.2 million at 30 June 2020;
- Intangibles at 30 June 2021 were $306.7 million compared to $313.2 million with the decrease primarily attributable to amortisation of customer contracts & relationships; and
- right-of-use assets and lease liabilities in respect of AASB 16 of $30.0 million and $33.7 million respectively at balance date compared to prior year of $29.1 million and $33.4 million respectively.

Overall Group strategy, prospects and risks

Although the financial performance of the Group was below that of the prior year, due to the rebasing of the business following the renewal of Telecommunications contracts in the year, the Group remains well positioned to continue to deliver on its strategic objectives in line with the Board’s expectations. The balance sheet, cashflow and liquidity position of the group remain very strong.

The Board believes that demand for essential network services is expected to remain strong in the medium term, and that the Group remains well placed to continue to take advantage of both organic and acquisitive growth opportunities.

Consistent with the Group’s strategy, Service Stream has entered into a binding agreement to acquire 100% of Lendlease Services from Lendlease Group. This acquisition is expected to further diversify Group revenues, enhance current capabilities and expand the Group’s addressable markets. This acquisition was announced to the ASX on 21 July 2021 and is expected to complete around November 2021.

In the Telecommunications segment, the securing of the Unify Services, Unify Networks and Telstra Field Operations agreements on multi-year terms provides future earnings sustainability and a significant long-term foundation from which the business can pursue and secure additional opportunities.

In the Utilities segment, the Board notes the positive momentum achieved during the year and the continued strong future prospects it provides in the Utilities space.

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

COVID-19 pandemic	The COVID-19 pandemic created an unprecedented level of uncertainty and continues to present some risks to near-term performance. Although impact to the Group’s operations to date have not been overly significant, the evolution of the pandemic and any escalation of the government’s response, including but not limited to, increased restriction of workforce movement, increased safety protocols, and reduction in demand from the Group’s customers may further negatively impact the Group’s operations.
Customer concentration	Management and the Board are conscious of the Group’s exposure to a small number of key customers and infrastructure programs particularly within the telecommunications sector as a source of revenue and profitability, but accepts that concentration to customers such as nbn co and Telstra is a natural consequence of operating in this market in Australia. In that context, Management and the Board remain alert to factors that could disrupt or delay the flow of work from its major customers, and implement strategies to actively pursue the diversification of income streams both within and separate to those customers by developing and offering a broad range of services and geographic coverage.

The acquisition of Comdain Infrastructure which provides a range of operations, maintenance, design and construction service to gas and water network operators in Australia has assisted with diversifying the Group's revenue base and managing this risk to date.

The acquisition of Lendlease Services, which was announced on 21 July 2021, and expected to complete around November 2021 is expected to provide further sector and customer diversification which may assist further in addressing this risk.

Customer demand

Many of the Group's customer contracts do not contain volume commitments and are therefore dependent on the customer's demand requirements which can change at any time. The rate of adoption of new technology by the Group's customers, such as 5G technology, can also provide variability against expected future earnings. Whilst Management and the Board take a balanced view on the level of customer demand that is expected to arise when forecasting financial performance, there is a risk that the level of customer demand may change over time.

In addition, the potential variability in customer 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 a self-perform workforce and the use of subcontractors. Processes are therefore established and maintained to attract, mobilise and retain key resources to ensure that they are available at the right time and right place to match customers' forecasts of volume as they change over time.

Contract management

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

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

Renewal of customer contracts

Whilst the Group has been successful in renewing and extending the majority of all customer contracts that have recently expired, the renewal of contracts remains a risk that Management and the Board continues to actively monitor and manage.

Service Stream operates in a limited number of market segments in which there are relatively few competitors. Management and the Board are therefore particularly conscious of the risks related to the loss of business to competitors either through their ability to potentially leverage more cost-effective business platforms or as a consequence of their potential adoption of loss-leading strategies to maintain or increase market share.

During FY21, the Group was successful in securing long term contracts with nbn co and Telstra.

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.

Retention of key personnel and sourcing of subcontractors

The talents of a growing, yet relatively small number of key personnel contribute significantly to the Group's operational effectiveness. Management and the Board have implemented strategies to retain those personnel, including participation in appropriate incentive arrangements and participation in the Group's employee development, talent identification and succession programs.

Access to an appropriately skilled and resourced pool of subcontractors across Australia is also critical to Service Stream's ability to successfully secure and complete field-based work for its customers. The business continues to make appropriate capital investments in market leading IT-related platforms which assist with the engagement, deployment, daily management and retention of the Group's growing subcontractor base.

Working with potential safety hazards

In undertaking work and delivering programs for its customers, Service Stream's employees and subcontractors can operate in potentially hazardous environments and perform potentially hazardous tasks.

Management and the Board remain alert to the safety risks posed to employees and subcontractors, devote significant time to monitoring the effectiveness of the Group's safety framework, and have implemented a wide range of controls and proactive programs to increase awareness of significant hazards and prevent injuries to employees and subcontractors.

During FY21, the Group maintained its Lost Time Injury Frequency Rate (LTIFR) and Total Reportable Incident Frequency Rate (TRIFR) at industry-leading levels.

Digital disruption

As technology continues to change and evolve at a rapid pace, it is possible that such advances may cause disruptions to certain elements of the markets in which Service Stream operates, or to services that Service Steam provides.

Management and the Board spend time each year during a planning cycle to update the Group Strategic Plan which extends across a four-year horizon. This planning process includes a detailed assessment of relevant external factors, including digital disruption or technological changes, which may have a bearing on the Group's current markets and service offerings.

Integration risk

The acquisition of Lendlease Services, which is expected to complete in November 2021, is a complementary acquisition that will create a leading multi-network essential services provider with diverse operations.

There is a risk that the success and profitability of Service Stream following completion could be adversely affected if Lendlease Services is not integrated effectively.

Integration could take longer, be more complex or cost more than expected, encounter unexpected challenges or issues, divert management attention or that the anticipated benefits and synergies of the integration may be less than estimated. Possible issues which may arise include:

- differences in corporate culture between the businesses being integrated;
- lack of capability and talent to deliver integration;
- unanticipated or higher than expected costs, delays or failures relating to integration of businesses, support operations, accounting, other systems or insurance arrangements;
- unanticipated or higher than expected costs or extensive delays in the planned upgrades, migration, integration and decommission of information technology systems and platforms;
- loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees;
- failure to derive the expected benefits of the strategic growth initiatives; and
- disruption of ongoing Service Stream operations.

This risk will be mitigated by the deployment of a dedicated and experienced integration team. In addition, contractual arrangements will be in place with Lendlease Group to provide certain transitional services in relation to employees, IT systems, infrastructure and data following the completion of the acquisition to facilitate Lendlease Services' integration into Service Stream.

Any failure to achieve the targeted synergies of integration may impact on the financial performance, operation and position of Service Stream.

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.

During FY21, the Group refreshed the Company's network infrastructure providing greater capacity, redundancy and security resilience, along with enhanced user and device security management. Functional uplifts included a project management solution for the Comdain business and enhanced field service solutions to support Unify contracts.

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 2021	Interim 2021	Final 2020
Per share (cents)	-	2.50	5.00
Total amount ($'000)	-	10,244	20,435
Franked	-	100%	100%
Payment date	-	14 April 2021	1 October 2020

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.

Matters subsequent to the end of financial year

Subsequent to year end, the Group entered into a binding agreement to acquire 100% of Lendlease Services Pty Ltd from Lendlease Group for an enterprise value of $310 million, and an expected purchase price of approximately $295 million once debt and debt like items are considered. To fund the acquisition, the Group completed a capital raise of $185 million, issuing 205.6 million new ordinary shares. The balance of acquisition funds required will be funded from draw down of debt facilities and available cash, with commitments to extend the Group's syndicated debt facilities increasing by $120 million to $395 million. Completion is expected to occur around November 2021, subject to a condition precedent in respect of counterparty consents and market standard completion processes. Further details of the acquisition and capital raise are detailed in the investor presentation lodged with the ASX on 21 July 2021.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental regulation

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

Shares under performance rights

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

Series	Class of shares	Exercise price of right	Vesting date	Number of shares under rights
FY19 LTI Tranche [1]	Ordinary	$0.00	September 2021	228,680
FY20 LTI Tranche	Ordinary	$0.00	September 2022	931,869
FY21 LTI Tranche	Ordinary	$0.00	September 2023	1,845,077
				3,005,626

[1] The number of shares under FY19 LTI Tranche has been calculated based on the performance outcome over the three year period ended 30 June 2021.

The holders of these rights do not have the right, by 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' meetings

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	Sustainability, Safety, Health & Environment	Term of Directorship
No of meetings held	25[1]	4	4	4	
No of meetings attended by					
B Gallagher	25	4*	4*	4	11 years
G Adcock	25	4	4*	4	5 years
T Coen	25	4*	4	4	2 years
P Dempsey	25	4	4	4*	11 years
D Page	25	4	4	4*	11 years
L Mackender	25	4*	4*	4	7 years

[1] The number of board meetings held during the year comprised of twelve regular monthly meetings and thirteen unscheduled meetings in relation to large contract tender submissions and M&A growth opportunities.

* Attended as Standing Invitee.

Indemnification of officers and auditors

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

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

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

Proceedings on behalf of the company

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

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

Non-audit services

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

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

PricewaterhouseCoopers has been the auditor of the company since FY 2013, and Trevor Johnson has been the Partner responsible since FY 2018.

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 Limited 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 26 August 2021 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. The sustainability report is accurate and up to date as at 26 August 2021 and has been approved by the Board.

Remuneration report

Message from the Chairman of the Remuneration and Nomination Committee

26 August 2021

Dear Shareholders,

On behalf of the Board, I am pleased to be writing to you as Chair of Service Stream's Remuneration and Nomination Committee (RNC) and to present Service Stream's FY21 Remuneration Report.

Service Stream's FY21 Remuneration Report provides information about the remuneration of its Key Management Personnel and Non-Executive Directors, explaining how performance has been linked to reward outcomes at Service Stream for the FY21 financial year.

2020 Annual General Meeting

At the 2020 Annual General Meeting, 83% of all votes cast by shareholders were in favour of the 2020 Remuneration Report. While the resolution was carried, the Board was made aware of some concerns raised by proxy advisors and shareholders in relation to the Company's short-term incentive (STI) and long-term incentive (LTI) plans (together the "Incentive Plans") and in particular, the non-disclosure of annual short and long-term incentive targets, and the re-testing regime under the LTI.

As advised in the Chairman's Address to Shareholders at the 2020 Annual General Meeting, the Board is mindful of the need to strike the right balance between addressing those concerns, whilst ensuring that we cater to the specific industry dynamics within which Service Stream operates. The Board is of the view that an incentive scheme that aligns with its objective of rewarding Management for taking a longer-term view of the Business and one that drives behaviour and decisions over that longer period so as to deliver a more sustainable future, is in the best interests of all shareholders.

Responding to Feedback

Over the past year, the Board has reviewed the Company's Incentive Plans and proactively engaged with a selection of proxy advisors and shareholders to obtain qualitative feedback on the Board's proposed amendments to the Incentive Plans to address the concerns previously raised and reach an appropriate balance.

At the conclusion of the consultation process and consistent with the Board's philosophy of rewarding Management for taking a longer-term view of the business, the Board has agreed and recommended the following Incentive Plan scheme applicable to FY22 and beyond:

- ensure the weighting of the EPS-related component of the LTI to 50% maximum;
- EPS and TSR performance vesting requirements adjusted to reflect a new sliding growth scale award;
- removed the vesting criteria on Managing Director LTI where 40% was payable with no annual EPS growth; and
- minimum of 90% or more achievement of annual target Group EBITDA from Operations will continue to apply before the award of any STI to an employee.

The Board has also agreed to improve disclosure in the Remuneration Report with regard to the Incentive Plans. Details such as minimum performance thresholds, individual performance quadrants, performance weightings and key performance indicators are now disclosed in the Remuneration Report.

For further information on the changes to the remuneration policy and framework, together with the details of each Incentive Plan, please refer to pages 17 to 33 of the Remuneration Report.

Remuneration Policy for Managing Director and Key Management Personnel

The Managing Director's remuneration is reviewed annually and benchmarked against peer companies. For FY21, the Board determined that the Managing Director's and Key Management Personnel's (KMP's) remuneration would remain unchanged.

FY21 was a transitional year for the Company following revenue from nbn construction operations concluding and customer activations reducing from peaks in the prior year. The business also had its historical telecommunications agreements with nbn and Telstra conclude and their revised arrangements tendered and subsequently secured by Management, while the Group's Utility division continued to expand its operations across Western Australia and Queensland. This transitional year was reflected in the Company's results and share price, and taken into account when considering the remuneration outcomes for the Managing Director and KMP.

For FY21 there were no STI awards for the Managing Director and KMP.

The vesting outcome for the FY19 LTI Tranche, of which the Managing Director and KMP were not participants, was partial vesting, with Year 1 EPS and TSR criteria being fully vested, and Year 2 EPS proportionately vested. Year 2 TSR and Year 3 EPS and TSR all failed.

Remuneration Policy for the Chairman and Non-Executive Directors

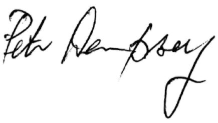
Fees for the Chairman and Non-Executive Directors are also reviewed annually and benchmarked against peer companies. In-line with the Board's decision concerning the Managing Director's and KMP's remuneration, no changes were made to the Chairman's and Non-Executive Director's fees for FY21.

Summary

The Board believes that the adjustments proposed to the Incentive Plans in FY22 address the concerns raised by proxy advisors and shareholders and maintain the Board's objective of rewarding Management for taking a longer-term view of the Business.

The Board is also of the view that the remuneration outcomes for FY21 are appropriate, present an appropriate alignment between pay and performance, as well as recognise the challenges posed by the continuation of the COVID-19 pandemic.

I look forward to engaging with you in FY22 and thank you for your ongoing support of Service Stream.



Peter Dempsey
Chairman of the Remuneration and Nomination Committee

Introduction and scope

The Service Stream Limited remuneration report sets out information about the remuneration of Service Stream Limited's KMP for the year ended 30 June 2021 (FY21). The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

The remuneration report covers the following matters:

1 Year in review

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

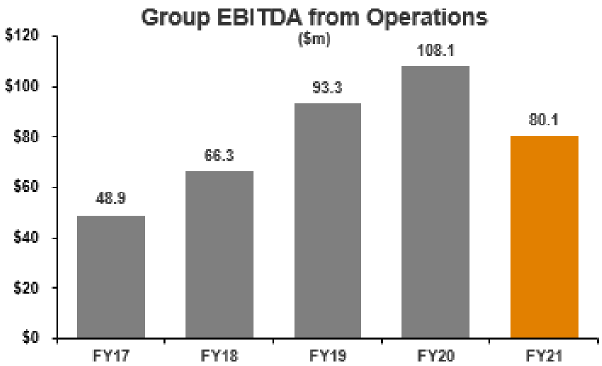
Summary of remuneration policy and framework changes

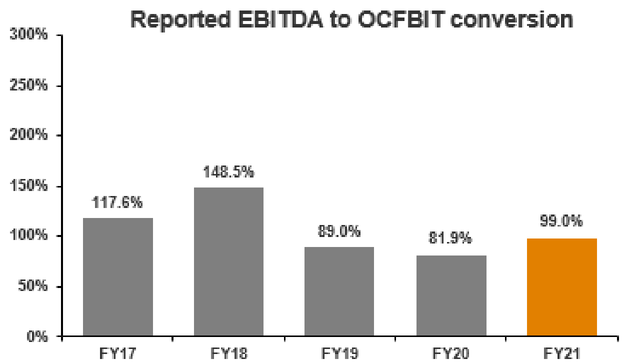
<table>
<tr><th>Policy</th><th>Enhancements</th></tr>
<tr><td>Short-term incentive (STI) plan detail</td><td>Expanded disclosure in the Remuneration Report to include detail of the Short-Term Incentive (STI) plan including; Plan overview, Performance Requirements, Individual Performance Quadrants, Performance Weightings and Key Performance Indicators (KPIs) for the Managing Director.</td></tr>
<tr><td>Short-term incentive (STI) performance requirements</td><td>Expanded disclosure to include the assessment criteria and actual performance achieved, including commentary against each STI component for the Managing Director.</td></tr>
<tr><td>Short-term incentive (STI) maximum award</td><td>Disclosed detail of the maximum STI award for KMP as a % of total fixed remuneration.</td></tr>
<tr><td>FY22 Long-term incentive (LTI) tranche vesting criteria</td><td>EPS performance vesting requirements from the FY22 Tranche will be adjusted to reflect a sliding scale award on those which qualify for vesting in any period as per the table below:
<table>
<tr><th>EPS Growth Scorecard</th><th>% of performance rights that qualify for vesting</th></tr>
<tr><td>< 5%</td><td>0%</td></tr>
<tr><td>5%</td><td>40%</td></tr>
<tr><td>5% to <10%</td><td>Pro-rata so that 12% of the performance rights in the tranche will vest for every 1% between 5% and 10%</td></tr>
<tr><td>10% or above</td><td>100%</td></tr>
</table>
TSR performance vesting requirements from the FY22 Tranche will be adjusted to reflect a sliding scale award on those which qualify for vesting in any period as per the table below:
<table>
<tr><th>TSR ranking</th><th>% of performance rights which qualify for vesting</th></tr>
<tr><td>< 50th percentile</td><td>0%</td></tr>
<tr><td>50th percentile</td><td>40%</td></tr>
<tr><td>Above 50th and below 75th percentile</td><td>Pro-rata so that 2.4% of the performance rights in the tranche will vest for every 1 percentile increase between the 50th and 75th percentile</td></tr>
<tr><td>75th percentile and above</td><td>100%</td></tr>
</table>
The EPS and TSR requirements each have a 50% weighting in relation to the FY22 Tranche.</td></tr>
<tr><td>Long-term incentive (LTI) plan conditions</td><td>Plan adjusted to preclude performance rights being issued to an associate of a KMP.</td></tr>
<tr><td>Long-term incentive (LTI) maximum award</td><td>Disclosed detail of the maximum LTI award for KMP as a % of total fixed remuneration.</td></tr>
</table>

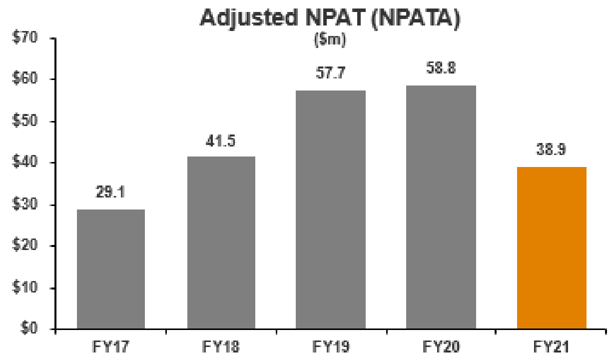
Group performance

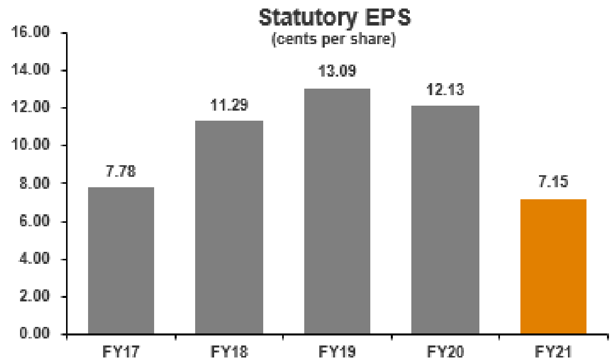
The graphs below outline the Group's performance against key financial and non-financial performance indicators over the past 5 years.

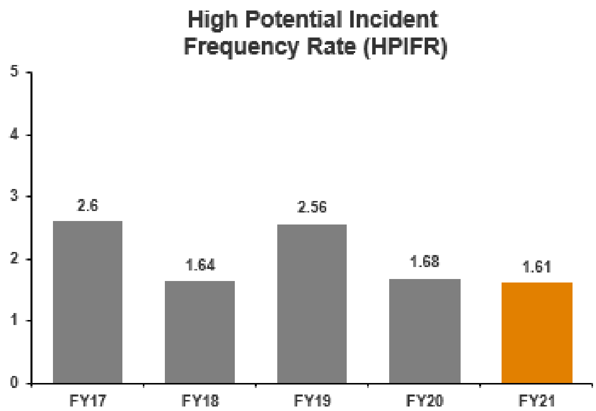
Key Indicators	2017	2018	2019	2020	2021
Revenue ($'000)	501,810	632,946	852,178	929,133	804,203
EBITDA ($'000)	48,352	67,296	89,543	105,588	75,153
EBITDA from Operations ($'000)	48,900	66,300	93,266	108,115	80,111
Net profit after tax ($'000)	28,370	41,107	49,859	49,315	29,274
Earnings per share (cents)	7.78	11.29	13.09	12.13	7.15
Dividends per share (cents)	4.50	7.50	9.00	9.00	2.50
Share price 30 June ($)	1.32	1.51	2.81	1.91	0.87

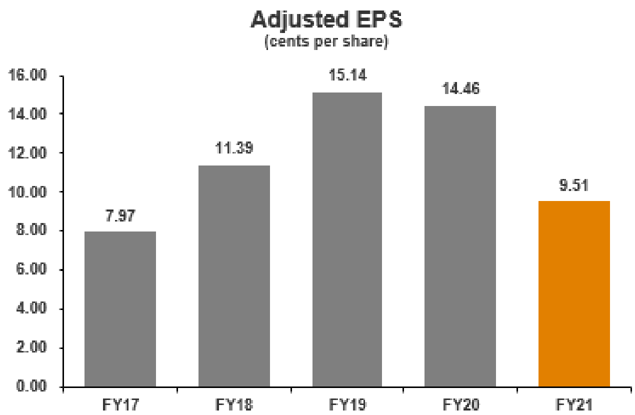












2 Details of Key Management Personnel (KMP)

The following table depicts the Directors and Senior Executives of the Group who were classified as KMP for the entire financial year unless otherwise indicated.

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

Executive Director	
Leigh Mackender	Managing Director

Key Management Personnel	
Linda Kow	Chief Financial Officer
Paul McCann [1]	Executive General Manager, Utilities
Kevin Smith [2]	Executive General Manager, Telecommunications
Shannon Laffey [3]	Acting Executive General Manager, Energy & Water
John Ash [4]	Executive General Manager, Network Construction

[1] P McCann was the Executive General Manager of Comdain Infrastructure until 9 November 2020, before becoming the Executive General Manager of Utilities on 10 November 2020.

[2] K Smith was the Executive General Manager of Fixed Communications until 6 July 2020, before becoming the Executive General Manager of Telecommunications on 7 July 2020.

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

[4] J Ash ceased employment as the Executive General Manager, Network Construction effective 6 July 2020.

3 Role of the Remuneration and Nomination Committee (RNC)

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

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

4 Remuneration policy and framework

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

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

Linking performance to executive remuneration

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

- requiring a significant portion of executive remuneration to vary with short-term and long-term performance;
- applying equal weighting to Group and Individual Performance measures across the annual STI plan;
- a 'Minimum Group Performance Threshold' is required to be met before any STI can be paid, linked to achieving the Group's EBITDA Target;
- individual performance goals are tied to the annual objectives of the Group, linked directly to the overall Group strategy across four quadrant measures of Financial Performance, Market & Customer, Safety & People and Risk & Governance; and
- delivering a significant portion of remuneration in equity, to align with shareholder interests.

Service Stream measures performance across the following key corporate measures:

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

Remuneration reviews

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

The RNC periodically seeks independent advice from external consultants on various remuneration-related matters to assist in performing its duties and making recommendations to the Board. During FY21, the RNC engaged Korn Ferry Hay to review position gradings and remuneration benchmarking data for salaried roles across the organisation, taking into account expected wage inflation pressures for the following year. This remuneration data will be utilised by the RNC to assess any changes in salaried employee wages across the Company for the FY22 period.

Employment conditions

The table below sets out the main terms and conditions of the employment contracts of the Managing Director and Senior Executives.

Position	Notice periods and termination payments
Managing Director	• 6 months either party (or payment in lieu) • Immediate for serious misconduct or breach of contract • Statutory requirements only for termination with cause
Chief Financial Officer and Senior Executives	• 3 months either party (or payment in lieu) • Immediate for serious misconduct or breach of contract • Statutory requirements only for termination with cause

5 Overview of remuneration components

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

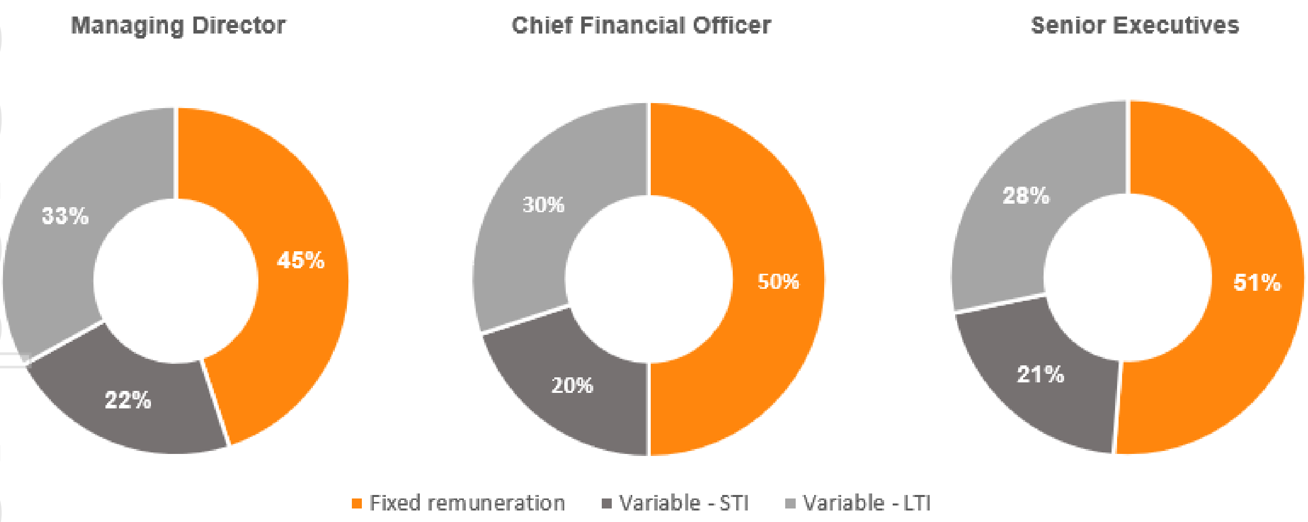
Fixed remuneration	Incentive remuneration
• Fixed salary set by reference to appropriate benchmark information and individual performance	• Cash incentive paid under the annual short-term incentive (STI) plan, with hurdles linked to both Group and Individual performance targets
• Includes superannuation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

Details of each remuneration component payable to KMP are set out below, including details of STI and LTI as a % of fixed remuneration and the maximum % incentive opportunities which can be payable under each 'at risk' component:

		Variable remuneration at risk	
Managing Director	100% Fixed Remuneration	50% STI (at risk)	75% LTI (at risk)
CFO	100% Fixed Remuneration	40% STI (at risk)	60% LTI (at risk)
Senior Executives	100% Fixed Remuneration	40% STI (at risk) [1]	55% LTI (at risk)

[1] Maximum STI % for Senior Executives reflects an ability to overachieve against their Divisional budget target.

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



5.1 STI & LTI Participation rates

Details of the STI and LTI participation rates for KMP, including the maximum incentive % under both the STI and LTI programs is outlined in the table below:

Incentive Participation Rates					
Executive Position	**Target STI % of fixed remuneration**	**Maximum STI % of fixed remuneration**	**Target LTI % of fixed remuneration**	**Maximum LTI % of fixed remuneration**	**Maximum total performance-based pay as a % of fixed remuneration**
Managing Director	50	50	75	75	125
Chief Financial Officer	40	40	60	60	100
Senior Executives	35	40[1]	55	55	95

[1] Maximum STI % for Senior Executives reflects an ability to overachieve against their Divisional budget target.

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

5.2 Fixed Remuneration

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

In recognition of the likely impact of COVID-19 on Service Stream's operations, the Managing Director and all KMP held their fixed remuneration with no increases being made for the period 1 July 2020 to 30 June 2021. Adjustments to executive salaries were made only in instances where executive roles and responsibilities changed.

5.3 Short Term Incentive (STI)

5.3.1 STI Overview

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

The STI consists of two components, **Group** and **Individual Performance** with each contributing to 50% of the annual STI program which may be awarded.

Group Performance 50%

> Set and assessed on the Group's annual EBITDA from Operations target

Individual Performance 50%

> Performance set and assessed across four KPI Quadrant Measures:

1. Financial Performance
2. Market & Customer
3. Safety & People
4. Risk & Governance

5.3.2 STI Performance Requirements

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

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

If the minimum Group Performance Threshold is not achieved, no incentives will be paid with respect to either Group or Individual Performance.

Once the Minimum Group Performance Threshold is satisfied, STI award is then assessed on Group and Individual performance goals.

Group Performance - 50% Weighting	
Performance to Group Budget	**Percentage Award**
0 to 90%	0%
90 – 100%	Pro-rata between 50% and 100% and at the RNCs discretion
100% or above	100%

Minimum Group Performance Threshold

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.

Group Performance - 50% Weighting		
Measure	**Weighting**	**Target**
Group Financial Performance	100%	To meet or exceed annual Group EBITDA budget

Individual Performance

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

The % weighting allocated to each quadrant is set across all KMP scorecards. These weightings can be altered to cater to the individual's role, responsibilities and strategic business initiatives, with the permission of the Managing Director and endorsement of the RNC.

An example of individual performance targets under each Performance Quadrant is outlined below:

Individual Performance - 50% Weighting		
Measure	**Weighting**	**Target**
Divisional Financial Performance	50%	To meet or exceed Divisional EBITDA budget To meet or exceed EBITDA to OCFBIT cashflow generation targets
Market & Customer	30%	To deliver against set performance milestones which are configured each year to reflect business strategy and key priorities *e.g. major contract renewal or new contract award*
Safety & People	10%	To meet or exceed annual targets for Group HSE performance
Risk & Governance	10%	To deliver set milestones which are configured each year to reflect business risks or governance related matters

Individual performance targets under each Performance Quadrant for the Managing Director for the FY21 STI is outlined in section 6.

5.3.3 STI summary table

Feature	Program Detail
Purpose of short-term incentive plan	Reward participants for the delivery of financial and operational performance that are key to the success of Service Stream
Minimum performance threshold	Achievement of 90% or more against annual Group EBITDA Target before the award of incentives under the Group or Individual Performance will be considered
Performance requirements	All STIs have performance criteria set across two separate areas: 1. Group Financial Performance is set at 50% of the potential award value 2. Individual Performance is set across the remaining 50% of the potential award value across the following areas: ▪ Financial Performance ▪ Market & Customer ▪ Safety & People ▪ Risk & Governance
STI participation rates	50% of total fixed remuneration for Managing Director 40% of total fixed remuneration for Chief Financial Officer 35% of total fixed remuneration for Executives of Strategic Business Units
Maximum STI earning potential	50% of total fixed remuneration for Managing Director 40% of total fixed remuneration for Chief Financial Officer 40% of total fixed remuneration for Executives of Strategic Business Units
Performance period	1 July 2020 to 30 June 2021
Assessment period	August 2021, following the audit of the Group's financial statements
Payment form	Cash based payment
Payment timing	September 2021
Board Discretion	The Board, in its discretion, may vary ▪ STI payments by up to + / - 100% from the payment applicable to the level of performance achieved ▪ Reduce partly or fully the value of any awarded components that are due to vest in certain circumstances, including where an executive has acted inappropriately
Eligibility	New KMP are eligible to participate in the STI program in the year in which they commence their position with the Company. A pro-rata entitlement will be applied for up to and including start date if the start date is pre-31 March. Post-31 March no employee will be entitled to a pro-rata payment for the year in which they commence with the Company.
Termination of employment	Where an Executive ceases employment with the Group prior to the end of the assessment period, there is no STI payable.
Treatment of significant items	From time to time the Group's performance may be impacted by significant items. When this occurs, the Board has the discretion to adjust for the impact (positively or negatively) on a case-by-case basis.

5.4 Long-Term Incentive (LTI)

5.4.1 LTI Overview

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

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

The LTI payment is in the form of performance rights which are issued to participating employees, with each performance right converting into one ordinary share of Service Stream Limited on meeting the vesting performance requirements. 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, and the volume-weighted average market price of the Group's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

5.4.2 LTI Performance Requirements

FY21 Tranche

Performance rights for each of the LTI tranches relevant to FY21 Tranche are subject to service and performance criteria being:

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

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

The Adjusted EPS growth performance condition is based on the Company's adjusted EPS growth over the three years to 30 June 2023. The tranche of performance rights will vest on a pro-rata basis upon achieving the annual Adjusted EPS target as set by the Board.

The performance vesting scale that will apply to the performance rights which are subject to the Adjusted EPS growth test is outlined in the table below:

% of performance rights that vest	FY21 EPS target
0%	Below Target and below PY Adjusted EPS
40%	Below Target but equal to PY Adjusted EPS
Proportional vesting	Below Target but greater than PY Adjusted EPS
100%	100% of Target and above

Relative Total Shareholder Return (TSR) - 50% Weighting

The relative TSR performance condition is based on the company's TSR performance relative to the TSR of comparative companies, comprising the ASX 200 Industrials, at the start of the performance period and measured over the 3 years to 30 June 2023. If the TSR in the comparison group is ranked from highest to lowest, the median TSR is the percentage return to shareholders that exceeds the TSR for half of the comparison companies. The 75th percentile TSR is the percentage return required to exceed the TSR for 75% of the comparison companies.

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

TSR ranking	% of performance rights that vests
< 50th percentile	0%
50th percentile	50%
Above 50th and below 75th percentile	Pro-rata so that 2% of the performance rights in the tranche will vest for every 1 percentile increase between the 50th and below 75th percentile
75th percentile and above	100%

All LTI participants must be an employee at the conclusion of the performance period. If employment ceases with the Group prior to the vesting date, all performance rights will be forfeited.

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

FY19 & FY20 Tranches

With regards to FY19 and FY20 tranches, 80% of the performance rights granted with respect to the FY20 tranche will vest where the Group's Adjusted EPS achieves the target as set by the Board of Directors. For the FY19 tranche, 50% of the performance rights will vest where the Group's earnings per share achieves an annual growth of 10% or more over the performance period, commencing with growth from an agreed base EPS, as detailed below:

% of performance rights that vest	FY20 EPS target	FY19 EPS target
0%	Below Target and below PY Adjusted EPS	Below 75%
40%	Below Target but equal to PY Adjusted EPS	At 75%
Proportional vesting	Below Target but greater than PY Adjusted EPS	Greater than 75% and less than 100%
100%	100% of Target and above	100% and above

20% of the performance rights granted in FY20 and 50% for FY19 tranches will vest where the Group's TSR over the performance period is such that it would rank at or above the 75th percentile (full achievement), or the 50th percentile (pro-rata achievement) of a relevant peer group of companies being those comprising the ASX 200 Industrials index, as detailed below:

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

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

5.4.3 Performance re-testing

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

- the retesting regime at the end of the three-year period (based on average results for that period) allows the Board to take a longer-term outlook;

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

5.4.4 LTI summary table

Feature	Program Detail
Purpose of long-term incentive plan	Reward participants for the delivery of performance which is linked to enhancing long-term shareholder value over a three-year period. Manage risks associated with a tendency to focus on short-term performance against longer-term performance Linking remuneration costs which vary with the company's long-term performance
Performance requirements	All LTIs have performance criteria set across two areas: 1. Annual Earning Per Share (EPS) growth 2. Relative Total Shareholder Returns (TSR), measured against a relevant per group being the ASX 200 Industrials index.
LTI participation rates	75% of total fixed remuneration for Managing Director 60% of total fixed remuneration for Executives of Strategic Business Units 55% of total fixed remuneration for Executives of Support / Enabling Business Units
Maximum LTI earning potential	75% of total fixed remuneration for Managing Director 60% of total fixed remuneration for Executives of Strategic Business Units 55% of total fixed remuneration for Executives of Support / Enabling Business Units
Performance period	1 July 2020 to 30 June 2023
Assessment period	August 2023, following the audit of the Group's financial statements
Payment form	Performance rights
Payment timing	September 2023
Board Discretion	The Board, in its discretion, may vary ▪ LTI payments by up to + / - 100% from the payment applicable to the level of performance achieved ▪ Reduce partly or fully the value of any awarded components that are due to vest in certain circumstances, including where an executive has acted inappropriately
Eligibility	Selected Executives and Senior Management may be invited to participate in the LTI program in the year in which they commence their position with the Group. A pro-rata entitlement will be applied for up to and including start date if the start date is pre-31 March. Post 31 March no employee will be entitled to a pro-rata payment for the year in which they commence with the Group.
Termination of employment	Where a participant ceases employment with the Group prior to the end of the assessment period, any unvested performance rights will be forfeited.
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.

6 Managing Director and Senior Executive Remuneration

Executive remuneration table

In line with the Group's policy to periodically review its remuneration framework, Service Stream's Board of Directors engaged external remuneration consultants, Korn Ferry Hay, during FY21 to perform a broad review of the Group's executive arrangements encompassing appropriate levels of fixed and at risk remuneration.

In recognition of the likely impact of COVID-19 on Service Stream's operations, the Managing Director and all Executive Managers held their fixed remuneration with no increases being made for the period 1 July 2020 to 30 June 2021. Adjustments to executive salaries were made only in instances where executive roles and responsibilities changed.

		Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share-based payments			
	Year	Salary and fees	Termination benefits	Short-term incentive	Non-monetary	Super	LSL	Performance rights	Total	Fixed	At Risk
L Mackender	2021	878,997	-	-	-	21,694	16,758	148,045	1,065,494	86%	14%
	2020	878,997	-	427,500	-	21,003	104,857	174,946	1,607,303	63%	37%
L Kow [1]	2021	578,997	-	-	-	21,694	513	95,264	696,468	86%	14%
	2020	94,202	-	-	-	3,417	81	-	97,700	100%	0%
P McCann [2]	2021	458,164	-	-	24,384	21,694	23,221	55,896	583,359	90%	10%
	2020	393,815	-	47,250	24,384	21,003	35,301	55,153	576,906	82%	18%
K Smith	2021	528,997	-	-	-	21,694	10,575	66,657	627,923	89%	11%
	2020	528,997	-	179,506	-	21,003	68,939	76,795	875,240	71%	29%
S Laffey [3]	2021	110,077	-	-	-	9,039	-	5,342	124,458	96%	4%
	2020	111,882	-	11,258	-	8,895	11,808	9,764	153,607	86%	14%
R Grant [4]	2020	888,826	-	-	-	17,732	29,651	-	936,209	100%	0%
J Ash [5]	2021	5,296	232,947	-	-	1,750	-	-	239,993	100%	0%
	2020	365,445	-	22,655	-	21,003	12,008	55,541	476,652	84%	16%
P Coen [6]	2020	513,648	-	-	-	17,502	-	-	531,150	100%	0%
Total	**2021**	**2,560,528**	**232,947**	**-**	**24,384**	**97,565**	**51,067**	**371,204**	**3,337,695**	**89%**	**11%**
	2020	3,775,812	-	688,169	24,384	131,558	262,645	372,199	5,254,767	80%	20%

[1] L Kow was appointed as Chief Financial Officer with effect from 4 May 2020, and was not eligible to participate in FY20 LTI and FY20 STI.

[2] P McCann was the Executive General Manager of Comdain Infrastructure until 9 November 2020, before becoming the Executive General Manager of Utilities on 10 November 2020.

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

[4] R Grant retired from the role of Chief Financial Officer with effect from 4 May 2020. Included in his FY20 salary and fees was a retention bonus amounting to $400,000.

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

[6] P Coen resigned from his position as the Executive General Manager, Comdain Infrastructure effective 28 January 2020.

FY21 STI performance outcomes

2021 STI	
Name	**Paid %**
L Mackender	0%
L Kow	0%
P McCann	0%
K Smith	0%
S Laffey	0%

Group Performance - 50% Weighting						
Measure	**Weighting**	**Target**	**Outcome**			
Group Financial Performance	100%	To meet or exceed Group EBITDA target	Below threshold	Partially achieved	Fully achieved	Above target

No STI awards were made in relation to the 2021 financial year for the Managing Director or KMP. In order for a STI to be paid, a minimum of 90% of the Group's budgeted profit must be achieved.

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

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

L Mackender

Individual Performance - 50% Weighting						
Measure	**Weighting**	**Target**	**Outcome**			
Group Financial Performance	50%	To meet or exceed Group EBITDA budget	Below threshold	Partially achieved	Fully achieved	Above target
Market & Customer	25%	To deliver against set performance milestones which are configured each year to reflect business strategy and key priorities e.g. major contract renewal or new contract reward	Below threshold	Partially achieved	Fully achieved	Above target
Safety & People	15%	To meet or exceed annual targets for Group HSE performance	Below threshold	Partially achieved	Fully achieved	Above target
Risk & Governance	10%	To deliver set milestones which are configured each year to reflect business risks or governance related matters	Below threshold	Partially achieved	Fully achieved	Above target

FY21 LTI performance outcomes

The table below sets out the details of the percentage performance achieved against the applicable share plans; where the rights under the plan either vested, or the assessment of the achievement of the relevant performance hurdles were assessed in the current financial year.

Plan	Relevant KMP	Performance period	Performance hurdle	Performance outcome	Performance hurdle achieved	Rights vested
FY18 LTI [1]	J Ash	1 July 2017 – 30 June 2020	EPS growth	Group's earnings per share achieved annual growth of 10% or more over the performance period	100%	100%
			Relative total shareholder returns (TSR)	Above 75th percentile ranking achieved compared to ASX 200 Industrials index	100%	100%
FY19 LTI [1]	J Ash	1 July 2018 – 30 June 2020	Adjusted EPS	Year 1 100% of target achieved. Year 2 between 75% and 100% of target achieved.	54%	54%
			Relative total shareholder returns (TSR)	Year 1 top quartile achieved. Year 2 below the 50th percentile achieved.	33%	33%

[1] Rights have fully or partially vested, and shares have been delivered to plan participants.

Summary of grants under LTI

Name	Plan	Balance at 1 July 2020	Granted as compensation	Vested	Forfeited	Balance at 30 June 2021	Fair value when granted [1]	Fair value at vesting
		Number	Number	Number	Number	Number	$	$
L Mackender	FY20 LTI	238,544	-	-	-	238,544	524,838	n/a
	FY21 LTI	-	361,879	-	-	361,879	652,558	n/a
Total		**238,544**	**361,879**	**-**	**-**	**600,423**		
L Kow	FY21 LTI	-	193,076	-	-	193,076	348,164	n/a
Total		**-**	**193,076**	**-**	**-**	**193,076**		
P McCann	FY20 LTI	76,776	-	-	-	76,776	165,458	n/a
	FY21 LTI	-	132,791	-	-	132,791	239,455	n/a
Total		**76,776**	**132,791**	**-**	**-**	**209,567**		
K Smith	FY20 LTI	106,903	-	-	-	106,903	230,384	n/a
	FY21 LTI	-	162,254	-	-	162,254	292,585	n/a
Total		**106,903**	**162,254**	**-**	**-**	**269,157**		
S Laffey [2]	FY20 LTI	13,262	-	-	-	13,262	28,581	n/a
	FY21 LTI	-	20,160	-	-	20,160	36,354	n/a
Total		**13,262**	**20,160**	**-**	**-**	**33,422**		
J Ash	FY18 LTI [3]	90,299	-	(90,299)	-	-	98,530	171,117
	FY19 LTI [4]	81,140	-	(35,456)	(45,684)	-	89,618	67,189
	FY20 LTI	75,114	-	-	(75,114)	-	161,876	n/a
Total		**246,553**	**-**	**(125,755)**	**(120,798)**	**-**		

Tranche	Number	Grant date	Grant date fair value	Vesting date	Performance period
FY19	228,680	21 September 2018	Relative TSR hurdle - 81.8 cps EPS hurdle - 139.1 cps	September 2021	1 July 2018 - 30 June 2021
FY20	693,325	18 September 2019	Relative TSR hurdle - 128.4 cps EPS hurdle - 237.3 cps	September 2022	1 July 2019 - 30 June 2022
FY20 - CEO	238,544	23 October 2019	Relative TSR hurdle - 131.1 cps EPS hurdle - 242.2 cps	September 2022	1 July 2019 - 30 June 2022
FY21	1,845,077	21 October 2020	Relative TSR hurdle - 166.8 cps EPS hurdle - 193.8 cps	September 2023	1 July 2020 - 30 June 2023

[1] The grant date fair value of all rights on issue to KMP has been expensed as at 30 June 2021 in line with each of the tranche's performance periods.

[2] S Laffey was Acting Executive General Manager, Energy & Water from 28 January 2020 until 9 November 2020. As such only the FY20 & FY21 LTI Tranches have been included.

[3] The grant date on the FY18 LTI was 14 September 2017. The FY18 LTI vested on 14 September 2020.

[4] J Ash ceased employment as the Executive General Manager, Network Construction effective 6 July 2020, and therefore his performance rights under the FY19 LTI Tranche were partially vested as per the conditions of his contract.

Shareholding of key management personnel

The table below sets out the equity in Service Stream held by key management personnel for the 2021 and 2020 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
2021						
L Mackender	1,100,700	-	-	-	-	1,100,700
L Kow	70,000	-	-	-	-	70,000
P McCann	538,522	-	495	-	-	539,017
K Smith	2,481,930	-	495	-	-	2,482,425
J Ash	123,411	125,755	-	-	249,166	-
2020						
L Mackender	1,050,000	1,000,000	(949,300)	-	-	1,100,700
L Kow	-	-	-	70,000	-	70,000
R Grant	1,000,000	700,000	(1,200,000)	-	500,000	-
J Ash	-	123,411	-	-	-	123,411
P McCann	1,138,522	650,000	(1,250,000)	-	-	538,522
K Smith	2,036,998	650,000	(205,068)	-	-	2,481,930

7 Non-Executive Remuneration

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

The current maximum aggregate fee pool for the Non-Executive Directors is $1,000,000 as approved by shareholders. 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.

Non-Executive Directors' remuneration

	Year	Board and Committee fees	Super	Total
B Gallagher	2021	182,648	17,352	200,000
	2020	182,648	17,352	200,000
G Adcock [1]	2021	130,000	-	130,000
	2020	125,000	-	125,000
T Coen	2021	107,763	10,237	118,000
	2020	107,763	10,237	118,000
P Dempsey	2021	118,721	11,279	130,000
	2020	118,721	11,279	130,000
D Page	2021	124,361	5,639	130,000
	2020	124,361	5,639	130,000
R Murphy [2]	2020	39,333	-	39,333
Total	**2021**	**663,493**	**44,507**	**708,000**
	2020	697,826	44,507	742,333

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

[2] R Murphy's remuneration was paid to Wealth for Toil Pty Ltd, a company in which Mrs Murphy has a beneficial interest, up to the date of her retirement on 23 October 2019.

Non-Executive Director Shareholding

Name	Balance at 1 July	Received on vesting of performance rights	(Disposed) / Acquired during the year	Balance at date of appointment	Balance at date of resignation	Balance at 30 June
2021						
B Gallagher	3,299,673	-	-	-	-	3,299,673
G Adcock	50,000	-	20,000	-	-	70,000
T Coen	38,444,918	-	-	-	-	38,444,918
P Dempsey	1,050,000	-	-	-	-	1,050,000
D Page	443,293	-	66,507	-	-	509,800
2020						
B Gallagher	3,150,986	-	148,687	-	-	3,299,673
G Adcock	50,000	-	-	-	-	50,000
T Coen	38,444,918	-	-	-	-	38,444,918
P Dempsey	1,000,000	-	50,000	-	-	1,050,000
R Murphy	20,000	-	-	-	20,000	-
D Page	409,268	-	34,025	-	-	443,293

8 Voting and comments made at the Group's 2020 Annual General Meeting

The Group received 83% of "yes" votes on its Remuneration Report for the 2020 financial year.

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

On behalf of the Directors

Brett Gallagher
Chairman
26 August 2021

Leigh Mackender
Managing Director
26 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Trevor Johnston
Partner
PricewaterhouseCoopers

Melbourne
26 August 2021

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

	Notes	2021 $'000	2020 $'000
Revenue from continuing operations			
Revenue from contracts with customers	3	**803,006**	927,951
Other income	4	**1,197**	1,182
		804,203	929,133
Expenses			
Employee salaries and benefits		**(218,722)**	(217,726)
Subcontractor fees		**(409,284)**	(499,801)
Raw materials and consumables used		**(51,499)**	(54,513)
Consulting and temporary staff fees		**(7,999)**	(9,448)
Company administration and insurance expenses		**(6,591)**	(7,193)
Occupancy expenses		**(3,495)**	(2,002)
Technology and communication services		**(15,553)**	(15,843)
Motor vehicle expenses		**(11,884)**	(12,163)
Depreciation and amortisation	6	**(29,291)**	(31,678)
Interest expense and other finance costs	5	**(4,084)**	(3,548)
Other expenses		**(3,983)**	(4,753)
Profit before tax		**41,818**	70,465
Income tax expense	7	**(12,544)**	(21,150)
Profit for the year		**29,274**	49,315
Total comprehensive income for the year		**29,274**	49,315
Profit attributable to the equity holders of the parent		**29,274**	49,315
Total comprehensive income attributable to equity holders of the parent		**29,274**	49,315
Earnings per share			
Basic (cents per share)	8	**7.15**	12.13
Diluted (cents per share)	8	**7.15**	12.09

Notes to the financial statements are included on pages 40 to 76

Consolidated balance sheet
at 30 June

	Notes	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	20	**50,573**	79,472
Trade and other receivables	9	**46,821**	39,204
Inventories	10	**6,837**	6,259
Accrued revenue	11	**88,418**	101,801
Other assets	12	**4,898**	4,520
Total current assets		**197,547**	231,256
Non-current assets			
Plant and equipment	13	**13,170**	15,156
Right-of-use assets	15	**29,963**	29,090
Intangible assets	14	**306,746**	313,179
Total non-current assets		**349,879**	357,425
Total assets		**547,426**	588,681
LIABILITIES			
Current liabilities			
Trade and other payables	16	**103,520**	103,055
Provisions	17	**23,710**	29,458
Borrowings	20	**-**	9,000
Lease liabilities	15	**11,197**	9,900
Current tax liabilities	7	**3,732**	10,670
Total current liabilities		**142,159**	162,083
Non-current liabilities			
Deferred tax liability (net)	7	**18,964**	23,807
Provisions	17	**6,672**	6,531
Borrowings	20	**33,783**	51,000
Lease liabilities	15	**22,516**	23,464
Total non-current liabilities		**81,935**	104,802
Total liabilities		**224,094**	266,885
Net assets		**323,332**	321,796
EQUITY			
Capital and reserves			
Contributed equity	18	**318,721**	314,741
Reserves		**(12,151)**	(11,109)
Retained earnings		**16,762**	18,164
Total equity		**323,332**	321,796

Notes to the financial statements are included on pages 40 to 76

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

	Contributed equity	Employee equity-settled benefits reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2019	297,757	2,475	7,532	307,764
Profit for the period	-	-	49,315	49,315
Total comprehensive income for the year	-	-	49,315	49,315
Equity-settled share-based payments, inclusive of tax adjustments	-	1,761	-	1,761
Issue of shares (net of transaction costs)	14,604	-	-	14,604
Acquisition of treasury shares	(15,345)	-	-	(15,345)
Issue of treasury shares to employees	15,345	(15,345)	-	-
Dividends paid	2,380	-	(38,683)	(36,303)
Balance at 30 June 2020	314,741	(11,109)	18,164	321,796
Profit for the period	-	-	29,274	29,274
Total comprehensive income for the year	-	-	29,274	29,274
Equity-settled share-based payments, inclusive of tax adjustments	-	981	-	981
Issue of shares (net of transaction costs)	2,023	-	-	2,023
Acquisition of treasury shares	(2,023)	-	-	(2,023)
Issue of treasury shares to employees	2,023	(2,023)	-	-
Dividends paid	1,957	-	(30,676)	(28,719)
Balance at 30 June 2021	**318,721**	**(12,151)**	**16,762**	**323,332**

Notes to the financial statements are included on pages 40 to 76

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

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		**887,100**	1,028,079
Payments to suppliers and employees (including GST)		**(812,675)**	(941,633)
Cash generated from operations		**74,425**	86,446
Interest received		**40**	103
Interest and facility costs paid		**(4,738)**	(3,689)
Income taxes paid		**(24,180)**	(25,177)
Net cash provided by operating activities	20	**45,547**	57,683
Cash flows from investing activities			
Payments for plant and equipment		**(3,184)**	(2,185)
Proceeds from the sale of plant and equipment		**1,055**	1,336
Payments for intangible assets		**(6,710)**	(5,636)
Net cash used in investing activities		**(8,839)**	(6,485)
Cash flows from financing activities			
Purchase of shares (net of transaction costs)		**-**	(741)
Lease incentives received		**-**	4,164
Principal elements of lease payments		**(11,888)**	(9,655)
Dividends paid		**(28,719)**	(36,303)
Repayment of borrowings		**(25,000)**	-
Net cash used in financing activities		**(65,607)**	(42,535)
Net (decrease)/increase in cash held		**(28,899)**	8,663
Cash at the beginning of the period		**79,472**	70,809
Cash at the end of the period	20	**50,573**	79,472

Notes to the financial statements are included on pages 40 to 76

Service Stream Limited

Notes to the consolidated financial statements
for the year ended 30 June 2021

Notes to the consolidated financial statements

1 General information

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

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

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

2 Segment information

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

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

During the period, the Group undertook a review of the organisation structure applicable to its Telecommunications and Utilities operations to better deliver alignment of functional competencies and services delivered under key customer contracts, supporting future growth and to reduce operational complexities. This review established two separate service groups, each with an Executive General Manager reporting directly to the Managing Director.

The principal services of the Group's two new operating segments are as follows:

Telecommunications	Telecommunications provides a wide range of operations, maintenance, installation, design and construction services to the owners of fixed-line and wireless telecommunication networks in Australia. Service capability includes customer connections, service and network assurance, site acquisition, engineering, design, construction and installation of broadband, wireless and fixed-line project services, as well as minor projects for asset remediation, augmentation and relocation. Principal customers include nbn co, Telstra and other wireless carriers.
Utilities	Utilities provides operations, maintenance, design and construction services, as well as a wide range of specialist metering, new energy and inspection services to gas, water and electricity network owners and other customers in Australia. Service capability includes asset upgrades and replacement, engineering, design and construction of network assets and energy-related products, meter reading and network assurance, as well as specialist inspection, auditing and compliance services.

Unallocated costs, unallocated assets and liabilities, and unallocated depreciation, amortisation and additions to non-current assets relate to certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments.

There has been no change to the Group's reportable segments.

2 Segment information (continued)

(b) Segment revenues and results

	Segment revenue		Segment EBITDA	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Telecommunications	**392,378**	544,170	**57,783**	83,125
Utilities	**411,541**	384,083	**29,048**	30,810
Total of all segments	**803,919**	928,253	**86,831**	113,935
Other income	**1,157**	1,079		
Eliminations	**(913)**	(302)		
Unallocated			**(11,678)**	(8,347)
EBITDA [1]			**75,153**	105,588
Depreciation of plant and equipment			**(4,892)**	(6,204)
Depreciation of right-of-use assets			**(11,256)**	(9,467)
Amortisation of software			**(4,291)**	(5,002)
Amortisation of customer contracts / relationships			**(8,852)**	(11,005)
EBIT			**45,862**	73,910
Interest revenue	**40**	103		
Net financing costs			**(4,044)**	(3,445)
Total revenue	**804,203**	929,133		
Profit before tax			**41,818**	70,465
Income tax expense			**(12,544)**	(21,150)
Profit for the year			**29,274**	49,315

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

(c) Segment assets and liabilities

	Segment assets		Segment liabilities	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Telecommunications	**141,156**	162,062	**47,092**	70,867
Utilities	**335,269**	345,944	**95,459**	81,037
Total of all segments	**476,425**	508,006	**142,551**	151,904
Unallocated	**71,001**	80,675	**81,543**	114,981
Consolidated	**547,426**	588,681	**224,094**	266,885

(d) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Telecommunications	**4,037**	5,175	**2,866**	2,035
Utilities	**17,113**	19,707	**11,515**	5,027
Total of all segments	**21,150**	24,882	**14,381**	7,062
Unallocated	**8,141**	6,796	**7,642**	8,349
Consolidated	**29,291**	31,678	**22,023**	15,411

2 Segment information (continued)

(e) Information about major customers

In the current reporting period, there was one major customer (2020: one customer) which contributed more than 10% of the Group's revenue. The relevant revenue by segment is shown below:

Largest customer	2021: Telecommunications $307 million (2020: Telecommunications $443 million).

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

3 Revenue from contracts with customers

(a) Revenue from contracts with customers

	2021 $'000	2020 $'000
Revenue	**803,006**	927,951
	803,006	927,951

(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 operating segment revenues from contracts with customers.

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

30 June 2020	Telecommunications $'000	Utilities $'000	Other $'000	Total $'000
Segment revenue	544,170	384,227	-	928,397
Intra / Inter-segment revenue	-	(144)	(302)	(446)
Revenue from contracts with customers	544,170	384,083	(302)	927,951
Timing of revenue recognition				
At point in time	380,164	144,850	483	525,497
Over time	164,006	239,233	(785)	402,454
	544,170	384,083	(302)	927,951

(c) Assets and liabilities related to contracts with customers

	2021 $'000	2020 $'000
Revenue recognised that was included in contract liability balance at the beginning of the period	**10,435**	37,703
Revenue (reversed) / recognised from performance obligations satisfied in previous periods	**(536)**	(596)

3 Revenue from contracts with customers (continued)

(d) Significant estimates

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

Ticket of work services and cost reimbursable contract

Revenue is recognised based on the transaction price as specified in the contract, net of the 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

	2021 $'000	2020 $'000
Gain on disposal of assets	**843**	411
R&D tax incentives	**-**	136
Interest revenue	**40**	103
Other	**314**	532
	1,197	1,182

5 Finance costs

	2021 $'000	2020 $'000
Interest expense: leases	**957**	939
Interest expense: borrowings	**1,285**	1,029
Other interest expense	**-**	35
Syndicated facilities fees	**1,182**	1,257
Total interest expense and facility fees	**3,424**	3,260
Facility establishment costs	**660**	288
Interest expenses and other finance costs	**4,084**	3,548

6 Other expense items

(a) Depreciation and amortisation expense

	Notes	2021 $'000	2020 $'000
Depreciation of plant and equipment	13	**4,892**	6,204
Depreciation of right-of-use assets	15	**11,256**	9,467
Amortisation of software	14	**4,291**	5,002
Amortisation of customer contracts / relationships	14	**8,852**	11,005
		29,291	31,678

6 Other expense items (continued)

(b) Employee benefit expense

Post-employment benefits plans	**16,654**	16,359
Equity-settled share-based payments	**1,288**	2,004
	17,942	18,363

7 Income tax expense

(a) Income tax recognised in profit or loss

	2021 $'000	2020 $'000
Tax expense comprises:		
Current tax expense in respect of the current year	**17,347**	24,852
Deferred tax	**(4,803)**	(3,702)
Income tax expense	**12,544**	21,150

(b) Reconciliation of income tax expense to tax payable

	2021 $'000	2020 $'000
Profit from continuing operations	**41,818**	70,465
Tax at the Australian tax rate of 30%	**12,545**	21,140
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
R&D tax incentives	**-**	(41)
Other non-deductible expenses	**(1)**	51
Income tax expense as per statement of comprehensive income	**12,544**	21,150
Movement through deferred tax (note: 7c)	**4,803**	3,702
Tax payable	**17,347**	24,852
Less current year tax instalments paid during the year	**(13,615)**	(14,182)
Net income tax payable	**3,732**	10,670
Effective tax rate	***30.00%***	*30.01%*

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:

2021	Opening balance $'000	AASB 16 Adoption $'000	Timing difference related to prior periods [1] $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Trade and other receivables	290	-	-	(115)	-	**175**
Accrued revenue	(21,664)	-	-	6,514	-	**(15,150)**
Trade, other payables and provisions	5,207	-	-	(3,271)	-	**1,936**
Share issue costs	70	-	303	708	-	**1,081**
Employee benefits	9,939	-	-	(896)	(309)	**8,734**
Plant and equipment	177	-	46	(569)	-	**(346)**
Customer contracts / relationships	(19,787)	-	-	2,656	-	**(17,131)**
Right of use assets	(8,727)	-	-	(262)	-	**(8,989)**
Lease liabilities	10,009	-	-	105	-	**10,114**
Other	679	-	-	(67)	-	**612**
	(23,807)	**-**	**349**	**4,803**	**(309)**	**(18,964)**

2020	Opening balance $'000	AASB 16 Adoption $'000	Timing difference related to prior periods [1] $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Temporary differences						
Trade and other receivables	554	-	(182)	(82)	-	290
Accrued revenue	(25,686)	-	-	4,022	-	(21,664)
Trade, other payables and provisions	6,188	-	1,328	(2,309)	-	5,207
Share issue costs	97	-	-	(27)	-	70
Employee benefits	13,491	-	(183)	(3,126)	(243)	9,939
Plant and equipment	(154)	-	-	331	-	177
Customer contracts / relationships	(23,088)	-	-	3,301	-	(19,787)
Right of use assets	-	(9,293)	-	566	-	(8,727)
Lease liabilities	-	9,293	-	716	-	10,009
Other	553	-	(184)	310	-	679
	(28,045)	-	779	3,702	(243)	(23,807)

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

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

7 Income tax expense (continued)

(d) Tax consolidation

Relevance of tax consolidation to the Group

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

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding 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

	2021 Cents per share	2020 Cents per share
Basic earnings per share:		
Total basic earnings per share	**7.15**	12.13

Diluted earnings per share:		
Total diluted earnings per share	**7.15**	12.09

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:

	2021 $'000	2020 $'000
Profit for the year attributable to owners of the Company	**29,274**	49,315
Earnings used in the calculation of basic EPS	**29,274**	49,315

	2021 No.'000	2020 No.'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**409,477**	406,647
Shares deemed to be issued for no consideration in respect of employee share schemes	**229**	1,134
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**409,706**	407,781

9 Trade and other receivables

	Trade receivables	Expected credit loss	Total	Trade receivables	Expected credit loss	Total
	2021 $'000	2021 $'000	2021 $'000	2020 $'000	2020 $'000	2020 $'000
Current	38,933	(70)	**38,863**	32,211	(146)	32,065
1 month	5,007	(74)	**4,933**	2,975	(65)	2,910
2 months	282	(19)	**263**	1,220	(244)	976
3 months	63	(16)	**47**	200	(74)	126
Over 3 months	1,336	(404)	**932**	946	(440)	506
	45,621	(583)	**45,038**	37,552	(969)	36,583
Other receivables			**1,783**			2,621
			46,821			39,204

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 in note 21(c).

10 Inventories

	2021 $'000	2020 $'000
Inventories	**6,837**	6,259
	6,837	6,259

Inventories recognised as an expense during the year ended 30 June 2021 amounted to $51,499 thousand (2020: $54,513 thousand). These were included in the raw materials and consumables used line item in the consolidated statement of profit or loss.

There were no write-downs of inventories to net realisable value in the current and prior period.

11 Accrued revenue

	2021 $'000	2020 $'000
Accrued revenue	**88,418**	101,801
	88,418	101,801

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

Accrued revenue has decreased at balance date in line with the reduction in Telecommunications activities.

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

12 Other assets

	2021 $'000	2020 $'000
Prepayments	**3,748**	3,947
Other	**1,150**	573
	4,898	4,520

13 Plant and equipment

	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Year Ended 30 June 2020				
Opening net book value	1,725	11,464	6,930	20,119
Additions	6	2,179	-	2,185
Disposals [1]	-	(839)	(105)	(944)
Depreciation charge	(599)	(3,345)	(2,260)	(6,204)
Closing net book value	1,132	9,459	4,565	15,156
At 30 June 2020				
Cost	9,892	30,129	8,110	48,131
Accumulated depreciation	(8,760)	(20,670)	(3,545)	(32,975)
Net book value	1,132	9,459	4,565	15,156
Year Ended 30 June 2021				
Opening net book value	1,132	9,459	4,565	15,156
Additions	-	3,180	4	3,184
Disposals [1]	(34)	(145)	(99)	(278)
Depreciation charge	(478)	(3,168)	(1,246)	(4,892)
Closing net book value	**620**	**9,326**	**3,224**	**13,170**
At 30 June 2021				
Cost	9,657	29,642	5,934	45,233
Accumulated depreciation	(9,037)	(20,316)	(2,710)	(32,063)
Net book value	**620**	**9,326**	**3,224**	**13,170**

[1] Disposals are net of accumulated depreciation.

14 Intangible assets

	Software	Customer contracts	Customer relationships	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000
Year Ended 30 June 2020					
Opening net book value	16,608	24,877	52,082	229,983	323,550
Additions	5,636	-	-	-	5,636
Amortisation charge	(5,002)	(6,045)	(4,960)	-	(16,007)
Closing net book value	17,242	18,832	47,122	229,983	313,179
At 30 June 2020					
Cost [1]	48,541	32,209	54,562	229,983	365,295
Accumulated amortisation	(31,299)	(13,377)	(7,440)	-	(52,116)
Net book value	17,242	18,832	47,122	229,983	313,179
Year Ended 30 June 2021					
Opening net book value	17,242	18,832	47,122	229,983	313,179
Additions	6,710	-	-	-	6,710
Amortisation charge	(4,291)	(3,892)	(4,960)	-	(13,143)
Closing net book value	**19,661**	**14,940**	**42,162**	**229,983**	**306,746**
At 30 June 2021					
Cost [1]	55,251	32,209	54,562	229,983	372,005
Accumulated amortisation	(35,590)	(17,269)	(12,400)	-	(65,259)
Net book value	**19,661**	**14,940**	**42,162**	**229,983**	**306,746**

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

(a) Impairment tests for goodwill

During the period, an assessment of evolving market dynamics, business operations, operational reassignments and synergies has led the Group to reassess its cash generating units (CGUs). This assessment has resulted in changes to the CGU construct whereby the former Fixed Communications and Network Construction CGUs are now determined to be a single Telecommunications CGU.

An impairment trigger assessment of the original CGUs was carried out for the half-year period ended 31 December 2020. Based on the assessment performed, no indicators of impairment were identified.

As a result of this change, a revised CGU level summary of the Group's goodwill carrying amount is presented below.

	2021 $'000
Telecommunications	**71,450**
Energy & Water	**58,248**
Comdain Infrastructure	**100,285**
	229,983

14 Intangible assets (continued)

(b) Significant estimates

The Group tests whether goodwill is subject to any impairment on an annual basis. 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.

The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. For key assumptions used in the value-in-use calculations refer to note 14(c).

(c) Key assumptions used for value-in-use calculations

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

The Group has adopted a nominal discount rate in its impairment calculation in line with the underlying financial forecast assumptions.

Cash flows beyond the next four-year period have been extrapolated using a 2.5% per annum nominal growth rate (2020: 2.5%). A pre-tax discount rate of 11.9% nominal for each CGU (2020: 11.9%) has been applied in order to discount expected future cash flows into present-day values.

The cash flow assumptions that are significant to the determination of the recoverable amounts for each CGU are as follows:

(i) Telecommunications

The critical cash flow assumption in Telecommunications is that Service Stream continues to undertake significant work with its major customers. The assumption demonstrates an initial decline from a base of -23.4% in FY21 to a forecast compound average annual nominal revenue growth over the forecast period from a base of 4.6% from FY22. This assumes existing contracts are extended, new contracts are awarded and margins remain stable as telecommunications networks are connected and maintained.

(ii) Energy & Water

The recoverable amount of the CGU is estimated to exceed the carrying amount at 30 June 2021 by approximately $6 million.

The critical cash flow assumption in Energy & Water is that Service Stream continues to undertake significant work with its existing and new customers and the forecast compound average annual nominal revenue growth over the forecast period from a base of FY21 is 10.2%. Management note that the FY21 revenue is lower than where this CGUs has performed in the past. This is predominately due to COVID-19 related impacts including customer determined moratoriums on electricity and gas disconnections (and subsequent reconnections) impacting metering operations, various state based lockdowns impacting service delivery and deferral of some discretionary and non-critical programs of work activities by asset owners.

The underlying assumption on revenue assumes a return to pre-COVID-19 volumes, with further revenue growth driven by customers continuing to pursue improved demand-side management creating opportunities in smart metering, new energy products and services including battery storage, asset maintenance and achieving growth in the electrical inspections / audit sector.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 12.9%, the CGU's recoverable amount will be reduced to its carrying amount.

If the revenue used in the value-in-use calculation for the CGU had been 7.9% lower than Management's estimates (average nominal revenue growth of 8.2% instead of 10.2%), the CGU's recoverable amount will be reduced to its carrying amount.

In the prior year, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in the Energy & Water CGU.

14 Intangible assets (continued)

(c) Key assumptions used for value-in-use calculations (continued)

(iii) Comdain Infrastructure

The critical cash flow assumption in Comdain Infrastructure is that Service Stream continues to undertake significant design, maintenance and construction services with its existing and new customers in the gas and water sectors and the forecast compound average annual nominal revenue growth over the forecast period, including a terminal year adjustment, from a base of FY21 is 9.1%. This assumes existing contracts are extended, new contracts are awarded and margins remain stable.

The recoverable amount of all CGUs is sensitive to changes in customer contractual arrangements. Should any material contracts not be renewed, material tenders not be won, or volumes assigned from contracts be lower than expected it will result in a reduction to the recoverable amount and may result in an impairment.

Management continues to monitor and assess the new and ongoing impacts of COVID-19, and any sustained impacts could potentially impact the carrying value of goodwill in the future.

15 Leases

(a) Amount recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Properties	**20,602**	23,066
Motor vehicles	**8,365**	4,486
Equipment	**996**	1,538
Total right-of-use assets	**29,963**	29,090
Current lease liabilities	**11,197**	9,900
Non-current lease liabilities	**22,516**	23,464
Total lease liabilities	**33,713**	33,364

The Group's weighted average incremental borrowing rate applied to the lease liabilities as at 30 June 2021 was 2.86%.

Additions to the right-of-use assets during the 2021 financial year were $12,129 thousand.

(b) Amounts recognised in the profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Depreciation of right-of-use assets		
Properties	**7,676**	7,488
Motor vehicles	**2,819**	1,889
Equipment	**761**	90
	11,256	9,467
Interest expense (included in interest expense and other finance costs)	**957**	939
Expense relating to short-term leases (included in the occupancy and motor vehicle expenses)	**1,627**	1,458
Income from sub-leasing of right-of-use assets	**124**	353

The total cash outflow for leases in 2021 was $14,472 thousand.

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 may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

(i) Variable lease payments

There are no variable lease payments requiring estimations.

(ii) Extension and termination options

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

(d) Critical judgements

In determining the lease term, management consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of approximately $41,724 thousand (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended or not terminated.

16 Trade and other payables

	2021 $'000	2020 $'000
Trade creditors [1]	**42,361**	45,092
Sundry creditors and accruals	**49,065**	41,186
Goods and services tax payable	**3,041**	3,103
Income in advance	**9,053**	13,674
	103,520	103,055

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

16 Trade and other payables (continued)

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

17 Provisions

	2021 $'000	2020 $'000
Current		
Employee benefits [1]	**19,585**	19,210
Provision for contractual obligations [2]	**3,782**	9,490
Provision for onerous contracts [3]	**343**	65
Provision for contractual disputes [4]	**-**	693
	23,710	29,458
Non-current		
Employee benefits [1]	**6,672**	6,531
	6,672	6,531
	30,382	35,989

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

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

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

[4] The provision for contractual disputes represents the present value of an estimate for the future outflow that may be required to settle a number of contractual matters with customers and major subcontractors.

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

(a) Movement in provision

	Contractual obligations $'000	Onerous contracts $'000	Contractual disputes $'000
Balance at 1 July 2020	9,490	65	693
Provisions reclassified to sundry creditors and accruals	-	-	(146)
Charged / (credited) to profit or loss			
Additional provisions recognised	953	1,458	-
Unused amounts reversed	(4,606)	(367)	(547)
Amounts used during the year	(2,055)	(813)	-
Balance at 30 June 2021	**3,782**	**343**	**-**

(b) Significant estimates

Management estimates the provision 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 2021 No.'000	Number of shares 2020 No.'000	Share capital 2021 $'000	Share capital 2020 $'000
Fully paid ordinary shares	**410,393**	408,026	**318,721**	314,741
Treasury shares	**-**	-	**-**	-
	410,393	408,026	**318,721**	314,741

(a) Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 July 2019	401,620	297,757
Issue of shares	5,353	14,604
Dividend reinvestment plan	1,053	2,380
Balance at 30 June 2020	408,026	314,741
Issue of shares	1,044	2,023
Dividend reinvestment plan	1,323	1,957
Balance at 30 June 2021	**410,393**	**318,721**

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

(b) Employee share schemes

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

(c) Treasury shares

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

	Number of shares '000	Share capital $'000
Balance at 1 July 2019	-	-
Acquisition of treasury shares (average price: $2.73 per share)	(5,629)	(15,345)
Shares issued under employee share schemes	5,629	15,345
Balance at 30 June 2020	-	-
Acquisition of treasury shares (average price: $1.94 per share)	(1,044)	(2,023)
Shares issued under employee share schemes	1,044	2,023
Balance at 30 June 2021	**-**	**-**

19 Dividends

Recognised amounts	2021 Cents per share	2020 Cents per share	2021 $'000	2020 $'000
Fully paid ordinary shares				
Interim dividend	**2.50**	4.00	**10,244**	16,299
	2.50	4.00	**10,244**	16,299

19 Dividends (continued)

Unrecognised amounts	2021 Cents per share	2020 Cents per share	2021 $'000	2020 $'000
Fully paid ordinary shares				
Final dividend [1]	-	5.00	-	20,435
	-	5.00	-	20,435

[1] The FY20 final fully-franked dividend was paid on 1 October 2020.

In respect of current year's earnings, an interim dividend of 2.50 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 14 April 2021.

No final dividend has been declared by the Board for the year ended 30 June 2021.

	Company	
	2021 $'000	2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%)	**42,858**	38,763

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

20 Notes to the statement of cash flow

(a) Reconciliation of cash and cash equivalents

	2021 $'000	2020 $'000
Cash and cash equivalents	**50,573**	79,472
Balance per consolidated statement of cash flows	**50,573**	79,472

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

	2021 $'000	2020 $'000
Profit for the year	**29,274**	49,315
Gain on sale of disposal of non-current assets	**(843)**	(411)
R&D tax incentives	**-**	(136)
Depreciation and amortisation	**29,291**	31,678
Equity-settled share-based payments expense	**1,288**	2,004
Decrease in tax balances & other tax adjustments	**(11,914)**	(3,782)
Movement in working capital:		
(Increase) / decrease in trade and other receivables	**(7,617)**	15,181
Decrease in accrued income	**13,383**	24,187
(Increase) / decrease in other assets	**(378)**	2,928
(Increase) / decrease in inventories	**(578)**	2,609
Increase / (decrease) in trade and other payables	**465**	(59,076)
Decrease in provisions	**(5,607)**	(6,814)
Increase in borrowing costs	**(1,217)**	-
Net cash provided by operating activities	**45,547**	57,683

(c) Liabilities from financing activities

$'000	2020	Additions / Remeasurement	Financing cash flow	2021
Borrowings	60,000	(1,217)[1]	(25,000)	**33,783**
Lease liabilities	33,364	12,237	(11,888)	**33,713**
Debt at 30 June	93,364	11,020	(36,888)	**67,496**

[1] Additions to borrowings during the year relate to the facility establishment fees from the Group's refinancing process. This is presented as an offset against total borrowings.

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 decrease in prevailing market interest rates as applied to the Group's net cash balance at 30 June 2021 the Group's sensitivity to interest rate risk would be equivalent to a $155,730 per annum unfavourable impact to profit before tax (2020: $194,720 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 financial information and its own internal trading history to credit-assess customers.

Impairment of financial assets

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

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

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

Trade receivables and accrued revenue

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

The expected loss rates on trade receivables are based on the payment profiles of sales over a period of 12 months and the corresponding historical credit losses experienced within this period. This historical loss rate is adjusted to reflect current and forward-looking information affecting the ability of specific customers to settle their receivables. The nature of the Group's customers, which includes government enterprises and large private sector corporations, is such that the risk of default of receivables is low. The Group has not observed or expect to see material decline on its customers' ability to pay as a result of the COVID-19 pandemic. Accordingly, no additional credit loss allowance pertaining to COVID-19 have been included.

When applying the impairment requirements 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 immaterial impairment loss.

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

21 Financial instruments (continued)

(c) Credit risk management (continued)

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

	Current $'000	0-30 days $'000	31-60 days $'000	61-90 days $'000	91 days + $'000	Total $'000
2020						
Expected loss rate	0.45%	2.17%	19.99%	36.88%	46.51%	
Gross carrying amount - trade receivables	32,211	2,975	1,220	200	946	37,552
Loss allowance	146	65	244	74	440	969

The loss allowances for trade receivables at 30 June 2021 reconciles to the opening loss allowances as follows:

	2021 $'000	2020 $'000
Opening balance	**969**	214
Additional provision recognised	**226**	783
Receivables written off during the year as uncollectible	**-**	(28)
Unused amount reversed	**(612)**	-
Closing balance	**583**	969

(d) Liquidity risk management

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

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

Included in note 21(d)(ii) are details of the financing facilities available to the Group at 30 June 2021.

(i) Liquidity and interest rate risk tables

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

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

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

21 Financial instruments (continued)

(d) Liquidity risk management (continued)

(ii) Financing facilities

	2021 $'000	2020 $'000
Bank guarantee	**42,428**	36,660
Borrowings	**35,000**	60,000
Amount used	**77,428**	96,660

During the period, the Group completed a refinancing of its banking facilities, and increased its revolving facilities to $275,000 thousand which are due to expire in November 2023 and have a variable rate of interest. The refinancing during the period was treated as an extinguishment, and the transaction costs attributable to the refinancing have been offset against the loan.

For the year ended 30 June 2021, the Group had unused facilities of $197,572 thousand across bank guarantees, borrowings and bank overdrafts, of which the overdraft has a maximum drawdown of $30 million. In the prior year, the Group had unused facilities of $93,340 thousand, of which $45 million attributable to cash advances, $8.3 million to bank guarantees and $40 million to bank overdraft.

(e) Categories of financial instruments

	2021 $'000	2020 $'000
Financial assets at amortised cost		
Cash and cash equivalents	**50,573**	79,472
Accrued revenue	**88,418**	101,801
Trade and other receivables	**46,821**	39,204
	185,812	220,477
Financial liabilities at amortised cost		
Lease liabilities	**33,713**	33,364
Borrowings	**33,783**	60,000
Trade and other payables	**103,520**	103,055
	171,016	196,419

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

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 debt covenants under its Syndicated Facilities Agreement regarding minimum levels of equity, gearing, fixed charge cover and borrowing base; all of which are regularly monitored and reported upon. The Group has complied with the financial debt covenants of its borrowing facilities during the 2021 and 2020 financial reporting periods.

23 Share-based payments

(a) Long-Term Incentive (LTI) Plan

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

In accordance with the provisions of the ESOP, certain employees in senior management roles were invited to participate in the LTI which entitles them to receive a number of performance rights in respect of the year ending 30 June 2021 (FY21). Each performance right converts into one ordinary share of Service Stream Limited on vesting. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights carry neither rights to dividends nor voting rights. The number of performance rights granted is based on the employee's long-term incentive participation rate, which is expressed as a percentage of the participant's total fixed remuneration (TFR), and the volume-weighted average market price of the Group's shares over a prescribed period of time or other issue price as deemed appropriate by the Board.

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

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

B 50% of the performance rights granted with respect to the FY21 tranche (80% for FY20 tranche) will vest where the Group's adjusted earnings per share (Adjusted EPS) achieves the target as set by the Board of Directors. For the FY19 tranche, 50% of the performance rights will vest where the Group's earnings per share achieves an annual growth of 10% or more over the performance period, commencing with growth from an agreed base EPS, as detailed below:

LTI tranches	FY19 [1]	FY20 [2]	FY21 [3]
Performance period	3 years	3 years	3 years
Vesting date	September 2021	September 2022	September 2023

[1] The FY19 LTI targets, from base of 11.29 cps are: Year 1: 12.42 cps, Year 2: 14.40 cps, Year 3: 13.34 cps.

[2] The FY20 LTI targets, Year 1: 15.02 cps, Year 2: 13.87 cps, Year 3: 5.98 cps.

[3] The FY21 LTI targets, Year 1: 13.87 cps, Year 2: 5.98 cps, Year 3: not yet determined.

Subject to the following proportional vesting:

Percentage of performance rights that vest	FY20 - FY21 EPS target	FY19 EPS target
0%	Below Target and below PY Adjusted EPS	Below 75%
40%	Below Target but equal to PY Adjusted EPS	At 75%
Proportional vesting	Below Target but greater than PY Adjusted EPS	Greater than 75% and less than 100%
100%	100% of Target and above	100% and above

C 50% of the performance rights granted (20% for FY20 and 50% for FY19 tranches) will vest where the Group's total shareholder return (TSR) over the performance period is such that it would rank at or above the 75th percentile (full achievement) or the 50th percentile (pro-rata achievement) of a relevant peer group of companies being those comprising the ASX 200 Industrials index, as detailed below:

23 Share-based payments (continued)

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

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

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

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

Tranche	Number	Grant date	Grant date fair value	Vesting date	Performance period
FY19	228,680	21 September 2018	Relative TSR hurdle - 81.8 cps EPS hurdle - 139.1 cps	September 2021	1 July 2018 - 30 June 2021
FY20	693,325	18 September 2019	Relative TSR hurdle - 128.4 cps EPS hurdle - 237.3 cps	September 2022	1 July 2019 - 30 June 2022
FY20 - CEO	238,544	23 October 2019	Relative TSR hurdle - 131.1 cps EPS hurdle - 242.2 cps	September 2022	1 July 2019 - 30 June 2022
FY21	1,845,077	21 October 2020	Relative TSR hurdle - 166.8 cps EPS hurdle - 193.8 cps	September 2023	1 July 2020 - 30 June 2023

Fair value of performance rights

The FY21 LTI performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a Monte-Carlo simulation. The FY21 LTI performance rights with the Adjusted EPS hurdle vesting condition have been valued using a Binomial tree methodology. Both valuation methodologies are underpinned by a 'risk-neutral' probability framework with lognormal share prices, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies. Key assumptions of the framework that underpin the valuations performed are: arbitrage free markets, complete and liquid markets, stationary lognormal share price return distributions, no trading costs or taxes, risk-neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Key inputs into the model

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

Tranche	Share price at grant date	Expected life	Volatility [1]	Risk-free interest rate	Dividend yield	Vesting date
FY19	$1.77	2.87 years	35%	2.06%	5.90%	September 2021
FY20	$2.60	2.78 years	30%	0.82%	4.04%	September 2022
FY20 - CEO	$2.65	2.69 years	30%	0.72%	3.96%	September 2022
FY21	$2.19	2.90 years	40%	0.11%	4.63%	September 2023

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

23 Share-based payments (continued)

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

Movements in the LTI performance rights during the year

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

	2021		2020	
	Number of rights	Grant date weighted avg FV $	Number of rights	Grant date weighted avg FV $
Balance at start of the financial year	**2,424,047**	**1.573**	2,331,855	0.924
Granted during the year	**1,996,737**	**1.804**	1,315,056	2.163
Vested during the year	**(675,541)**	**1.093**	(853,073)	0.622
Forfeited during the year	**(739,617)**	**1.456**	(369,791)	1.776
Balance at end of the financial year	**3,005,626**	**1.863**	2,424,047	1.573

Included in the balance at the end of the financial year are rights which have reached their vesting date but where the performance vesting criteria is yet to be calculated.

In accordance with the ESOP the shares relating to the FY19 Tranche will be issued to the extent that vesting criteria have been satisfied following final calculations of the Relative TSR measure after release of the FY21 financial statements.

As at 30 June 2021, 228,680 performance rights granted under the FY19 Tranche remain unforfeited and subject to vesting criteria.

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

24 Subsidiaries

Details of the Company's subsidiaries at 30 June 2021 are as follows:

Name of entity	Country of incorporation	Ownership interest 2021 %	2020 %
Parent entity			
Service Stream Limited	Australia		
Subsidiaries			
Service Stream Holdings Pty Ltd (i)	Australia	100	100
Service Stream Fixed Communications Pty Ltd (i)	Australia	100	100
Service Stream Mobile Communications Pty Ltd (i)	Australia	100	100
Service Stream Customer Care Pty Ltd (i)	Australia	100	100
Radhaz Consulting Pty Ltd (i)	Australia	100	100
Service Stream Infrastructure Services Pty Ltd (i)	Australia	100	100
Service Stream Energy & Water Pty Ltd (i)	Australia	100	100
Service Stream Nominees Pty Ltd (i)	Australia	100	100
Service Stream Operations Pty Ltd (i)	Australia	100	100
TechSafe Australia Pty Ltd (i)	Australia	100	100
TechSafe Management Pty Ltd (i)	Australia	100	100
Ayrab Pty Ltd (i)	Australia	100	100
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

(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 operations

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

Comdain Infrastructure Pty Ltd is a wholly owned subsidiary of Service Stream Holdings Pty Ltd. It holds a 30% direct interest in D4C.

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

26 Deed of cross guarantee

The parties to a deed of cross guarantee for the Group as listed in note 24 represent a 'closed group' for the purposes of the Instrument. As there are no other parties to the deed of cross guarantee that are controlled by Service Stream Limited, they also represent the 'extended closed group'. A separate consolidated statement of comprehensive income and consolidated balance sheet of the parties to the deed of cross guarantees has not been disclosed separately as it is not different to those of the Group.

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:

	2021 $	2020 $
Short-term employee benefits	**3,481,352**	5,186,191
Post-employment benefits	**142,072**	176,065
Other long-term benefits	**51,067**	262,645
Share-based payments [1]	**371,204**	372,199
	4,045,695	5,997,100

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

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

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

During the period, Tom Coen had a beneficial interest in two of the commercial properties that the Group occupied. Total rental income paid to the landlord is approximately $927 thousand across these two properties (2020: $580 thousand). At the onset of the COVID-19 pandemic, the Group sought and received payment deferrals from its related parties in relation to these properties, with the deferred amounts paid during FY21. The terms of the leases have been reviewed and are at arm's length with the duration of leases for these properties expiring in December 2024 and August 2025 respectively.

28 Parent entity information

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

28 Parent entity information (continued)

(a) Financial position

	2021 $'000	2020 $'000
Current assets	**196**	134
Non-current assets	**258,802**	273,794
Total assets	**258,998**	273,928
Current liabilities	**3,654**	10,668
Non-current liabilities	**-**	-
Total liabilities	**3,654**	10,668
Net assets	**255,344**	263,260
Issued capital	**297,186**	293,205
Reserves – equity-settled employee benefits	**(29,690)**	(11,108)
Accumulated losses	**(12,152)**	(18,837)
Equity	**255,344**	263,260

(b) Financial performance

	2021 $'000	2020 $'000
Profit for the year	**19,753**	43,546
Total comprehensive income	**19,753**	43,546

(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 the 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 equity.

29 COVID-19 impact

Service Stream provides essential infrastructure services to gas, electricity, water and telecommunications network owners and operators nationally. Whilst these sectors have largely been able to continue operations throughout the pandemic, there have been a number of continuing COVID-19 related impacts to the Group's operations during the period.

The impacts to FY21 earnings are described as below:

- delays to mobilisation programs, caused by lockdowns, border restrictions and/or availability of client supplied free issue materials;

29 COVID-19 impact (continued)

- continuing customer determined moratoriums on electricity and gas disconnections (and subsequent reconnections) impacting metering operations. These restrictions has progressively improved over the latter part of FY21 however not all clients have resumed normal metering operations;
- deferral of some discretionary maintenance activities by asset owners; and
- increased costs to support specific safety-related protocols across business operations, such as protective equipment, additional cleaning, and operating separate warehouse shifts.

Specifically, the Victorian Stage 4 COVID-19 restrictions resulted in significantly reduced services in the Group's Techsafe operations during the first half of FY21. As a result, the Group received $1.1 million of JobKeeper assistance from the government.

30 Contingent assets and liabilities

The Group is not aware of any material contingent assets and liabilities at balance date that have not been disclosed in these financial statements (2020: nil).

31 Events after the reporting period

Subsequent to year end, the Group entered into a binding agreement to acquire 100% of Lendlease Services Pty Ltd from Lendlease Group for an enterprise value of $310 million, and an expected purchase price of approximately $295 million once debt and debt like items are considered. To fund the acquisition, the Group completed a capital raise of $185 million, issuing 205.55 million new ordinary shares. The balance of acquisition funds required will be funded from draw down of debt facilities and available cash, with commitments to extend the Group's syndicated debt facilities increasing by $120 million to $395 million. Completion is expected to occur around November 2021, subject to a condition precedent in respect of counterparty consents and market standard completion processes. Further details of the acquisition and capital raise are detailed in the investor presentation lodged with the ASX on 21 July 2021.

Other than the above, there has not been any other matters or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly effect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

32 Remuneration of auditors

	2021 $	2020 $
Audit and review of the financial report	**746,400**	693,000
Other assurance services	**30,000**	60,000
Review of income tax return	**31,000**	33,000
Services relating to the acquisition of Comdain Infrastructure	**-**	12,250
Services relating to the GST Streamline Assurance Review	**71,740**	142,837
Tax advice and other services	**-**	48,000
	879,140	989,087

The auditor of Service Stream Limited is PricewaterhouseCoopers.

33 Significant accounting policies

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

(a) Basis of preparation

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

The financial statements were authorised for issue by the Directors on 26 August 2021.

33 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Compliance with IFRS

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

New and amended standards adopted by the Group

- AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business [AASB 3]*
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material [AASB 101]*
- AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]*

Changes in accounting policy

The Group has considered the IFRIC Agenda Decision published in April 2021 regarding the configuration or customisation costs in a Cloud Computing Arrangement (IAS 38 *Intangible Assets*). The Group has undertaken an analysis required to assess the impact of this IFRIC agenda decision and have concluded that there is no required change in accounting policy regarding the topic, nor is there a material impact to 30 June 2021 reporting.

There were no other changes in accounting policies during the period.

Early adoption of standards

The Group has not elected to early adopt the Standards and Interpretations issued but not yet effective.

Historical cost convention

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

Critical accounting estimates

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

(b) Basis of consolidation

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

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

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

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

(c) Joint arrangements

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

33 Significant accounting policies (continued)

(c) Joint arrangements (continued)

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues 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 operation are set out in note 25.

(d) Goodwill

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

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

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

(e) Segment reporting

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

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

(f) Revenue recognition

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

Ticket of work services

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

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

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

33 Significant accounting policies (continued)

(f) Revenue recognition (continued)

Project delivery

Project works relate primarily to:

- turnkey services associated with the engineering, design and construction of infrastructure projects in the telecommunications and utilities sectors. Service capability includes program management, site acquisition, town planning, design, engineering and construction management for projects in telecommunications, gas and water utilities networks; and
- minor work services such as asset remediation, augmentation and relocation.

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

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

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

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

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

Cost reimbursable

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

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

Overhead recovery

Certain customer contracts allow for the recovery of specified overhead costs.

The benefits provided to the customer under this revenue stream are simultaneously received and consumed by the customer and as such revenue is recognised over the period the services are provided *(Over time)*.

Variable consideration

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

Contract assets and liabilities

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

33 Significant accounting policies (continued)

(f) Revenue recognition (continued)

Contract fulfilment costs

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

Financing components

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

Warranties and defect periods

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

(g) Leases

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

Right-of-use assets

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

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

Lease liabilities

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

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

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

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

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

(h) Employee benefits

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

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

33 Significant accounting policies (continued)

(h) Employee benefits (continued)

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

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

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

(i) Share-based payments

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

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

(j) Taxation

Current tax

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

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

Deferred tax

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

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

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

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

33 Significant accounting policies (continued)

(j) Taxation (continued)

Current and deferred tax for the period

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

R&D tax incentive

R&D tax incentives are accounted for in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* whereby the additional 8.5% incentive from the Government to invest in specific R&D activities is classified as revenue. Where R&D relates to capital items, the incremental 8.5% incentive is recognised as revenue over the period that the asset is amortised.

(k) Plant and equipment

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

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

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

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

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

(l) Intangible assets

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

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

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

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

The estimated useful lives used in the calculation of amortisation range from 3 to 8 years for software, 1 to 11 years for customer contracts and 11 years for customer relationships.

33 Significant accounting policies (continued)

(m) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

(n) Inventories

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

(o) Provisions

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

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

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

(p) Financial instruments

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

(i) Classification

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

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

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

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

33 Significant accounting policies (continued)

(p) Financial instruments (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

(iv) Impairment

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

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

(v) Borrowings

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

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

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

(vi) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee liabilities

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

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

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

33 Significant accounting policies (continued)

(p) Financial instruments (continued)

(vi) Financial liabilities and equity instruments (continued)

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

Financial liabilities

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

Other financial liabilities

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

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

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

De-recognition of financial liabilities

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

(q) Trade receivables

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

(r) Trade and other payables

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

(s) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or other payables in the consolidated balance sheet as applicable.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(t) Cash and cash equivalents

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

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

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based incentive scheme, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Service Stream Limited as treasury shares until the shares are cancelled or reissued.

33 Significant accounting policies (continued)

(u) Contributed equity (continued)

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

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

(v) Dividends

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

(w) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- 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.

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) and 14(c);
- Estimation uncertainties and judgements made in relation to lease accounting - note 15(d); and
- Estimation of provision for contractual obligations, contractual disputes and onerous contracts - note 17(b).

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

Directors' declaration

In the Directors' opinion:

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

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date, and

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

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

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

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

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

Brett Gallagher
Chairman
26 August 2021

Leigh Mackender
Managing Director
26 August 2021

Independent auditor's report

To the members of Service Stream Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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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 $3.2 million, which represents approximately 0.4% 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 applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group revenue from continuing operations because, in our view, it is an appropriate benchmark against which to measure the performance of the Group.
- We utilised a 0.4% 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.

Key audit matter	***How our audit addressed the key audit matter***
Goodwill impairment assessment *(Refer to note 14) $230.0 million* The Group is required by Australian Accounting Standards to test goodwill annually for impairment at the cash generating unit (CGU) level. The CGUs which have goodwill allocated are: Telecommunications ($71.5 million), Energy & Water ($58.2 million) and Comdain Infrastructure ($100.3 million). The CGUs are tested for impairment using a discounted cash flow model. In undertaking impairment testing, the following assumptions require estimation: • expected cash flows, as taken from Board approved budgets and strategic plans, including assumptions regarding extending existing and winning new contracts • discount rates used to discount the estimated cash flows • the long-term growth rate to be applied to the forecast cash flows in the terminal year. This was a key audit matter because of the level of estimation required by the Group in determining the assumptions used to perform the impairment testing.	We assessed whether the Group's identification of CGUs was consistent with our knowledge of the operations of the business. We compared actual historical results to budget to assess the level of the Group's accuracy in forecasting cash flows. We checked that the four-year forecasts used in the impairment models were based on the Board approved budgets and strategic plans. We assessed the assumptions and methodology used in the impairment models, in particular, those relating to revenue, EBITDA and discount rates. To do this we: • evaluated the appropriateness of the Group's discount rate assumptions for each CGU with the assistance of PwC valuation experts • evaluated the underlying cash flow assumptions in the impairment models for key customer contracts with reference to historical results and expected project pipelines • evaluated the appropriateness of the Group's long-term growth rate based on relevant external market data • tested the calculations in the model for mathematical accuracy. We considered the adequacy of the disclosures relating to the Group's goodwill impairment assessment in light of the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition *(Refer to notes 3, 11 and 33(f)) $803.0 million* For the year ended 30 June 2021, the Group recognised $803.0 million of revenue from contracts with customers, of which $88.4 million was accrued at 30 June 2021. Revenue from 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, several customers require 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 was required to determine if accrued revenue will be recoverable. Only revenue that is highly probable of not reversing can be recorded. Revenue recognition in relation to the delivery of projects is complex because it is based on the Group's estimates of: • the stage of completion of the contract activity • total forecast contract costs, and • variable consideration. This was a key audit matter because of its significance to profit, the high volume of revenue transactions associated with ticket of work services and the estimation required in recognising revenue from the delivery of projects.	We evaluated the design and implementation of relevant key internal controls over the recognition of revenue. For revenue from the provision of ticket of work services, amongst other procedures and for a sample of transactions, we obtained evidence of completed subcontractor claims and/or work orders and compared the revenue amount recognised to the contracted rate with the customer for the type of service. In addition, for revenue that was accrued at 30 June 2021 we performed the following procedures, amongst others: • assessed the long-term average claim rejection rate which we compared to actual experience, including recent trends • obtained evidence for claims that reached an outcome subsequent to 30 June 2021. For revenue from the delivery of projects, amongst other procedures and for a sample of contracts, we: • obtained an understanding of the terms and conditions of contracts • obtained an understanding, and agreed to supporting documents, the estimates of total contract revenue and forecast contract costs and evaluated the percentage of completion based on the actual costs incurred to date • assessed the Group's forecasting accuracy by comparing historical actual costs incurred relative to the forecast of those costs • assessed the accrued revenue or income in advance balance at 30 June by assessing the amounts billed up to 30 June 2021 relative to the revenue recognised to that date • considered the status of projects to assess the allocation of revenue to the periods before and after 30 June 2021. 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.

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 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 33 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Trevor Johnston
Partner

Melbourne
26 August 2021

Corporate Directory

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Leigh Mackender
Greg Adcock
Tom Coen
Peter Dempsey
Deborah Page AM

Company Secretaries

Chris Chapman
Jamie O'Brien

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Auditor

PricewaterhouseCoopers