
# 2024 Annual Report

Keeping communities connected

ServiceStream

## Annual General Meeting

The Annual General Meeting of
Service Stream Limited will be held at
RACV City Club
Level 2, 501 Bourke Street, Melbourne
Wednesday 23 October 2024, 10.00am

# Service Stream Limited

ABN 46 072 369 870

Annual report for the financial year ended

30 June 2024

ServiceStream

# About Service Stream

Service Stream, a proud Australian S&P/ASX listed company, is a leading provider of integrated end-to-end asset lifecycle services across Australia. We specialise in the design, construction, operation, and maintenance of essential infrastructure networks, including electricity, gas, water, renewable energy, fixed and wireless telecommunications, industrial, rail, and road assets.

Our customer base comprises some of Australia's largest infrastructure organisations, with approximately 65% of our revenue derived from government-related entities, reflecting our strong relationships with both public and private asset owners.

Service Stream operates across all states and territories, supported by over 40 office and warehouse locations. We provide local career opportunities, support small businesses, and contribute to local communities.

Annually, our teams complete over 55 million property/asset service visits across Australia. Our workforce comprises over 5,300 employees and we have access to a pool of more than 6,100 subcontracting companies, demonstrating our scale and capability.

We are committed to safety, delivery, people, and accountability, and we strive to keep communities connected to the essential infrastructure that Australians depend on every day.

# Leading provider of integrated end-to-end asset lifecycle services, keeping Australia running

**ServiceStream**

**65%**
revenue derived from government related entities

**40+**
offices and warehouses nationally

**5,300+**
employees

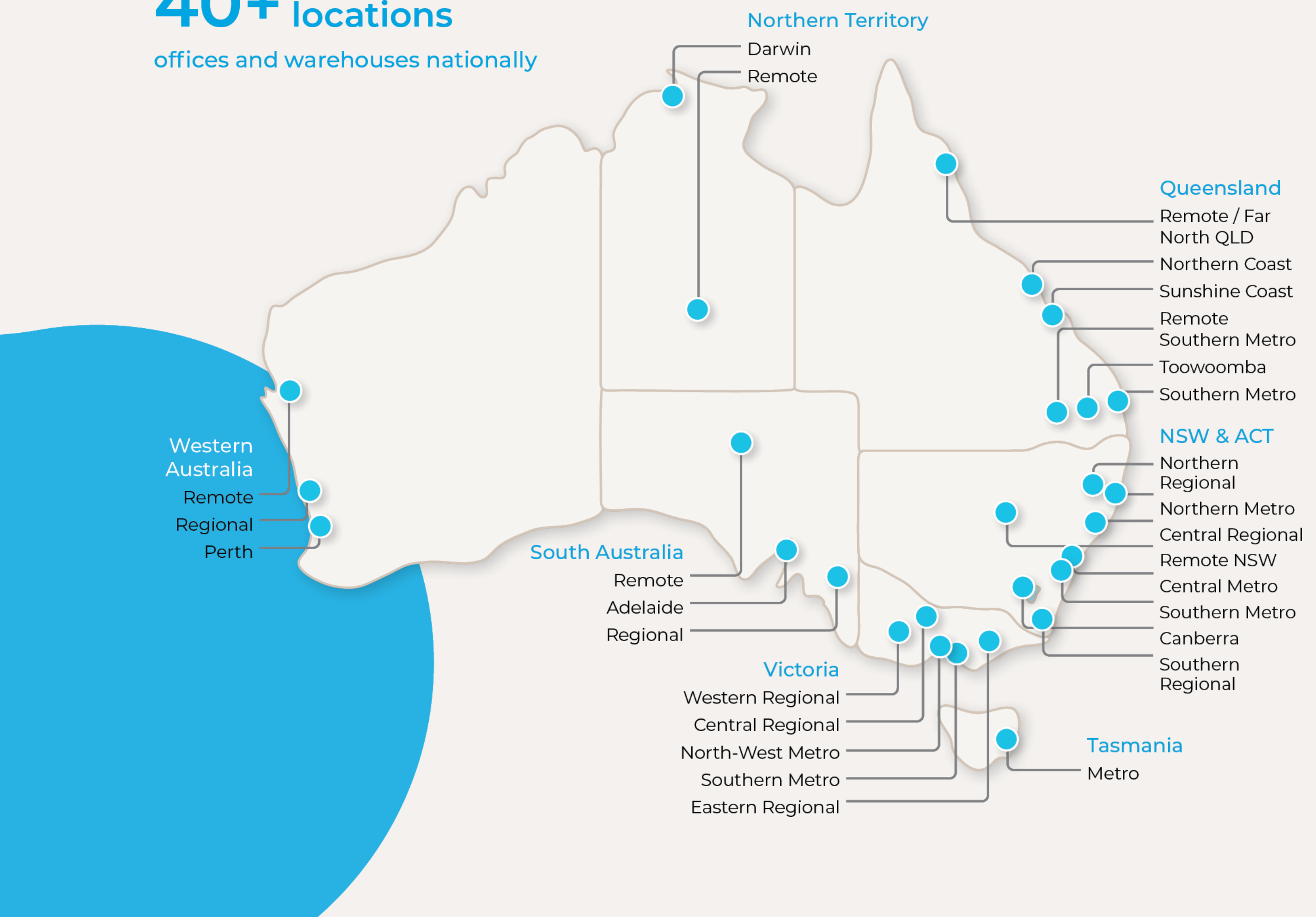
Access to
**6,100+**
subcontractor companies

**55+ million**
property/service visits per annum

## Our national footprint

**40+ locations**

offices and warehouses nationally



## Performance Highlights

# Financial Performance

for the year ended 30 June 2024

### Total Revenue

**$2.4 billion**

▲ Increase of 11.2% on pcp

### Underlying EBITDA-A

**$129.2 million**

▲ Increase of 13.2% on pcp

### EPS (statutory)

**5.3cps**

▲ Increase of 629.2% on pcp

### EPS-A

**8.2cps**

▲ Increase of 36.5% on pcp

### Cashflow Conversion

**101.6%**

OCFBIT

### Dividends per share

**4.5cps**

Total FY24 dividend

# Service Stream Limited ABN 46 072 369 870

# Annual Report

## for the year ended 30 June 2024

**Contents**



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

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

Level 4, 357 Collins Street Melbourne VIC 3000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and financial performance on pages 6 to 11, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 August 2024. The Directors have the power to amend and reissue the financial statements.

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

## Annual Report

21 August 2024

# Chairman's Letter

Service Stream plays a vital role in keeping communities connected to the essential infrastructure networks that millions of Australians depend on every day.

In the past 12 months, Service Stream has delivered strong financial performance across all operating and support divisions, underpinned by our strong pipeline of contracted services across growing markets.

The highlight this year were the announcements relating to the business securing approximately $2.2 billion of revenue under new and existing agreements across all our reporting Divisions. This demonstrates the demand for our capability across Telecommunications, Utilities and Transports sectors as we continue to invest in future growth opportunities.

Another highlight was the strong performance of our share price, which has increased by over 50% from this time last year. This reflects a growing level of confidence from our shareholders and the market more broadly in our management team, our ability to deliver value to our shareholders and the Company's long-term strategy.

Our clients continue to invest in the construction, upgrade and maintenance of their essential infrastructure networks driven by population growth, aging infrastructure, and the digital and energy transition. With a robust balance sheet, strong cash flow, and significant portfolio of work-in-hand, the Group is very well position to continue to grow and deliver further value to our shareholders in FY25.

## Safety

Safety comes first at Service Stream.

In FY24, we continued our strong performance across our lag and lead indicators. LTIFR remained below 1.00, TRIFR was stable and when benchmarked against peers and clients, all frequency rates still reflect industry leading performance.

Over the past 12 months the business has sought to implement innovative and practical risk control improvements to enhance resilience, while empowering all our people to identify opportunities for improvement and be part of the solution. More than 500 employees completed our 'Safety Leadership Workshops' in FY24, and we are anticipating higher attendance rates throughout FY25.

In FY25 the business will continue to build on our overall approach to health and safety to support Management's focus on driving superior safety performance, supported by a strong safety culture. There will be a continued focus on critical controls reviews through the 'spot check process' on work sites and on ensuring early intervention injury management practices to all work-related injuries.

As always, the health and safety of our workforce, clients and the communities in which we operate remains the number one priority for the Board and Management.

## Financial performance

The business has delivered a strong financial performance for shareholders over the past 12 months, by growing revenues, repaying debt, and a generating a healthy amount of free cash flow.

In FY24, the Group recorded Total Revenue of $2.4 billion, which was an 11.2% increase on the prior year, and underlying EBITDA from Operations of $129.2m, an increase of 13.2% on FY23. NPAT-A of $50.1m was an increase of 36.4% on the prior year.

Strong disciplines in the management of working capital and investing cash flows has enabled the Group to record a net cash position and outstanding cash conversion rate for the full-year. The business shifted from a net debt of $35.7m in FY23 to a net cash of $7.9m (excluding capitalised borrowing costs) and an OCFBIT conversion rate of 102% for the year.

Overall, the Board remains extremely optimistic with the strength of the business' balance sheet heading into the FY25.

## Rewarding Shareholders

A core part of the Board's financial goals is balancing the competition between capital for growth initiatives and returns to shareholders. The Board remains committed to the consistent payment of dividends to our shareholders aligned to the business' profit, while ensuring the Group maintains an appropriate capital management strategy which can support both operational delivery and our strategic plan.

Following the year's performance and strong cashflow result, the Board is pleased to confirm a final fully-franked dividend of 2.5 cents per share bringing the total full-franked dividend to 4.5 cents per share for the year.

## Group Strategy

FY24 marked the second year of Service Stream's strategy for the delivery of improved, consistent, and incremental value to our stakeholders. We have made significant progress in pursuit of 'Our Vision' and 'Our Purpose' which are underpinned by our strategic pillars of 'Delivery, Optimisation and Growth'.

While there is more to be done, Service Stream has, to date, delivered industry leading safety performance, improved its financial performance, improved margins, reduced business overheads and secured organic growth opportunities.

In FY25, Management will remain focused on our strategic pillars with the knowledge that delivering to our strategy will lead to the positive financial performance of the business and long-term value for our shareholders.

## Sustainability

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

The business continues to take important steps in delivering tangible social and economic results through the implementation of the Reconciliation Action Plan and Diversity, Equity & Inclusion Strategy and Action Plan. Some of the initiatives implemented in FY24 in support of our sustainability pathways include the deployment of a greenhouse gas emissions platform to enhance our transition to a Net Zero future, roll-out of mental health initiatives and implementation of our Innovate Reconciliation Action Plan.

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

## Personal Note

On behalf of the Board, I would like to thank all our valued people working across the business for their hard work and dedication throughout the year. They are the reason behind our ongoing success. The Board continues to focus on supporting our people as we execute on the key drivers that shape our strategic plan.

Brett Gallagher
Chairman

# Directors' Report

Your Directors present their report on the consolidated entity (the Group) consistent of Service Stream Limited and entities it controlled at the end of, or during, the year ended 30 June 2024, and in order to comply with the provisions of the *Corporations Act 2001*. The Directors' report is as follows:

## Board of Directors biographical details

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

### Brett Gallagher
### Chairman

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

**Qualification:** FAICD.

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

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

Brett is a member of the Health, Safety & Environment Committee and a member of the Audit and Risk 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.

**Qualifications:** MBA (VU), MAICD.

Leigh Mackender was appointed as the Managing Director of Service Stream in May 2014, after holding a number of management and executive roles within the business since joining in 2005.

Leigh has held senior roles in government, private and public businesses over the past 20 years, with a strong focus on the development and implementation of business strategy, operational and financial management, stakeholder relations, health & safety and information technology.

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

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

### Elizabeth Ward
### Non-Executive Director

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

**Qualifications:** MBA, MAICD.

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

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

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

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

## Martin Monro
## Non-Executive Director

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

**Qualifications:** BA (Psych) FAICD, FAIB.

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

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

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

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

## Sylvia Wiggins
## Non-Executive Director

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

**Qualifications:** LLB, LJuris Law, GAICD.

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

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

Sylvia is an experienced company director and currently a Non-Executive Director of Collgar Renewables Group, Epic Energy Group and Scheme Financial Vehicle Pty Limited.

Sylvia is Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

During the last three years, Sylvia held listed directorships with Aeris Resources Limited (retired 31 December 2023) and Altium Limited (retired 1 August 2024).

## Peter Dempsey
## Non-Executive Director

**Term of Office:** Chairman from November 2010 to February 2015, Non-Executive Director since March 2010. Peter retired 18 October 2023.

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

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

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

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

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

## Nick Miller
## Non-Executive Director

**Term of Office:** Non-Executive Director since November 2023. Nick retired 16 January 2024

**Qualifications:** NZCE (Civil), BE (Hons), FIPENZ, GAICD.

Nick Miller brought to the Board extensive operational, contracting and commercial expertise gained across a diverse range of industries including construction and resources sectors, infrastructure and civil construction services, electricity distribution network services, industrial mineral manufacturing, operations and maintenance services in Australia and New Zealand. He has over 30 years' experience as a CEO, senior executive and strategic advisor across these sectors. He has specific experience in change management, business development, industrial relations, contract management, stakeholder engagement and service delivery.

Nick was previously Managing Director and CEO of Fulton Hogan Ltd, Broadspectrum and Adbri Limited. He is an experienced company director gained across listed entities such as Adbri Limited, as well as private enterprises such as Fulton Hogan, Southbase Construction, Coleridge Downs and Orion NZ Ltd. He has experience in audit and risk; health, safety, environment & sustainability; and remuneration board committees.

Nick was a member of the Health, Safety & Environment Committee and was a member of the Audit and Risk Committee.

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

## Directors' Shareholdings

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

| Directors | Fully paid ordinary shares Number | Performance rights Number |
|---|---|---|
| B Gallagher | 2,390,243 | - |
| E Ward | 100,559 | - |
| M Monro | 75,000 | - |
| S Wiggins | 112,725 | - |
| L Mackender | 1,772,914 | 2,704,961[#] |

[#]Aggregation of performance rights granted under FY22, FY23 and FY24 LTI Plans.

## Key updates (retirement of Peter Dempsey and Nick Miller)

Peter Dempsey retired from the Service Stream Limited Board on 18 October 2023.

Nick Miller retired from the Service Stream Limited Board on 16 January 2024.

## 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 21 to 45.

## Performance rights granted to Directors and senior management

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

| Director and senior executives | Number of rights granted | Number of ordinary shares under rights |
|---|---|---|
| L Mackender | 919,727 | 919,727 |
| L Kow | 505,745 | 505,745 |
| D Zropf | 482,870 | 482,870 |
| K Smith | 411,235 | 411,235 |
| J Van Dyk | 310,078 | 310,078 |
| | **2,629,655** | **2,629,655** |

## 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 the General Manager, Legal. He has extensive experience as an in-house lawyer and senior lawyer in Australian and overseas law firms. Jamie O'Brien was appointed as additional Company Secretary in April 2021.

## Principal activities

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

# Review of operations and financial performance

## Financial overview

### Table 1 – Financial Performance

| $'000 | FY24 | FY23 | Change |
|---|---|---|---|
| **Revenue** | **2,291,589** | **2,052,767** | **238,822** |
| **EBITDA from Operations** [1] | **119,372** | **93,957** | **25,415** |
| Non-operational costs | - | (5,081) | 5,081 |
| Joint venture adjustments | (2,620) | (1,998) | (622) |
| Depreciation & amortisation | (42,775) | (52,639) | 9,864 |
| Amort. of customer contracts / relationships | (15,686) | (15,411) | (275) |
| **EBIT** | **58,291** | **18,828** | **39,463** |
| Net financing costs | (11,396) | (13,605) | 2,209 |
| Income tax expense | (14,597) | (761) | (13,836) |
| **Net profit after tax** | **32,298** | **4,462** | **27,836** |
| Statutory EPS (cents per share) | **5.25** | **0.72** | **4.53** |
| Total Dividends (cents per share) | **4.5** | **1.5** | **3.00** |
| Adjusted profitability [2]: | | | |
| **Total Revenue** | **2,391,801** | **2,150,782** | **241,019** |
| **Underlying EBITDA from Operations** | **129,172** | **114,098** | **15,074** |
| *Underlying EBITDA from Operations margin* | *5.40%* | *5.30%* | *0.10%* |
| **Adjusted NPAT (NPAT-A)** | **50,138** | **36,768** | **13,370** |
| **Adjusted EPS (cents)** | **8.15** | **5.97** | **2.18** |

[1]EBITDA from Operations is calculated as earnings before interest, tax, depreciation and amortisation, non-operational costs and joint venture proportionate consolidation adjustments.

[2]Adjusted profitability includes non-IFRS measures that have been adjusted for non-operational costs, impairment charges, amortisation of customer contracts and proportionate consolidation of equity-accounted joint ventures. Refer to reconciliation between IFRS and non-IFRS financial information for further details on page 8.

## Group results

Revenue increased by 11.6% to $2,291.6 million from $2.052.8 million driven by the Telecommunications segment with robust growth across all market sectors and services. The Utilities segment also reported strong growth across most market sectors despite phasing out revenue from discontinued operations and transitioning away from large scale fixed price design and construct projects. The growth was partially offset by the Transport segment with operations rebased following the de-mobilisation of the Western Australia regional road operations in FY23.

Underlying EBITDA from Operations increased to $129.2 million from $114.1 million, largely driven by strong contributions from the Telecommunications and Utilities segments. The underlying earnings result excludes the additional $9.8m provision recognised for the onerous QLD Utility project (FY23: 20.1 million).

Depreciation & amortisation expense decreased by $9.9 million due to:

- $6.6 million of one-off asset write-downs recognised in FY23 from decommissioning of software assets as part of the Lendlease Services (LLS) integration activities;
- Stringent capital expenditure spend management; and
- Rationalisation of leasehold premises following the LLS acquisition.

The Group's net financing costs decreased by $2.2 million resulting from an overall reduction in net debt during the year.

Tax expense for the year was $14.6 million, reflecting an effective tax rate (ETR) of 31% which was in line with expectations.

Group net profit after tax (NPAT) was $32.3 million in FY24, increasing $27.8 million from prior year. This was driven by the revenue and EBITDA from Operations drivers outlined above, offset by a higher tax expense. Adjusted NPAT (NPAT-A) was $50.1 million, an increase of $13.4 million from prior year.

The Directors have declared a final fully-franked FY24 dividend of 2.5 cents per share, taking the total fully-franked dividend to 4.5 cents per share for the full year.

## Reconciliations between IFRS and non-IFRS financial information

Table 2 – Reconciliation information

| $'000 | FY24 | FY23 |
|---|---|---|
| **Reconciliation of Total Revenue to Revenue** | | |
| **Total Revenue** | **2,391,801** | **2,150,782** |
| Less: Share of revenue from joint ventures[1] | 100,212 | 98,015 |
| **Revenue** | **2,291,589** | **2,052,767** |
| **Reconciliation of Underlying EBITDA from Operations to Net profit/(loss) after tax** | | |
| **Underlying EBITDA from Operations** | **129,172** | **114,098** |
| Onerous contract provision for QLD Utility project | (9,800) | (20,141) |
| **EBITDA from Operations** | **119,372** | **93,957** |
| Adjustments for joint ventures[2] | (2,620) | (1,998) |
| Depreciation and amortisation | (58,461) | (68,050) |
| Non-operational costs (before tax)[3] | - | (5,081) |
| Net finance costs | (11,396) | (13,605) |
| Tax expense | (14,597) | (761) |
| **Net profit after tax** | **32,298** | **4,462** |
| **Reconciliation of NPAT-A to net profit/(loss) after tax** | | |
| **Adjusted NPAT (NPAT-A)** | **50,138** | **36,768** |
| Amort. of customer contracts (tax-effected) | (10,980) | (10,787) |
| Non-operational costs (after tax)[3] | - | (7,421) |
| Onerous contract provision for QLD Utility project (tax effected)[2] | (6,860) | (14,098) |
| **Net profit after tax** | **32,298** | **4,462** |

[1]Proportionate share of revenue from equity accounted joint ventures.

[2]Relates to depreciation and amortisation, interest and tax expense associated with equity accounted joint ventures.

[3]Non-operational costs include acquisition, business integration and restructuring costs. Refer note 6(c) of the notes to the consolidated financial statements.

## Segment Results

Table 3 – Segment results

| $'000 | FY24 | FY23 | Change |
|---|---|---|---|
| Telecommunications | 1,200,215 | 970,380 | 229,835 |
| Utilities | 972,117 | 888,428 | 83,689 |
| Transport | 219,474 | 292,247 | (72,773) |
| Eliminations, interest & other revenue | (5) | (273) | 268 |
| **Total Revenue** | **2,391,801** | **2,150,782** | **241,019** |
| Telecommunications | 105,408 | 85,460 | 19,948 |
| Utilities (underlying) | 34,161 | 28,425 | 5,736 |
| Transport | 14,329 | 14,791 | (462) |
| Unallocated corporate costs[1] | (24,726) | (14,578) | (10,148) |
| **EBITDA from Operations (underlying)** | **129,172** | **114,098** | **15,074** |
| Telecommunications | 8.8% | 8.8% | - |
| Utilities | 3.5% | 3.2% | 0.3% |
| Transport | 6.5% | 5.1% | 1.4% |
| **EBITDA from Ops Margin** | **5.4%** | **5.3%** | **0.1%** |

[1] FY24 unallocated costs include one-time investment costs in organic business development opportunities (e.g. Defence BST).

### Telecommunications

Telecommunications' Total Revenue increased by $229.8 million (23.7%) compared to FY23 due to:

- Expansion across fixed line and wireless operations, encompassing both operations and maintenance (O&M) and capital programs; and
- increased connection volumes flowing from the nbn fibre overbuild program.

Telecommunications' EBITDA from Operations was $105.4 million, an increase of 23.3% against prior year, reflecting impact of the revenue growth drivers outlined above and additional earnings opportunities from adverse weather rectification works in Q3FY24. EBITDA margin of 8.8% remained consistent with the prior period.

### Utilities

Utilities' Total Revenue increased by $83.7 million (9.4%) compared to FY23 attributed to new O&M contract wins and organic growth opportunities within existing contracts. Utilities Underlying EBITDA from Operations was $34.2 million, an increase of $5.7 million. Exceptional performance from core O&M contracts and good progress on closing out problematic legacy projects enabled second half EBITDA margin improvement to 3.4%.

### Transport

Transport's Total Revenue decreased by $72.8 million (24.9%) compared to FY23, following the rebasing of operations after the de-mobilisation of WA regional road operations in FY23.

Despite the revenue decline, EBITDA from Operations remained relatively steady at $14.3 million as the impact of the WA revenue reduction was mitigated through overhead cost reduction and strong performance from remaining operations, enhancing EBITDA margin. The Segment results also include compensation from the Inland Rail PPP demobilisation agreement reached during FY24.

## Cashflow and Financial Position

Table 4 – Cashflow

| $'000 | FY24 | FY23 | Change |
|---|---|---|---|
| **Underlying EBITDA from Operations** | **129,172** | **114,098** | **15,074** |
| +/- non-cash items & change in working capital | 6,395 | (16,750) | 23,145 |
| Adjustment for joint ventures | (4,359) | (4,962) | 603 |
| **OCFBIT [1]** | **131,208** | **92,386** | **38,822** |
| ***EBITDA to OCFBIT [1] conversion %*** | **101.6%** | **81.0%** | |
| Non-operational costs and onerous contract[2] | (12,541) | (31,151) | 18,610 |
| Net interest and financing paid | (9,535) | (10,889) | 1,354 |
| Income taxes paid | (11,947) | 44,466 | (56,413) |
| **Operating cashflow** | **97,185** | **94,812** | **2,373** |
| Capital expenditure | (10,473) | (7,984) | (2,489) |
| Business acquisitions (net of cash acquired) | - | (12,896) | 12,896 |
| Proceeds from sale of assets | 4,089 | 3,970 | 119 |
| **Free cashflow** | **90,801** | **77,902** | **12,899** |
| Dividends paid | (18,436) | (9,236) | (9,200) |
| Lease liability payments | (24,554) | (23,064) | (1,490) |
| Repayment of borrowings | (65,000) | (30,012) | (34,988) |
| Purchase of shares | (4,131) | - | (4,131) |
| **Net (decrease)/increase in cash** | **(21,320)** | **15,590** | **(36,910)** |

[1] Operating Cashflow before interest, tax and non-operational costs.

[2] Non-operational costs and onerous contract includes acquisition, business integration and restructuring costs (Note 6(c)) and net cash outflow associated with the QLD utility onerous contract.

## Cash Flow

Operating cash flow was $97.2 million, an increase of $2.4 million against prior year, driven by:

- Strong operating performance primarily in the Telecommunications segment;
- Improvement in net working capital across the business;.
- Lower financing costs due to an improved leverage position.

This was partially offset by:

- Higher income tax payments which are more reflective of the tax expense for the year, whereas FY23 benefited from a one-off refund of $49.4 million arising from a tax deduction associated with the LLS acquisition.

Operating cash flow before interest, tax and non-operational costs (OCFBIT) was $131.2 million, representing an 101.6% cash flow conversion rate which exceeded expectations.

Net investing cash outflows were $6.4 million and comprised:

- $10.5 million of capital expenditure relating to investment in technology and plant & equipment; offset by
- $4.1 million received as proceeds from the sale of fleet assets.

Net financing outflows for the year were $112.1 million which included:

- Operating lease payments for fleet assets and property of $24.6 million;
- Dividends of $18.4 million; and
- Repayment of net borrowing of $65.0 million, as the Group improved its net cash/debt profile following a strong operating cash flow result.

## Financial position

The Group had net assets of $480.3 million at 30 June 2024 (2023: $465.4 million).

### Cash and financing facilities

- The Group ended the year with net cash of $8.5 million, an improvement of $42.8 million from prior year. This was driven primarily by strong cash flow generated by operating activities and continued focus on working capital optimisation across the Group.
- As at 30 June 2024, the Group had liquidity of $287.3 million comprising cash balances of $62.9 million and an undrawn committed loan facility of $224.4 million.
- The Group was in compliance with each of the financial covenants that applied during the year across all its financing facilities with its lenders.

### Other Balance Sheet items / movements

Other key balance sheet movements during the year included:

- Net working capital (comprising the net of trade & other receivables, inventories, accrued revenue, other assets, trade & other payables and provisions) at 30 June 2024 was a net asset position of $86.1 million, a decrease of $0.9 million from 30 June 2023. Net working capital as a percentage of revenue was 3.8%, down from 4.2% in prior year reflecting the strong focus on working capital optimisation throughout the business.
- Property, plant and equipment at 30 June 2024 was $33.2 million compared to $43.0 million at 30 June 2023. The decrease is primarily resulting from lower capital expenditure and a higher depreciation charge for the year associated with revalued fleet assets acquired as part of the LLS acquisition.
- Intangible assets at 30 June 2024 were $418.1 million compared to $437.0 million at June 2023. This included amortisation of software assets and customer intangible assets acquired through business combinations.

Right-of-use assets and lease liabilities recognised under AASB 16 Leases were $60.7 million (2023: $50.2 million) and $62.5 million (2023: $53.2 million), respectively. The increase attributed to property leases as the Group entered into new leases as part of its continued consolidation of its premises footprint following the acquisition of LLS in FY22.

## Overall Group strategy, prospects and risks

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

## Risk management

### Our approach to risk management

Service Stream's approach to risk management is designed to:

- support the Board, Executive and Senior Leadership Teams, managers, and all staff to confidently make informed decisions based on organisational policy, values, and appetite;
- assist the business to achieve organisational objectives through the systematic and timely identification and management of risks and the identification and capitalisation of opportunities;
- consistently manage the effects of uncertainty through the application of robust risk management practices;
- promote compliance with relevant obligations; and
- create and protect value by targeting effort and resources to the areas of highest priority and impact.

To achieve our Corporate Vision; to be Australia's leading essential network service provider, Service Stream's Risk Management philosophy is tied to the achievement of the Group's Corporate Strategy. Service Stream's overall philosophy for Risk Management is to:

- be aware of the risks to which the Group is exposed through robust identification and analysis efforts;
- actively manage the risks we identify by monitoring, reporting, and implementing strategies for risks response; and
- continually learn, develop, and mature our risk capability and approach.

### Our risk management framework

Risk is managed in every part of Service Stream across all operations and activities. The Board is ultimately responsible for ensuring the effective and appropriate management of risks to the Group and is the key determiner of the Group's Risk Appetite. Risk oversight and governance is split between various Board Committees, with the Group's risk management cycle being comprised of three main activities to drive oversight and governance as demonstrated below.

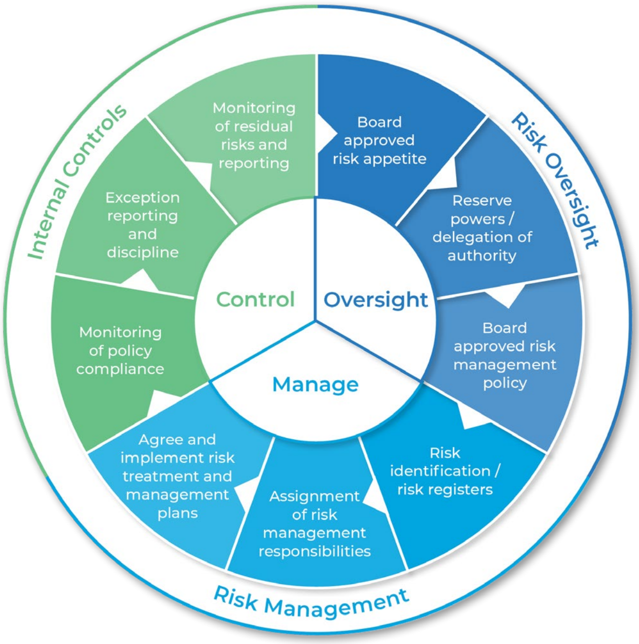



Figure 1 – Components of Service Stream's risk management cycle

To acquit the requirements of the risk management cycle, risk forums have been established within the Service Stream Group to ensure that there are appropriate platforms at all levels of the business to discuss, monitor, respond to, and manage risk. The model of risk forums within the Group is demonstrated below.

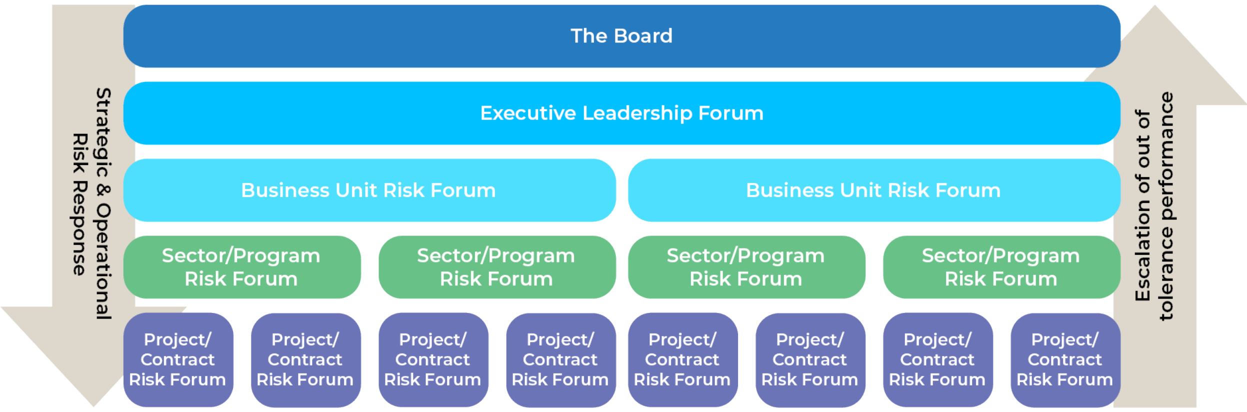



Figure 2 – Risk Forums within the Service Stream Group

## Material risks and our approach to managing those risks

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

| Material Risk | Approach to managing risk |
|---|---|
| **Client concentration**<br>The Group's exposure to a small number of key clients and infrastructure programs particularly within the telecommunications sector as a source of revenue and profitability. | • Expanding the Group's customer base and creating a broader portfolio of operations across the wider infrastructure services market through organic and acquisition opportunities.<br>• Diversification of income streams by developing and offering a broad range of services and geographic coverage. |
| **Client demand**<br>Many of the Group's contractual agreements do not contain volume commitments. Therefore, volumes may be dependent on the client's demand requirements which could change over time and lead to variability in expected future earnings.<br>In addition, the potential variability in client demand presents operational challenges to the Group. | • Maximising the variability of the Group's cost-base and structures by maintaining an appropriate balance between an employee-based workforce and the use of specialist subcontractors.<br>• Maintaining a flexible workforce model 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. |
| **Contract management**<br>Acceptance of sub-optimal terms and conditions in client contracts and the ineffective commercial administration of client contracts over their term could reduce future earnings. | • We have developed and implemented a Commercial Contract Standards policy that specifies the minimum acceptable terms for the Group and the approval process for diverting from those Standards.<br>• We have dedicated in-house Corporate Legal and Commercial functions to assist in the review and negotiation of client contracts.<br>• Contract managers are dedicated on material or complex client contracts.<br>• We have implemented a Commercial Health-Check Program to assist in embedding sound contract management disciplines across the Group. |

| Material Risk | Approach to managing risk |
| --- | --- |
| **Weather / Climatic Conditions** | |
| In undertaking and delivering programs for our clients, Service Stream is exposed to the impacts of adverse weather events such as floods, bushfires and extreme heat, as well as the effects of climate cycles such as La Nina and El Nino.<br>Adverse weather event material risks include physical risks to fixed assets, key sites and locations, as well as delays and increased costs to completing work under contract. | • Group-wide or project specific insurance policies.<br>• Negotiated contract positions which enable Service Stream to recover some of the cost impacts associated with adverse weather.<br>• Limited the Group's exposure to fixed-price lump sum contracts.<br>• Allowing for appropriate risk contingency in pricing models and programs. |
| **Inflation** | |
| The nature of Service Stream's operations can be exposed to inflationary pressures across materials, labour and other operating costs. | • Incorporating anticipated inflationary increases into the prices charged to clients.<br>• Incorporating price review and relief mechanisms into client contracts.<br>• Limiting the Group's exposure to fixed-price lump sum contracts.<br>• Implementing a procurement framework that seeks to provide greater certainty on material costs. |
| **Retention of key personnel and sourcing of subcontractors** | |
| Attracting and retaining key personnel and the sourcing of subcontractors presents a risk to Service Stream's ability to win work, deliver our contractual requirements and achieve our objectives. | • We have a remuneration framework that is structured to attract, motivate and retain talent and reward employees for delivering long-term shareholder value. The Remuneration and Nomination Committee governs the remuneration framework.<br>• Implementation and refinement of Group employee value proposition initiatives such as incentive arrangements, remuneration reviews, retention bonuses, and employee development and talent identification programs.<br>• Provide hybrid working arrangements that involve a mix of working from home, office and site.<br>• Roll-out of employee engagement surveys to understand and address priority issues for our workforce.<br>• Capital investments to improve the subcontractor engagement and onboarding experience, market competitive payment terms, and market rate reviews assist with the retention of the Group's growing subcontractor base. |
| **Working with potential safety hazards** | |
| In undertaking work and delivering programs for its clients, Service Stream's employees and subcontractors can operate in potentially hazardous environments and perform potentially hazardous tasks. Poor safety performance can result in the loss of customer contracts and regulatory penalties. | • We have a dedicated HSE Committee to monitor and govern the effectiveness of the Group's safety framework.<br>• We have a dedicated Corporate HSE Team, as well as safety teams embedded within each Business Unit.<br>• Investment in safety platforms, training, supervisors, equipment and programs to increase awareness of significant hazards and prevent injuries to employees and subcontractors. |

| Material Risk | Approach to managing risk |
|---|---|
| **Business interruption and resilience** | |
| 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.<br>Our ability to prepare, manage and recover operations from a major business disruptive event could result in diminished financial returns and loss of value. | • Dedicating time each year during our planning cycle to assess and plan for external factors such as digital disruption or technological changes, which may have a bearing on the Group's operations.<br>• The development, implementation, testing and review of Business Continuity Plans for the Group.<br>• Monitoring and reviewing the Group's Business Continuity Plans and strategic risk registers (including the risk register for Information Technology) via the Audit & Risk Committee. |
| **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.<br>A failure to maintain our business-critical systems and/or the occurrence of a cyber security incident could result in the loss of a customer contract, reduce revenue and/or impact Service Stream's profitability. | Information technology and defence against cyber security incidents are managed through the following:<br>• Appropriate IT funding and investment to maintain fit-for-purpose system applications and infrastructure. IT funding and investment is a core component of the Group's strategic plan.<br>• Dedicated investment in cyber security capability to protect both our clients' and the Company's information assets. The backbone of our approach is a formal Information Security Management System (ISMS), which provides a detailed overview to the Board, Audit & Risk Committee, and our managers of key security risks.<br>• Dedicated IT security team to manage cyber security risk and improve controls.<br>• The development, implementation and testing of Cyber Security Incident Response Plans and Ransomware Playbook.<br>• By obtaining and subsequently maintaining ISO 27001 certification, along with a cybersecurity framework of process controls, which include automated surveillance, system, network and end-point protection, detect and respond capability and 24/7 monitoring.<br>• Employee cybersecurity education programs, including phishing awareness and testing campaigns. |
| **New business governance** | |
| Poor tender governance processes may lead to Service Stream securing new contracts on unfavourable terms and/or rates that could result in material losses for the business. | • We have a Business Development Compliance Framework that is managed by Group Commercial. The Framework establishes gated processes for new business opportunities, formalises delegations of authority for those opportunities, and is linked to the Group's Commercial Contract Standards.<br>• We have three tiers of Tender Investment Committees for the approval of tender submissions: SIC (chaired by the Managing Director), EIC (chaired by the relevant Executive General Manager for the Business Unit), and MIC (chaired by the relevant General Manager for the Business Unit). The delegations of authority determine the Committee required to approve a tender submission.<br>• Service Stream has a centralised business development division to monitor compliance to the Group's Business Development Compliance Framework, as well as dedicated business development teams within each Business Unit to manage all business opportunities. |

| Material Risk | Approach to managing risk |
|---|---|
| **Project Delivery**<br><br>This covers our ability to execute quality projects on time and within budget, meet contractual obligations and customer expectations.<br><br>If we fail to manage our contracts or deliver poor quality work, we may incur additional costs, be imposed with time based contractual damages, and/or lose customer contracts, which could have an adverse effect on Service Stream's financial performance. | Project delivery is supported by the following:<br><br>• A project execution framework (PeX) to support Project Leads through the full life cycle of a project. PeX provides standardised delivery applications and continuous improvement for project management.<br>• Dedicated project management offices (PMO) within the Business Units.<br>• Project risk deep-dive assessments periodically undertaken for early detection of project delivery issues.<br>• A precedent suite of contract notices, subcontracts and consultancy agreements to assist in the management of contractual entitlements and the discharging of delivery obligations. |
| **Financial disclosures**<br><br>Inaccurate financial forecasting and related financial disclosures may adversely affect investor confidence and our share price. Regulatory and legal action may also be taken for inaccurate financial disclosures which may impact profitability. | Financial reporting is supported by the following:<br><br>• Weekly finance meetings between Group Finance and Business Unit finance teams, as well as regular budgeting and reforecasting sessions.<br>• Monthly continuous disclosure meetings to monitor compliance to the Company's continuous disclosure obligations.<br>• Investment in the optimisation of finance systems and processes to increase transparency, accuracy and timeliness of financial reporting. |
| **Regulatory Compliance**<br><br>Service Stream is affected by a range of industry specific, legal and regulatory controls. Changes in these types of controls can have an adverse effect of Service Stream's financial performance. | • We have a dedicated Group Legal and Compliance team that advises the business on its legal, regulatory and compliance obligations in all jurisdictions within Australia.<br>• We seek to negotiate 'change in law' mechanisms in our client contracts to enable us to recover the cost impact of unexpected legislative changes.<br>• We have a formal whistleblower policy and process and utilise an external platform provider 'Stopline' to assist in the reporting of inappropriate, unethical and corrupt behaviour, as well as misconduct and any other improper state of affairs. |

## 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 2024 | Interim 2024 | Final 2023 |
|---|---|---|---|
| Per share (cents) | 2.50 | 2.00 | 1.00 |
| Total amount ($ million) | 15.39 | 12.31 | 6.15 |
| Franked | 100% | 100% | 100% |
| Payment date | 4 October 2024 | 5 April 2024 | 5 October 2023 |

## Significant changes in the State of affairs

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

## Events after the reporting date

There has not been any matter or circumstance arising in the interval between the end of the financial year and the date of this consolidated financial report, that in the opinion of the Directors that affect significantly the operations, results of those operations, or the state of affairs of the Group in future financial years.

## Environmental regulation

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

## Shares under performance rights

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

| Series | Class of shares | Exercise price of right | Rights vesting date | Share grant date | Number of shares under rights |
|---|---|---|---|---|---|
| FY22 LTI Tranche | Ordinary | $0.00 | 30 June 2024 | September 2024 | 3,182,182 |
| FY23 LTI Tranche | Ordinary | $0.00 | 30 June 2025 | September 2025 | 5,502,990 |
| FY24 LTI Tranche | Ordinary | $0.00 | 30 June 2026 | September 2026 | 5,263,554 |
| | | | | | **13,948,726** |

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

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

## Directors' meeting attendance

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

| | | Meetings of Committees | | | |
|---|---|---|---|---|---|
| | Board meetings | Audit and Risk | Remuneration and Nomination | Health, Safety & Environment | Term of Directorship |
| **No. of meetings held** | **12** | **5** | **4** | **5** | |
| No. of meetings attended by | | | | | |
| B Gallagher[1] | 12 | 2*<br>2# | 3* | 5# | 14 years |
| E Ward | 12 | 5* | 4# | 5# | 2 years |
| M Monro | 12 | 5# | 4# | 5# | 1 year |
| S Wiggins[2] | 12 | 5# | 1*<br>3# | 5* | 1 year |
| L Mackender | 12 | 5* | 4* | 5# | 10 years |
| P Dempsey[3] | 3 | 1# | 1# | 2* | 13 years |
| N Miller[4] | 1 | 0 | 1* | 0 | 4 months |

*Attended as Standing Invitee. #Attended as a member. [1]B Gallagher was appointed member of the Audit and Risk Committee on 16 January 2024. [2]S Wiggins was appointed member of the Remuneration and Nomination Committee on 17 October 2023. [3]P Dempsey retired on 18 October 2023. [4]N Miller retired on 16 January 2024.

## Indemnification of officers and auditors

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

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

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

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

## Proceedings on behalf of the company

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

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

## Non-audit services and auditors

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

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

PricewaterhouseCoopers has been the auditor of the company since FY 2013, and Andrew Cronin has been the Partner responsible since FY 2023.

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 46 of the annual financial report.

## Rounding of amounts

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

## Corporate governance statement

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

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at: http://www.servicestream.com.au/investors/corporate-governance. The corporate governance statement is accurate and up to date as at 21 August 2024 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 Group's new sustainability report will be released in October 2024.

# Remuneration Report

2024

ServiceStream

## Remuneration Report

**Contents**



## Remuneration Report

21 August 2024

# Message from the Chairman of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present Service Stream's FY2024 Remuneration Report (**Report**). This letter and the accompanying Report detail the remuneration outcomes for FY2024, the remuneration increases for FY2025, and the outcome of the Board's review of Service Stream's remuneration framework.

The tight labour market that continues within our industry reinforces that the retention and reward of our dedicated workforce of over 5,300 people is critical to the current and ongoing success of the business. It is therefore front-of-mind for the Board that our remuneration framework be competitive, drive positive behaviour and decisions over the long term, retain talent, support the Group's strategy, and appropriately reward our employees for continued performance. The Board will remain focused on these issues throughout FY2025.

### FY2024 Remuneration Outcomes

In FY2024 the business delivered for our shareholders a significant increase in our share price, an increase of 13.2% on underlying EBITDA from operations, and an adjusted earnings per share of 8.2 cents. Consistent with our messaging to the market, a total of 4.5 cents per share fully-franked dividend has also been declared for shareholders in FY2024, which is an increase of 200% on FY2023.

The remuneration outcomes for our Executive Key Management Personnel (**KMP**) in FY2024 are summarised below.

- A short-term incentive (**STI**) payout of 90% for the Managing Director and 100% for the CFO. The underlying EBITDA-A, cash conversion ratio, and safety metrics were fully achieved for both individuals.
- Vesting outcomes of the FY22 long-term incentive (**LTI**) scheme are provisional and will be confirmed following the release of the Company's audited FY24 results. The EPS growth target was achieved, while the relative TSR metric (above the 75th percentile) is not presently known.

The Board considers the FY2024 STI outcomes to be a reflection of outstanding executive performance and the value delivered for shareholders in the past financial year. The vesting of some, or all of the performance rights under the FY2022 LTI reflects the successful integration of the Lendlease Services business and demonstrates the value created in Management taking a longer-term view of operations and strategy.

For more detail on the remuneration outcomes, including individual scorecards, please refer to section 5 of the Report.

### FY2025 Remuneration Increases

For FY2025, the Managing Director's fixed remuneration will increase by 3.5% (inclusive of the 0.5% superannuation increase), with the CFO's remuneration increasing by 12% (inclusive of the 0.5% superannuation increase). The Board was cognisant of the need to adjust the CFO's fixed remuneration to better align Executive salaries following the acquisition of Lendlease Services and employment of new Executives.

The Board is satisfied that the Managing Director's and CFO's remuneration have been set fairly, are appropriate for the complexity of their roles and the size of the business and are consistent with external relative benchmarks.

Fees for the Chairman and Non-Executive Directors are also reviewed annually and benchmarked against peer companies. For Non-Executive Directors (**NED**), the following fee structure changes have been introduced to ensure alignment with market practice and appropriate recognition of committee chair and member roles:

- Base NED fee increased by 0.5% from $122,283 to $123,000 (inclusive of superannuation).
- Chairman of the Board base fee increased by 4% from $250,000 to $260,000 (inclusive of superannuation).
- RNC and HSEQ chair committee fee reduced by 12% from $13,451 to $12,000.
- ARC Chair committee fee increased by 26% from $13,451 to $17,000.
- Committee member fee of $7,000 (a NED is limited to one committee fee) introduced.

## FY2024 Remuneration Framework Changes

Following consultation with stakeholders and external remuneration consultants, the Board introduced the following key changes to the Executive KMP STI and LTI Incentive Plans effective FY2024:

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

For more detail on the remuneration framework, please refer to section 2 of the Report.

## FY2025 Remuneration Framework Changes

At our 2023 Annual General Meeting (**AGM**), the Board received further feedback from various stakeholders on proposed changes to our remuneration framework to strengthen alignment with shareholders and market practice. The Board is cognisant of balancing feedback from stakeholders on particular design features of our remuneration framework, against the need for a framework that retains key talent, drives the right behaviour and rewards decisions made for the long-term benefit of the business.

Following a review of our framework, the Board made the following changes to the Company's STI plan for FY2025 which we believe will maintain the right balance of fixed and 'at risk' components of the Executive KMPs remuneration:

- Introduction of a 50% deferral of any awarded STI for KMP to allow for any claw back in the event it was ever needed.
- The STI deferral will be active for 2 years, with half the deferral paid 1 year after the STI award, the remaining half paid 2 years after the STI award.
- The maximum STI % of fixed remuneration available to KMP will be adjusted to address the STI plan's extension to a 3-year term. The Managing Director's STI % will be adjusted to 70% of his fixed remuneration and the CFO's to 65% of her fixed remuneration.

Following the changes, the Board is of the view that our remuneration framework meets our objectives and there will be no need for further significant changes to the structure or performance measures of Service Stream's incentive plans in the near future.

## Personal Comment

Whilst remuneration outcomes can often be assessed differently through the various lenses of stakeholders and commentators, it is my strong view that a Company's remuneration framework must be structured in a way that creates and protects shareholder value. This means that the framework must be appropriate and competitive, drive the right behaviours and reward the right outcomes, attract and retain the right people, and not be so skewed to any one outcome such that long-term sustainable value is compromised in pursuit of short-term gains.

While the Board always remains open to constructive feedback, we believe that our current remuneration structure achieves this balance in a considered and appropriate way. We are pleased with many of the outcomes achieved for shareholders in the past 12 months and, likewise, consider that the outcomes for employees generated by our current remuneration policy and framework to be an appropriate contributor to and reflection of the desired result.

I look forward to engaging with you in FY2025 and thank you for your ongoing support of Service Stream.

Martin Monro
Chairman of the Remuneration and Nomination Committee

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

We have prepared this report in accordance with section 300A of the *Corporations Act 2001* (Cth) and Accounting Standards. It outlines the remuneration strategy for the financial year ended 30 June 2024 and gives detailed information on the remuneration framework and arrangements for KMP.

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

Table 5 – KMP Group Personnel – Non-Executive

| Non-Executive Directors | |
|---|---|
| Brett Gallagher | Chairman |
| Peter Dempsey [1] | Non-Executive Director |
| Nick Miller [2] | Non-Executive Director |
| Martin Monro | Non-Executive Director |
| Elizabeth Ward | Non-Executive Director |
| Sylvia Wiggins | Non-Executive Director |

[1] P Dempsey retired at the conclusion of the 18 October 2023 AGM.

[2] N Miller commenced on 1 November 2023 and retired on 16 January 2024.

Table 6 – KMP Group Personnel – Executive

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

# 2. Remuneration Policy, Framework and Governance

## 2.1 Remuneration Strategy and Objectives

### Our Remuneration Strategy

Service Stream's remuneration framework has been structured to support the Company's strategy and deliver value to our shareholders. Our success relies on the ability to attract, motivate and retain talent and appropriately reward them for decision making that delivers consistent and long-term shareholder value.

Our strategic pillars set out how we will deliver improved, consistent and incremental value to our shareholders over the long term. Our strategy drives delivery excellence, the enhancement of our delivery model and profitable growth, while continuing to meet the core expectations of our stakeholders.

Figure 3 – Remuneration Strategy and Objectives

### Our Strategic Pillars

Supporting the delivery of improved, consistent and incremental value to our Stakeholders

**Delivery**
Superior service solutions and delivery excellence

**Optimisation**
Simplify, optimise and enhance our delivery model

**Growth**
Profitable growth and ongoing diversification

### Our Remuneration Objectives

The Board's remuneration philosophy links the achievement of our strategic objectives with appropriate and measured rewards for the Company's Executives. Our remuneration principles are aligned to our strategy and used to develop our remuneration framework.

The objectives of Service Stream's remuneration policy and framework is to ensure that it:

- Supports Service Stream's strategy and reinforces our culture and values
- Provides consistent and market competitive rewards which attract, motivate and retain highly skilled employees
- Aligns employee activities to the achievement of business objectives
- Supports alignment between executive remuneration and shareholder outcomes
- Maintains fair and equitable rates of pay for all employees based on their performance and the markets in which the Group operates

To achieve our remuneration policy objectives the Board will:

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

## 2.2 KMP Remuneration Framework

Figure 4 – Remuneration Framework

Our remuneration framework for Executive KMP is comprised of the following:

| Component[1] | Performance Measure | Strategic Objective |
|---|---|---|
| **Fixed Annual Remuneration (FAR)**<br>Base salary plus superannuation<br>**FAR:** 45%-49%<br>**Remuneration delivery time:** 1 year | • Relevant to role, skill, responsibilities, qualifications and experience<br>• Benchmarked against peers and industry | • Attract and retain key staff<br>• Appropriate base for STI and LTI plans<br>• Competitive market pay to peers |
| + | | |
| **Short Term Incentive**<br>75%/25% split between cash and performance rights<br>**STI:** 45%-50%<br>**Remuneration delivery time:** 2 years | • Reward for financial, safety and personal objectives set by the Board<br>• Significant focus on financial return to shareholders<br>• Split between cash payment and performance rights | • Aligned to the Group's short-term and long-term objectives<br>• Aligned to shareholder expectations<br>• 1-year deferral protects shareholders' interests<br>• Motivate and retain key staff |
| + | | |
| **Long Term Incentive**<br>Rights to receive fully paid ordinary shares subject to performance<br>**LTI:** 65%-75%<br>**Remuneration delivery time:** 3 years | • Vesting on achievement of EPS CAGR and TSR goals | • Delivery of consistent and incremental value to shareholders<br>• Motivate and retain key staff<br>• Reward for long-term decision making |
| = | | |
| **Total Remuneration** | • Attract, motivate and retain talent<br>• Reward for short and long term performance | • Improved, consistent and incremental value to our shareholders<br>• Deliver on core expectations for our stakeholders |

[1] Please refer to Section 5 of the Report for more detail on KMP FAR, STI and LTI entitlements.

## 2.3 Remuneration Governance

Service Stream's remuneration framework is governed by the Remuneration and Nomination Committee (**RNC**).

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

Figure 5 – RNC Responsibilities

The RNC's delegated responsibilities are stipulated in the below diagram.

### RNC Responsibilities

#### Strategies

Develop strategies to:

- **Drive performance**, including the annual evaluation of the performance of the Managing Director, by giving guidance to the Board.
- Identify the **necessary and desirable competencies of directors,** and to evaluate the extent to which those competencies are reflected in the diversity and mix of skills, expertise and experience offered by the Board.

#### People

- Carry out **succession planning**, including the development of appropriate succession plans for the Board and Managing Director.
- **Develop people strategies,** including strategies for advancing diversity in the workplace, in particular diversity reporting and compliance and improving employee engagement.

#### Remuneration

- Assist with the **management of the Company's remuneration policy** by overseeing the remuneration philosophy and policy, its specific application to the Managing Director and executives reporting to the Managing Director, and its general application to all employees throughout the Company.
- **Oversee the remuneration** of Non-Executive Directors.

#### Recommendations

- Recommend **appropriate Board performance review** methodologies.
- Make **recommendations to the Board** in respect of any remuneration related disclosures in the annual report, or otherwise as required by ASX Listing Rules, the Corporation Act 2001 (Cth) or other relevant laws.

## 2.4 Annual Remuneration Reviews

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

## 2.5 External Consultants

The RNC periodically seeks independent advice from external consultants on various remuneration-related matters to assist in performing its duties. During FY24, the RNC has continued to engage Korn Ferry to provide remuneration benchmarking data for salaried roles across the organisation that are consistent with the markets in which Service Stream operates. No remuneration recommendations as defined in Section 9B of the *Corporations Act 2001* were provided by Korn Ferry.

## 2.6 Securities Trading Policy

The Company's Securities Trading Policy prohibits employees from dealing in the Company's securities while in possession of market sensitive information relevant to the entity. In addition, designated persons, including KMP, are prohibited from dealing in the Company's securities during prescribed closed trading periods.

## 3. Linking Remuneration to Company Performance

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

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

Service Stream measures performance across key corporate measures, including:

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

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

### Group Performance for the year 30 June 2024

Revenue (including joint venture)

**$2.4 billion**

Underlying EBITDA-A

**$129.2 million**

EPS (statutory)

**5.3cps**

EPS-A

**8.2cps**

HPIFR

**1.16**

Dividends per share

**4.5cps**

Total FY24 dividend

## 3.1 Group Financial Performance

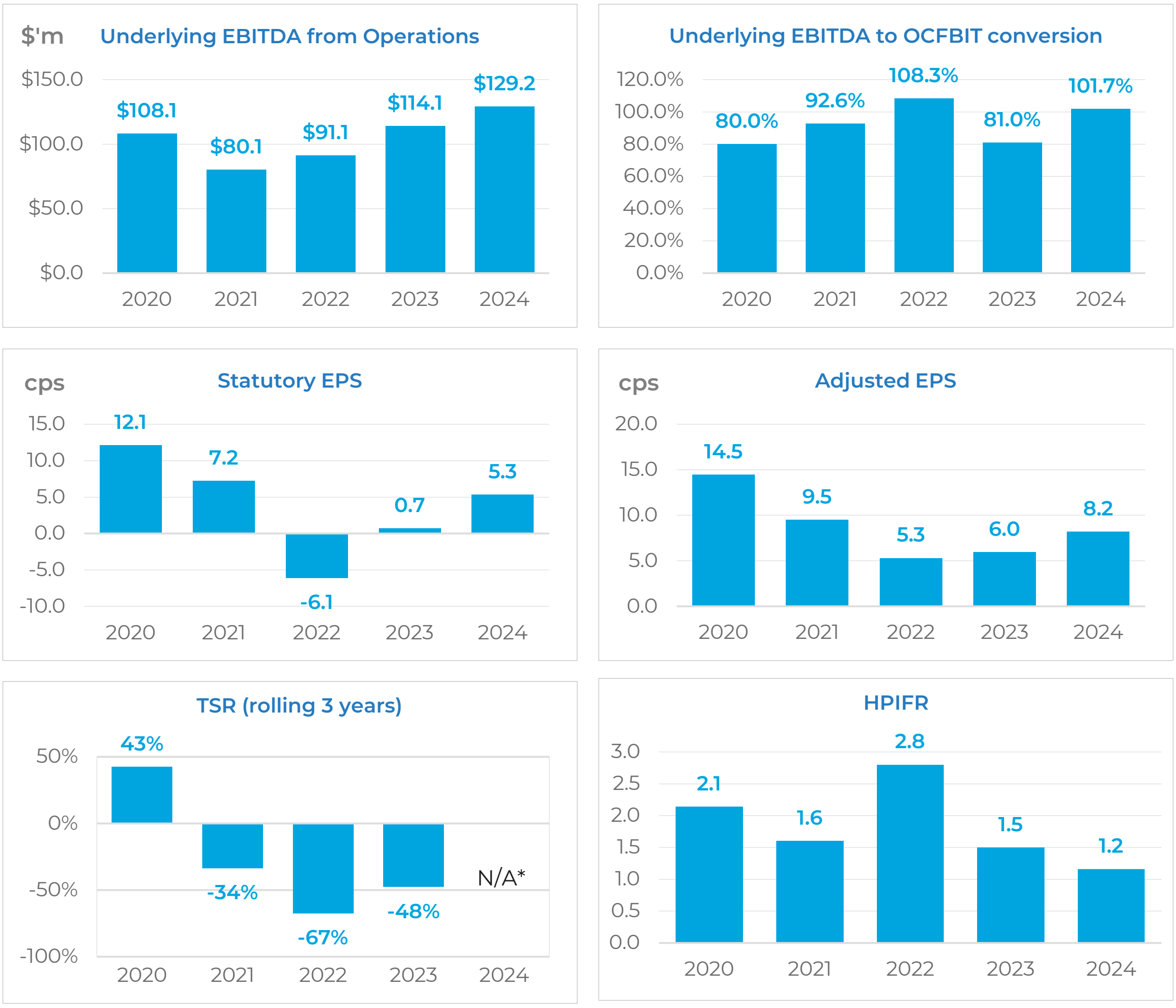
The table below outlines the Group's performance against key financial and non-financial performance indicators over the past 5 years.

Table 7 – Key Indicators

| Key Indicators | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Total Revenue[1] ($'000) | 929,133 | 804,163 | 1,563,767 | 2,150,782 | 2,391,801 |
| Underlying EBITDA from Operations[1] ($'000) | 108,115 | 80,111 | 91,114 | 114,097 | 129,172 |
| Net profit/(loss) after tax ($'000) | 49,315 | 29,274 | (36,324) | 4,462 | 32,298 |
| Statutory Earnings per share (cents) | 12.1 | 7.2 | (6.1) | 0.7 | 5.3 |
| Adjusted Earnings per share (cents) | 14.5 | 9.5 | 5.3 | 6.0 | 8.2 |
| Total Dividends per share (cents) | 9.0 | 2.5 | 1.0 | 1.5 | 4.5 |
| Share price 30 June ($) | 1.91 | 0.87 | 0.88 | 0.81 | 1.28 |

[1]Total Revenue, underlying EBITDA from Operations and Adjusted Earnings per share are non-IFRS measures that have been derived from statutory information. Non-operational cost items include acquisition and integration costs associated with the Lendlease Services transaction (refer note 6(c) to the financial statement).

Figure 6 – Group's Performance




* The 10 day VWAP after  announcement is used for TSR calculation. As a result, FY24 TSR is not available.

## 4. Overview of Remuneration Structure

Executive KMP's total remuneration packages are comprised of both fixed and variable components:

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

The total remuneration received by Executive KMP each year will vary as it is dependent upon the business' performance and individual achievements.

The below graphs depict the fixed and 'at risk' components of the Executive KMP's remuneration.

Figure 7 – Remuneration Mix

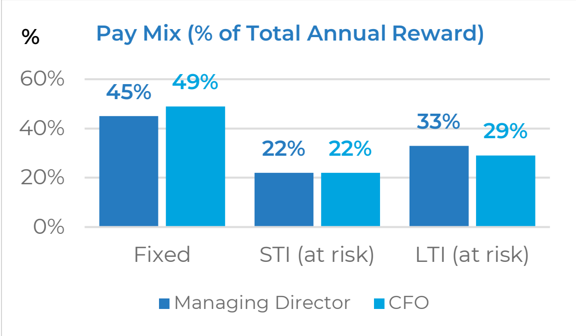
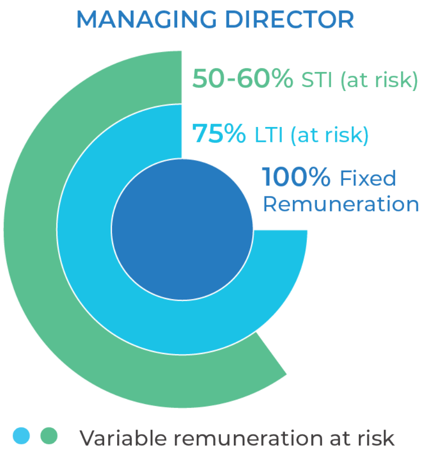


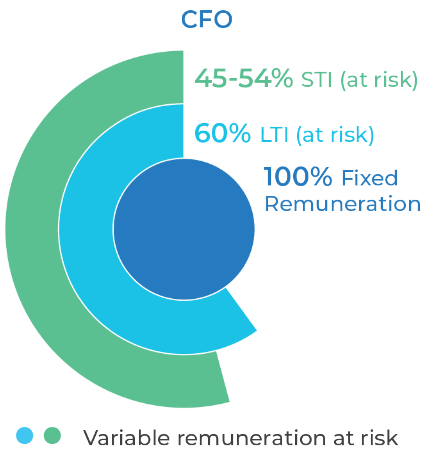

Figure 8 – Remuneration Opportunity

### MANAGING DIRECTOR




| Fixed Remuneration | Short-Term Incentive (cash + equity)[1] | Long-Term Incentive (equity)[2] |
|---|---|---|
| $1,086,750 | $543,375 | $815,062 |
| Total Remuneration opportunity | | $2,445,187 |

### CFO




| Fixed Remuneration | Short-Term Incentive (cash + equity)[1] | Long-Term Incentive (equity)[2] |
|---|---|---|
| $746,984 | $336,143 | $448,190 |
| Total Remuneration opportunity | | $1,531,317 |

[1] Excludes any amount received for exceeding STI target.

[2] Face value. The actual value of the LTI at the time of any performance rights vesting cannot be determined at this time.

Table 8 – Maximum Total Performance Based Remuneration

The below table describes the maximum total performance-based remuneration (as a percentage of total remuneration) that may be payable to the Executive KMP.

| Executive KMP Position | Target STI % of fixed remuneration | Maximum STI % of fixed remuneration | Target LTI % of fixed remuneration | Maximum LTI % of fixed remuneration | Maximum total performance-based pay as a % of fixed remuneration |
|---|---|---|---|---|---|
| Managing Director | 50 | 60 | 75 | 75 | 135 |
| Chief Financial Officer | 45 | 54 | 60 | 60 | 114 |

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

## 4.1 Fixed Remuneration

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

The Managing Director's and Chief Financial Officer's remuneration are reviewed annually. The RNC takes into consideration market trends, external benchmarking, changes in roles and responsibilities, internal relativities, and broader employment market environment.

The base salaries for the Managing Director and CFO in FY24 were:

Table 9 – Base Salaries

| Role | FY24 Fixed Remuneration | % Increase on prior year |
|---|---|---|
| Managing Director | $1,086,750 | 3.5% |
| CFO | $746,984 | 3.5% |

## 4.2 Short Term Incentive (STI)

### 4.2.1 STI Overview

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

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

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

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

The Board retains discretion over the payment of any STI, including whether to pay the performance rights in cash.

### 4.2.2 Group Performance

Group Performance is set annually and is reflected as the Group's EBITDA from Operations target for the financial year. Each year the Board assesses the proposed budget 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 from Operations budget.

### 4.2.3 Individual Performance

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

The Performance Quadrants applicable to the Managing Director for the FY24 STI are outlined in section 5.

### 4.2.4 STI Summary Table

The key terms of the FY24 STI, including those applicable to the Managing Director and CFO, are summarised as follows:

Table 10 – 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 for senior management before the award of any incentives under the Group, Divisional or Individual Performance will be considered. |
| **Performance requirements** | All STIs have performance criteria set across two separate areas:<br>1. Group Financial Performance<br>2. Individual Performance can be set across the following areas:<br>• Financial Performance<br>• Market & Customer<br>• Safety & People<br>• Risk & Governance |
| **Target STI Opportunity** | 50% of total fixed remuneration for the Managing Director<br>45% of total fixed remuneration for the Chief Financial Officer |
| **Stretch STI Target Opportunity** | The stretch award will commence at 101% of the Group's EBITDA from Operations target being met and will increase with 2.5% incremental STI paid for each 1% in EBITDA delivered up to 120% of the EBITDA from Operations target.<br>The stretch is applicable to financial performance only (being Group / Divisional EBITDA) and will be capped at up to 150% of the applicable financial targets. |
| **Maximum STI opportunity** | 60% of total fixed remuneration for the Managing Director<br>54% of total fixed remuneration for the Chief Financial Officer |
| **Performance period** | 1 July 2023 to 30 June 2024 |
| **Assessment period** | August 2024, following the audit of the Group's financial statements. |

| Feature | | Program detail |
|---|---|---|
| | **Payment form** | 75% cash based payment, 25% performance rights payment for deferred component. |
| | **Payment timing** | September 2024 for the cash payment of 75% of the award. The 25% deferred performance rights component will vest 12 months after the end of the performance year, subject to no malus. |
| | **Board Discretion** | The Board has discretion to adjust STI payments upwards and downwards including to nil in certain circumstances e.g. where an executive has acted inappropriately. The Board also retains the discretion to convert the deferred performance rights component into cash.<br><br>The STI also includes a claw-back provision. It operates to provide the Board with the right, in the event of a claw-back-event, to take any steps it considers necessary to ensure no unfair benefit has been obtained by an STI participant. |
| | **Eligibility** | The Managing Director and CFO are eligible to participate in the STI program in the year in which they commence their position with the Company. |
| | **Termination of employment** | On cessation of employment with the Group prior to the end of the assessment period, there is no STI payable. For the deferred component of the prior year's STI, the Board will determine whether the employee is a good leaver entitling them to the deferred component. |
| | **Treatment of significant items** | From time to time the Group's performance may be impacted by significant items. When this occurs, the Board has the discretion to adjust for the impact (positively or negatively) on a case-by-case basis. |
| | **Change in control** | If a change of control event occurs, the Board in its absolute discretion may determine if a cash STI payment will be made. |

## 4.3 Long-Term Incentive (LTI)

### 4.3.1 LTI Overview

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

The LTI operates within the shareholder approved Employee Share Ownership Plan (ESOP), which is overseen by the RNC. The extent of individual participation and the associated number of performance rights offered is recommended by the Managing Director and reviewed by the RNC, which will then make recommendations to the Board for approval.

Any LTI award will be in the form of performance rights which are issued to participating employees, with each performance right converting into one ordinary share of Service Stream Limited on meeting the vesting criteria. No amounts are paid or payable by the participant on receipt of the performance rights, and the performance rights do not carry rights to dividends or voting.

The number of performance rights granted is based on the employee's long-term incentive opportunity, which is expressed as a percentage of the participant's total fixed remuneration, and the volume-weighted average market price (VWAP) of the Group's shares over 10-days of trading following the release of full-year results.

### 4.3.2 LTI Summary

The key terms of the FY24 LTI Tranche, including those applicable to the Managing Director and CFO, are summarised as follows:

Table 11 – LTI Summary table

| Feature | Program detail |
|---|---|
| **Purpose of long- term incentive plan** | Objective of rewarding Management for delivering outcomes that contribute to the long-term, sustainable performance and success of the business. |
| **Performance period** | 1 July 2023 to 30 June 2026 |
| **Assessment period** | August 2026, following the audit of the Group's financial statements. |
| **Performance rights share grant date** | September 2026 |
| **Payment form** | Performance rights |
| **Issue Price** | $0.8862 per share, being the volume-weighted average market price (VWAP) of the Group's shares over 10-days of trading following the release of the FY23 full-year results. |
| **Target LTI Opportunity** | • 75% of total fixed remuneration for the Managing Director<br>• 60% of total fixed remuneration for the Chief Financial Officer |
| **Maximum LTI Opportunity** | • 75% of total fixed remuneration for the Managing Director<br>• 60% of total fixed remuneration for the Chief Financial Officer |
| **Performance conditions** | The performance rights granted will each vest where the following vesting conditions are met:<br>• 50% of the performance rights granted will vest where the EPS CAGR over the three financial years ending 30 June 2026 (**Performance Period**) meet the growth targets (**EPS Target**); and |

| Feature | Program detail |
|---|---|

- 50% of the performance rights granted will vest where the Company's Total Shareholder Return (**TSR**) over the Performance Period is such that it would rank in the top quartile of a relevant peer group of companies (being the ASX200 Industrials).

The performance rights are subject to proportional vesting according to the tables below where the vesting conditions specified above are not fully met.

### Earnings Per Share (50% weighting)

The growth performance condition is based on the Company's EPS CAGR over the Performance Period. The tranche of performance rights will vest on a pro-rata basis upon achieving annual EPS CAGR growth of between 5% and 10%.

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

| EPS CAGR | Percentage of performance rights which qualify for vesting subject to the EPS conditions |
|---|---|
| < 5% | 0% |
| 5% | 50% |
| Above 5% and less than 10% | Straight-line vesting (i.e., 10% incremental vesting for each 1% of EPS CAGR delivered) |
| 10% or more | 100% |

### 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, as at the start of the Performance Period and measured over the Performance Period. If the TSR in the comparison group is ranked from highest to lowest, the median TSR is the percentage return to shareholders that exceeds the TSR for half of the comparison companies. The 75th percentile TSR is the percentage return required to exceed the TSR for 75% of the comparison companies.

The comparator companies for the purposes of the TSR is the ASX200 Industrials. The Board considers this the most appropriate comparator group as it includes Service Stream's peer competitor companies.

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

| The Company's TSR ranking | Percentage of performance rights which qualify for vesting subject to the TSR condition |
|---|---|
| < 50th percentile | 0% |
| 50th percentile | 50% |
| Above 50th and below 75th percentile | straight-line vesting (i.e., 2% incremental vesting for each percentile ranking achieved) |
| 75th percentile and above | 100% |

| Feature | Program detail |
|---|---|
| **Eligibility** | Eligible participants must remain an employee of the Company on 30 June 2026. |
| **Ceasing Executive** | Where an executive ceases to be employed by the Company, the Board will determine if the executive is a good leaver. If the executive is determined to be a good leaver then the number of the performance rights held by that executive that have not been exercised will lapse subject to an agreed formula which takes into consideration the number of months between cessation of employment and the end of the performance period. Any performance right that does not lapse remains eligible to vest in accordance with the performance conditions.<br><br>If the executive is not determined to be a good leaver then all performance rights will lapse. |

| Feature | Program detail |
|---|---|
| Trading | Vested shares may only be traded in accordance with the Company's Securities Trading Policy. |
| Board discretion | The Board has the power to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the LTI / LTI Rules) for the implementation and administration of the LTI, as they may think fit.<br>The LTI also includes a claw-back provision. It operates to provide the Board with the right, in the event of a claw-back-event, to take any steps it considers necessary to ensure no unfair benefit has been obtained by an LTI participant. |
| Change in control | If there is an event which results in the Change of Control of the Company, then unless the Board determines otherwise, a Performance Right which has not lapsed will vest. |

## 5. Executive KMP Remuneration

## 5.1 Fixed Remuneration and Incentive Outcomes

### 5.1.1 FY24 Remuneration

The below table provides remuneration information prepared in accordance with Australian accounting standards.

Table 12 – Statutory Remuneration Table

| Short-term employee benefits | | | | | Post-employment and Long-term benefits | | | Share-based payments | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Salary $ | STI (cash) $ | Non-monetary $ | Super $ | LSL $ | Termination benefits $ | LTI (Performance rights) $ | STI (Performance rights)[1] $ | Total $ | Fixed % | At Risk % |
| L Mackender | 2024 | 1,059,351 | 366,777 | - | 27,399 | 31,295 | - | 650,820 | 61,130 | 2,196,772 | 51% | 49% |
| | 2023 | 1,024,708 | - | - | 25,292 | 63,827 | - | 424,658 | - | 1,538,485 | 72% | 28% |
| L Kow | 2024 | 719,586 | 252,107 | - | 27,399 | 16,952 | - | 352,063 | 42,018 | 1,410,125 | 54% | 46% |
| | 2023 | 696,432 | - | - | 25,292 | 13,853 | - | 232,884 | - | 968,461 | 76% | 24% |
| Total | 2024 | 1,778,937 | 618,884 | - | 54,798 | 48,247 | - | 1,002,883 | 103,148 | 3,606,897 | 52% | 48% |
| | 2023 | 1,721,140 | - | | 50,584 | 77,680 | - | 657,542 | - | 2,506,946 | 74% | 26% |

[1]Represents the 25% STI amount deferred into equity for 12 months, of which 50% is amortised in FY24 and balance in FY25.

### 5.1.2 FY24 STI Performance Outcomes

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

In FY24, the minimum of 90% against the annual Group EBITDA target was achieved (refer to section 3.1 for more detail) on Group Performance and accordingly the following STIs were awarded to the Executive KMP.

Table 13 – Managing Director Scorecard

| Measure | Target[1] | Weighting | FY2024 Performance: Min | FY2024 Performance: Target | FY2024 Performance: Max | Weighted payout outcome |
|---|---|---|---|---|---|---|
| **FINANCIAL** | | | | | | |
| **Group EBITDA from Operations** | Deliver budget | 50% | | | | 50% |
| **Group OCFBIT Conversion** | Deliver target range | 10% | | | | 10% |
| **DELIVERY** | | | | | | |
| **Optimisation** | Optimisation program target | 30% | | | | 20% |
| **Advanced Realisation** | Savings program target | | | | | |
| **Strategic Growth & Diversification** | Organic growth target[#] | | | | | |
| **SAFETY** | | | | | | |
| **HPIFR** | HPIFR | 10% | | | | 10% |
| | | | | **FY2024 STI SCORECARD OUTCOME** | | **90%** |

[#]The organic growth target could not be measured at the date of this Remuneration Report and will be assessed over the course of FY25.

Table 14 – CFO Scorecard

| Measure | Target[1] | Weighting | FY2024 Performance: Min | FY2024 Performance: Target | FY2024 Performance: Max | Weighted payout outcome |
|---|---|---|---|---|---|---|
| **FINANCIAL** | | | | | | |
| **Group EBITDA from Operations** | Deliver budget | 50% | | | | 50% |
| **Group OCFBIT Conversion** | Deliver target range | 10% | | | | 10% |
| **DELIVERY** | | | | | | |
| **Optimisation** | Optimisation program target | 30% | | | | 30% |
| **Consolidation** | Consolidation program target | | | | | |
| **SAFETY** | | | | | | |
| **HPIFR** | HPIFR | 10% | | | | 10% |
| | | | | **FY2024 STI SCORECARD OUTCOME** | | **100%** |

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

### 5.1.3 LTI Performance Outcomes

The FY22 LTI performance period concluded on 30 June 2024. Table 15 below table summarises the LTI performance measures. Test outcomes for the FY22 LTI are provisional and will be confirmed following release of the Company's audited FY2024 results.

Table 15 – FY22 LTI Performance

| KMP Executive(s) | LTI Measure | LTI Performance Outcome | % LTI tranche that vested |
|---|---|---|---|
| L Mackender and L Kow | EPS growth target | Achieved | 100% |
| | TSR Ranking relative to ASX200 Industrials | Not yet formally determined | N/A |

The below summarises the LTI performance rights grants balance for the Managing Director and the Chief Financial Officer at the end of the FY24 financial year, along with the percentage of performance rights that vested or were forfeited during the financial year for each LTI plan that affects compensation in this or future reporting periods.

The below summarises the LTI granted and balance for the Managing Director and the Chief Financial Officer at the end of the FY24 financial year, with percentage of performance rights that vested or amounts that were forfeited during the year for each grant, that affects compensation in this or future reporting period.

Table 16 – Summary of Grants under LTI

| Name | Plan | Balance as at 1 July 2023 | Awarded but not vested | Vested and exercised | % of total vested | Forfeited | Balance as at 30 June 2024 | Fair value per right | Unamortised value |
|---|---|---|---|---|---|---|---|---|---|
| | | Number | Number | Number | % | Number | Number | $ | $ |
| L Mackender | FY21 LTI | 180,940 | - | (60,313) | 33 | (120,627) | - | 1.67 | - |
| | FY22 LTI | 794,792 | - | - | - | | 794,792 | 0.65 | - |
| | FY23 LTI | 990,441 | - | - | - | - | 990,441 | 0.48 | 158,470 |
| | FY24 LTI | - | 919,727 | - | - | - | 919,727 | 0.70 | 429,206 |
| L Kow | FY21 LTI | 96,538 | - | (32,179) | 33 | (64,359) | - | 1.67 | - |
| | FY22 LTI | 424,491 | - | - | - | | 424,491 | 0.65 | - |
| | FY23 LTI | 544,629 | - | - | - | - | 544,629 | 0.50 | 90,771 |
| | FY24 LTI | - | 505,745 | - | - | - | 505,745 | 0.67 | 225,899 |

## 5.2 Shareholdings of Managing Director and Chief Financial Officer

The below table sets out the equity holdings in fully paid ordinary shares in Service Stream of the Managing Director and Chief Financial Officer for the 2024 financial year:

Table 17 – Equity Holdings

| Name | Balance at 1 July | Received on vesting of performance rights | (Disposed) / Acquired during the year | Balance at 30 June |
|---|---|---|---|---|
| **2024** | | | | |
| L Mackender | 1,712,601 | 60,313 | | 1,772,914 |
| L Kow | 1,374,610 | 32,179 | (150,000) | 1,256,789 |

## 5.3 Employment Contracts

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

Table 18 – Key Terms

| Position | Term | Detail |
|---|---|---|
| **Managing Director** | | |
| | Term | No fixed end date<br>Until terminated by either party |
| | Total Fixed Remuneration | $1,086,750 (inclusive of Superannuation) |
| | Incentives | • STI: 50% of total fixed remuneration up to a maximum of total 60% of fixed remuneration<br>• LTI: 75% of total fixed remuneration |
| | Termination | • 6 months either party (or payment in lieu)<br>• Immediate for serious misconduct or breach of contract<br>• Statutory requirements only for termination with cause |
| **Chief Financial Officer** | | |
| | Term | No fixed end date<br>Until terminated by either party |
| | Fixed Remuneration | $746,984 (inclusive of superannuation) |
| | Incentives | • STI: 45% of total fixed remuneration up to a maximum of total 54% of fixed remuneration<br>• LTI: 60% of total fixed remuneration |
| | Termination | • 6 months either party (or payment in lieu)<br>• Immediate for serious misconduct or breach of contract<br>• Statutory requirements only for termination with cause |

## 6. Non-Executive Director Remuneration

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

The current maximum aggregate fee pool for the Non-Executive Directors is $1,300,000 as approved by shareholders. 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 Korn Ferry. Following that review and noting that there had not been any adjustment to Non-Executive Director fees for 3-years, the following adjustments were made in FY24:

- The Chairman of the Board's fee was increased to $250,000 (inclusive of superannuation) (FY23: $201,826); and
- The base fee for Non-Executive Directors was increased by 3.5% (inclusive of superannuation).

### 6.1 FY24 Non-Executive Director Fees

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

Table 19 – Non-Executive Director Fees

| Role | Fees |
|---|---|
| Chairman of the Board | $250,000 per annum (inclusive of superannuation) |
| Base Fee Non-Executive Director | $122,283 per annum (inclusive of superannuation) |
| Additional Fee as Chair of a Board Sub-Committee | $13,451 per annum; taking that Director's total to $135,734 (inclusive of superannuation) |

## 6.2 FY24 Non-Executive Directors' remuneration

The below table lists the fees by Non-Executive Directors for the 2023 and 2024 financial years that are measured in accordance with Australian Accounting Standards.

Table 20 – Non-Executive Director Remuneration

| Name | Year | Board and Committee fees | Super | Total |
|---|---|---|---|---|
| B Gallagher | 2024 | 225,225 | 24,775 | 250,000 |
| | 2023 | 182,648 | 19,178 | 201,826 |
| P Dempsey[1] | 2024 | 37,249 | 4,097 | 41,346 |
| | 2023 | 115,859 | 12,165 | 128,024 |
| E Ward | 2024 | 122,283 | 13,451 | 135,734 |
| | 2023 | 114,905 | 12,065 | 126,970 |
| M Monro | 2024 | 135,734 | - | 135,734 |
| | 2023 | 91,585 | 9,616 | 101,201 |
| S Wiggins | 2024 | 135,734 | - | 135,734 |
| | 2023 | 78,372 | - | 78,372 |
| N Miller[2] | 2024 | 26,697 | 2,937 | 29,634 |
| | 2023 | - | - | - |
| D Page[3] | 2024 | - | - | - |
| | 2023 | 108,333 | - | 108,333 |
| G Adock[4] | 2024 | - | - | - |
| | 2023 | 39,140 | - | 39,140 |
| Total | 2024 | 682,992 | 45,260 | 728,182 |
| | 2023 | 730,842 | 53,024 | 783,866 |

[1]P Dempsey retired as a Non-Executive Director effective 18 October 2023.

[2]N Miller was appointed as a Non-Executive Director effective 1 November 2023 and retired 16 January 2024.

[3]D Page's remuneration was paid up to the date of her retirement on 30 April 2023.

[4]G Adcock's remuneration was paid to Ausadcock Pty Ltd (a company in which Mr Adcock has a beneficial interest) up to the date of retirement on 19 October 2022.

## 6.3 Non-Executive Directors' Shareholding

The table below sets out the equity holdings in fully paid ordinary shares in Service Stream of the Non-Executive Directors for the 2024 financial year.

Table 21 – Non-Executive Director Equity Holdings

| Name | Balance at 1 July 2023 | Received on vesting of performance rights | (Disposed) / Acquired during the year | Balance at date of resignation | Balance at 30 June 2024 |
|---|---|---|---|---|---|
| B Gallagher | 4,000,000 | - | (1,609,757) | - | 2,390,243 |
| P Dempsey[1] | 1,530,000 | - | (330,000) | 1,200,000 | - |
| E Ward | 80,901 | - | 19,658 | - | 100,559 |
| M Monro | 40,000 | - | 35,000 | - | 75,000 |
| S Wiggins | 66,000 | - | 46,725 | - | 112,725 |
| N Miller[2] | - | - | - | - | - |

[1]P Dempsey retired as a Non-Executive Director effective 18 October 2023.

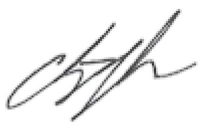
[2]N Miller was appointed as a Non-Executive Director effective 1 November 2023 and retired 16 January 2024.

## 6.4 Related Party and Other Transactions

There were no other transactions entered into with KMP and their related parties during FY24.

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

21 August 2024

**Leigh Mackender**
Managing Director

21 August 2024

# Auditor's Independence Declaration

As lead auditor for the audit of Service Stream Limited for the year ended 30 June 2024, 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.

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
21 August 2024

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

# Consolidated statement of profit or loss and other comprehensive income

## for the financial year ended 30 June

| | Notes | 2024 $'000 | 2023 Restated^* $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Revenue from contracts with customers | 3 | **2,288,793** | 2,048,658 |
| Other income | 4 | **2,796** | 4,109 |
| | | **2,291,589** | 2,052,767 |
| **Expenses** | | | |
| Employee salaries and benefits | | **(636,573)** | (587,882) |
| Subcontractor fees | | **(1,304,158)** | (1,112,672) |
| Raw materials and consumables used | | **(131,619)** | (164,372) |
| Depreciation and amortisation | 6 | **(58,461)** | (68,050) |
| Net finance costs | 5 | **(11,396)** | (13,605) |
| Other expenses | | **(108,601)** | (105,625) |
| Share of profits from investment in joint ventures and associates | 25 | **6,114** | 4,662 |
| **Profit before tax** | | **46,895** | 5,223 |
| Income tax expense | 7 | **(14,597)** | (761) |
| Profit for the year | | **32,298** | 4,462 |
| **Total comprehensive income for the year** | | **32,298** | 4,462 |
| **Profit attributable to the equity holders of the parent** | | **32,298** | 4,462 |
| **Total comprehensive income attributable to equity holders of the parent** | | **32,298** | 4,462 |
| **Earnings per share** | | | |
| Basic (cents per share) | 8 | **5.25** | 0.72 |
| Diluted (cents per share) | 8 | **5.14** | 0.71 |

^The Group's presentation of expenses has changed from the prior period. Refer to Note 29(i) for details.

*See note 29(ii) for details regarding the restatement as a result of reclassification of expenses.

# Consolidated statement of financial position

## at 30 June

| | Notes | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 20 | 62,947 | 84,267 |
| Trade and other receivables | 9 | 164,714 | 186,120 |
| Inventories | 10 | 19,485 | 16,445 |
| Accrued revenue | 11 | 266,621 | 254,436 |
| Other assets | 12 | 12,547 | 11,038 |
| **Total current assets** | | **526,314** | **552,306** |
| ***Non-current assets*** | | | |
| Investments accounted for using the equity method | 25 | 10,306 | 8,567 |
| Property, plant and equipment | 13 | 33,170 | 43,017 |
| Right-of-use assets | 15 | 60,653 | 50,189 |
| Intangible assets | 14 | 418,116 | 437,028 |
| **Total non-current assets** | | **522,245** | **538,801** |
| **Total assets** | | **1,048,559** | **1,091,107** |
| ***LIABILITIES*** | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | 285,571 | 301,780 |
| Provisions | 17 | 70,222 | 72,540 |
| Lease liabilities | 15 | 21,341 | 19,487 |
| Current tax liabilities | 7 | 4,034 | 3,096 |
| **Total current liabilities** | | **381,168** | **396,903** |
| ***Non-current liabilities*** | | | |
| Deferred tax liability (net) | 7 | 69,918 | 69,671 |
| Provisions | 17 | 21,507 | 6,806 |
| Borrowings | 20, 21 | 54,496 | 118,612 |
| Lease liabilities | 15 | 41,182 | 33,757 |
| **Total non-current liabilities** | | **187,183** | **228,846** |
| **Total liabilities** | | **568,271** | **625,749** |
| **Net assets** | | **480,288** | **465,358** |
| **EQUITY** | | | |
| Capital and reserves | | | |
| Contributed equity | 18 | 496,344 | 499,682 |
| Reserves | | (5,582) | (9,988) |
| Accumulated losses | | (10,474) | (24,336) |
| **Total equity** | | **480,288** | **465,358** |

The accompanying notes to the consolidated financial statements are on pages 51 to 102

# Consolidated statement of changes in equity

## for the financial year ended 30 June

| | Contributed equity<br>$'000 | Employee equity-settled benefits reserve<br>$'000 | Retained earnings/ (accumulated losses)<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Balance at 1 July 2022** | **499,682** | **(12,024)** | **(19,562)** | **468,096** |
| Profit for the period | - | - | 4,462 | 4,462 |
| Total comprehensive income for the period | - | - | 4,462 | 4,462 |
| Equity-settled share-based payments, inclusive of tax adjustments | - | 2,036 | - | 2,036 |
| Dividends paid | - | - | (9,236) | (9,236) |
| Acquisition of treasury shares | - | - | - | - |
| Issue of treasury shares to employees | - | - | - | - |
| **Balance at 30 June 2023** | **499,682** | **(9,988)** | **(24,336)** | **465,358** |
| Profit for the period | - | - | 32,298 | 32,298 |
| Total comprehensive income for the year | - | - | 32,298 | 32,298 |
| Equity-settled share-based payments, inclusive of tax adjustments | - | 5,021 | - | 5,021 |
| Dividends paid | - | - | (18,436)[1] | (18,436) |
| Acquisition of treasury shares | (4,131) | - | - | (4,131) |
| Issue of treasury shares to employees | 793 | (615) | - | 178 |
| **Balance at 30 June 2024** | **496,344** | **(5,582)** | **(10,474)** | **480,288** |

[1] Dividend paid is net of dividend received from treasury shares held as at 30 June 2024 as disclosed in Note 18 (c).

# Consolidated statement of cash flows

## for the financial year ended 30 June

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (including GST) | | **2,523,592** | 2,194,683 |
| Payments to suppliers and employees (including GST) | | **(2,409,300)** | (2,135,149) |
| Interest received | | **2,014** | 1,822 |
| Interest and facility costs paid | | **(11,549)** | (12,711) |
| Income taxes (paid)/ refunded | | **(11,947)** | 44,466 |
| Dividends from joint venture associates | | **4,375** | 1,701 |
| **Net cash provided by operating activities** | **20** | **97,185** | **94,812** |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | | **(8,557)** | (5,286) |
| Proceeds from the sale of plant and equipment | | **4,089** | 3,970 |
| Payments for intangible assets | | **(1,916)** | (2,698) |
| Payment for businesses (net of cash acquired) | | **-** | (12,896) |
| **Net cash (used in) investing activities** | | **(6,384)** | **(16,910)** |
| **Cash flows from financing activities** | | | |
| Purchase of shares (net of transaction costs) | | **(4,131)** | - |
| Principal elements of lease payments | | **(24,554)** | (23,064) |
| Dividends paid | | **(18,436)** | (9,236) |
| Proceeds from borrowings | | **50,000** | 141,324 |
| Repayment of borrowings | | **(115,000)** | (171,336) |
| **Net cash (used in) financing activities** | | **(112,121)** | **(62,312)** |
| **Net (decrease)/increase in cash held** | | **(21,320)** | 15,590 |
| **Cash at the beginning of the year** | | **84,267** | 68,677 |
| **Cash at the end of the year** | **20** | **62,947** | **84,267** |

# Notes to the consolidated financial statements

**Index to Notes**

## 1 General information

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

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

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

## 2 Segment information

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

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

**Telecommunications** Telecommunications provides a wide range of operations, maintenance, installation, design and construction services to the owners of fixed-line and wireless telecommunication networks in Australia. Service capability includes customer connections, service and network assurance, site acquisition, engineering, design, construction and installation of broadband, wireless and fixed-line project services, as well as minor projects for asset remediation, augmentation and relocation.

**Utilities** Utilities provides a broad range of operations, maintenance, design and construction services to gas, water and electricity network owners, industrial asset owners and other customers in Australia. Service capability includes asset maintenance, upgrades and replacement, engineering, design and construction of network assets, meter reading and network assurance, as well as specialist inspection, auditing and compliance services.

**Transport** Transport provides long-term operational support and maintenance services to public and private road and tunnel asset owners. Service capabilities include road network maintenance, control room operations, minor civil construction services and installation and operation of intelligent transport systems (ITS).

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

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

## 2 Segment information (continued)

## (b) Segment revenue and results

| 30 June 2024 | Telecommunications<br>$'000 | Utilities<br>$'000 | Transport<br>$'000 | Eliminations/ Unallocated<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| Segment revenue | **1,200,215** | **969,587** | **119,155** | **(164)** | **2,288,793** |
| Other income | **-** | **2,530** | **107** | **159** | **2,796** |
| Share of revenue from joint ventures | **-** | **-** | **100,212** | **-** | **100,212** |
| **Total revenue (including joint venture)[1]** | **1,200,215** | **972,117** | **219,474** | **(5)** | **2,391,801** |
| **EBITDA from Operations[2]** | **105,408** | **24,361** | **14,329** | **(24,726)** | **119,372** |

| 30 June 2023 | Telecommunications<br>$'000 | Utilities<br>$'000 | Transport<br>$'000 | Eliminations/ Unallocated<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| Segment revenue | 970,373 | 886,164 | 192,940 | (819) | 2,048,658 |
| Other income | 7 | 2,264 | 1,292 | 546 | 4,109 |
| Share of revenue from joint ventures | - | - | 98,015 | - | 98,015 |
| **Total revenue (including joint venture)[1]** | 970,380 | 888,428 | 292,247 | (273) | 2,150,782 |
| **EBITDA from Operations[2]** | 85,460 | 8,284 | 14,791 | (14,578) | 93,957 |

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

[2] Performance is measured using EBITDA from Operations. Non-operational cost items include acquisition and integration costs associated with the Lendlease Services transaction (refer note 6(c)).

## 2 Segment information (continued)

### (b) Segment revenue and results (continued)

| Reconciliation of EBITDA from Operations to net profit after tax | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **EBITDA from Operations** | **119,372** | 93,957 |
| Adjustments for joint ventures | **(2,620)** | (1,998) |
| Depreciation and amortisation | **(58,461)** | (68,050) |
| Non-operational costs (before tax) (refer note 6 (c)) | **-** | (5,081) |
| Net finance costs | **(11,396)** | (13,605) |
| Income tax expense | **(14,597)** | (761) |
| **Net profit after tax** | **32,298** | 4,462 |

### (c) Information about major customers

In 2024 and 2023, a customer in the Telecommunication segment contributed more than 10% of the Group's total revenue. Apart from that, no other customers contributed more than 10% of the Group's total revenue in 2024 or 2023.

## 3 Revenue from contracts with customers

### (a) Revenue from contracts with customers

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Revenue | **2,288,793** | 2,048,658 |

## 3 Revenue from contracts with customers (continued)

### (b) Disaggregation of segment revenue

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

| 30 June 2024 | Telecommunications $'000 | Utilities $'000 | Transport $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Segment revenue | 1,200,215 | 969,587 | 119,155 | (164) | 2,288,793 |
| Intra / Inter-segment revenue | - | - | - | - | - |
| **Revenue from contracts with customers** | **1,200,215** | **969,587** | **119,155** | **(164)** | **2,288,793** |
| Timing of revenue recognition | | | | | |
| At point in time | 614,931 | 530,337 | 36,586 | (164) | 1,181,690 |
| Over time | 585,284 | 439,250 | 82,569 | - | 1,107,103 |
| **Revenue from contracts with customers** | **1,200,215** | **969,587** | **119,155** | **(164)** | **2,288,793** |

| 30 June 2023 | Telecommunications $'000 | Utilities $'000 | Transport $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Segment revenue | 970,373 | 886,164 | 192,940 | 1,741 | 2,051,218 |
| Intra / Inter-segment revenue | - | - | - | (2,560) | (2,560) |
| **Revenue from contracts with customers** | 970,373 | 886,164 | 192,940 | (819) | 2,048,658 |
| Timing of revenue recognition | | | | | |
| At point in time | 402,744 | 453,489 | 17,511 | 432 | 874,178 |
| Over time | 567,629 | 432,675 | 175,429 | (1,251) | 1,174,482 |
| **Revenue from contracts with customers** | 970,373 | 886,164 | 192,940 | (819) | 2,048,658 |

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Revenue recognised that was included in contract liability balance at the beginning of the period | **71,930** | 21,491 |
| Revenue (reversed) from performance obligations satisfied in previous periods | **(5,286)** | (1,800) |

## 3 Revenue from contracts with customers (continued)

## (d) Significant estimates and judgment

### Measure of progress

Judgement is used in selecting an appropriate measure of progress towards completing satisfaction of a performance obligation. The selected method considers the nature of the good or service that the Group has promised to transfer to the customer and will be consistently applied to similar performance obligations throughout the contract.

### State of completion

In assessing the stage of completion using percentage of cost to complete, significant judgement may be required to estimate total contract costs to complete. In making these estimates, management has relied on internal and external subject matter experts and also on past experience of completed projects to determine the progress of completion for projects.

### Variation and valued claim

A variation or valued claim is a contract modification involving amendment of a contract with the consent of all parties, where the Group has an enforceable right to payment. Revenue in relation to variation claims is only included in the transaction price when the amount claimable is highly probable. Management uses judgement in determining whether an approved enforceable right exists.

### Variable considerations

Management estimates the amount of variable consideration based on either the 'expected value' or the 'most likely amount'. The estimate of variable consideration is only recognised to the extent it is highly probable that a significant revenue reversal will not occur in the future.

Changes in these estimates or judgements could have a material impact on the financial statements of the Group.

## 4 Other income

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Gain on disposal of assets | **17** | 1,248 |
| Other | **2,779** | 2,861 |
| | **2,796** | 4,109 |

## 5 Net finance costs

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Interest income | **(2,014)** | (1,822) |
| Interest expense: leases | **2,736** | 2,332 |
| Interest expense: borrowings | **9,639** | 12,364 |
| Facility establishment costs | **1,035** | 731 |
| | **11,396** | 13,605 |

## 6 Other expense items

### (a) Depreciation and amortisation expense

| | Notes | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Depreciation of plant and equipment | 13 | **14,264** | 19,196 |
| Depreciation of right-of-use assets | 15 | **23,369** | 21,180 |
| Amortisation of software | 14 | **5,142** | 5,919 |
| Amortisation of customer contracts / relationships | 14 | **15,686** | 15,411 |
| Write-off of software assets | | **-** | 6,344 |
| | | **58,461** | 68,050 |

### (b) Employee benefit expense

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Superannuation expense | **46,651** | 43,799 |
| Equity-settled share-based payments | **3,540** | 1,470 |
| | **50,191** | 45,269 |

### (c) Non-operational expenses

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Individual non-operational items included in profit / loss before income tax** | | |
| Acquisition and integration costs[1] | - | 5,081 |
| Non-operational cost excluded from EBITDA from Operations | | |
| Write-off of software assets and other expense[2] | - | 6,594 |
| **Total non-operational costs (before tax)** | - | 11,675 |
| Tax on non-operational costs | - | (4,254) |
| **Non-operational costs after tax** | - | 7,421 |

[1] Cost associated with the acquisition and integration of Lendlease Services Pty Ltd.
[2] Mainly relates to write-off of software assets decommissioned during integration of the business.

## 7 Income tax expense

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Tax expense comprises:** | | |
| Current tax expense | **18,932** | 6,248 |
| Under/ (Over) provision in prior years | **93** | (638) |
| Deferred tax expense | **(4,428)** | (4,849) |
| **Income tax expense** | **14,597** | 761 |

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit before income tax | **46,895** | 5,223 |
| **Tax at the Australian tax rate of 30%** | **14,068** | 1,567 |
| **Tax effect of amounts which are not deductible / (taxable) in calculating taxable income** | | |
| Other non-deductible expenses | **2,778** | 776 |
| Franking credits on dividends received | **(1,313)** | (510) |
| Current year deferred tax revaluations against tax expense | **(1,029)** | (434) |
| (Under) / Over provision in prior years | **93** | (638) |
| **Income tax expense as per consolidated statement of profit or loss and other comprehensive income** | **14,597** | 761 |
| (Under) / Over provision in prior years | **(93)** | 638 |
| Movement through deferred tax (note: 7c) | **4,428** | 4,849 |
| **Tax payable** | **18,932** | 6,248 |
| Less current year tax instalments paid during the year | **(8,938)** | (3,152) |
| Less outstanding refund relating to the prior year | **(5,960)** | - |
| **Net income tax payable** | **4,034** | 3,096 |
| *Effective tax rate* | ***31%*** | *15%* |

## 7 Income tax expense (continued)

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.

## (c) Deferred tax balances

Deferred tax balances arise from the following:

| 2024 | Opening balance $'000 | Timing difference related to prior periods[1] $'000 | DTL (Net) Acquired through Acquisition $'000 | Charged to Income $'000 | Charged to equity $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|
| **Temporary differences** | | | | | | |
| Trade and other receivables | 144 | - | - | 77 | - | **221** |
| Accrued revenue | (65,099) | - | - | (2,892) | - | **(67,991)** |
| Trade, other payables and provisions | 6,692 | - | - | 2,419 | - | **9,111** |
| Share issue costs | 2,005 | - | - | (741) | - | **1,264** |
| Tax Losses | 6,788 | (3,750) | - | (2,400) | - | **638** |
| Employee benefits | 18,711 | - | - | 4,552 | 1,466 | **24,729** |
| Plant and equipment | (16) | (2,020) | - | 579 | - | **(1,457)** |
| Customer contracts / relationships | (37,052) | (230) | - | 4,663 | - | **(32,619)** |
| Right of use assets | (15,057) | - | - | (3,139) | - | **(18,196)** |
| Lease liabilities | 15,973 | - | - | 2,784 | - | **18,757** |
| Other | (2,760) | (141) | - | (1,474) | - | **(4,375)** |
| | (69,671) | (6,141) | - | 4,428 | 1,466 | **(69,918)** |

## 7 Income tax expense (continued)

## (c) Deferred tax balances (continued)

| 2023 | Opening balance $'000 | Timing difference related to prior periods [1] $'000 | DTL (Net) Acquired through Acquisition $'000 | Charged to Income $'000 | Charged to equity $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|
| **Temporary differences** | | | | | | |
| Trade and other receivables | 268 | - | - | (124) | - | 144 |
| Accrued revenue | (61,879) | (11,784) | (516) | 9,080 | - | (65,099) |
| Trade, other payables and provisions | 9,291 | 1,444 | (704) | (3,339) | - | 6,692 |
| Share issue costs | 1,768 | 862 | 0 | (625) | - | 2,005 |
| Tax Losses | 38,585 | (27,895) | 0 | (3,900) | - | 6,790 |
| Employee benefits | 18,737 | (352) | 263 | (238) | 302 | 18,712 |
| Plant and equipment | 64 | (171) | (712) | 803 | - | (16) |
| Customer contracts / relationships | (46,194) | 285 | 4,290 | 4,566 | - | (37,053) |
| Right of use assets | (15,759) | - | - | 702 | - | (15,057) |
| Lease liabilities | 17,238 | (89) | 89 | (1,265) | - | 15,973 |
| Other | (372) | (1,394) | (185) | (811) | - | (2,762) |
| | (38,253) | (39,094) | 2,525 | 4,849 | 302 | (69,671) |

[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 Consolidated statement of financial position as a net deferred tax liability.

## 7 Income tax expense (continued)

## (d) Tax consolidation

### Tax consolidation of the Group

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

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

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

## 8 Earnings per share

Basic and diluted earnings per share

| | 2024 Cents per share | 2023 Cents per share |
|---|---|---|
| Basic earnings per share: | | |
| **Total basic earnings per share** | **5.25** | 0.72 |
| Diluted earnings per share: | | |
| **Total diluted earnings per share** | **5.14** | 0.71 |

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company | **32,298** | 4,462 |
| **Earnings used in the calculation of basic EPS** | **32,298** | 4,462 |

| | 2024 '000 | 2023 $'000 |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **614,909** | 615,953 |
| Shares deemed to be issued for no consideration in respect of employee share schemes | **13,949** | 9,328 |
| **Weighted average number of ordinary shares for the purposes of diluted earnings per share** | **628,858** | 625,281 |

## 9 Trade and other receivables

| | Trade receivables 2024 $'000 | Expected credit loss 2024 $'000 | Total 2024 $'000 | Trade receivables 2023 $'000 | Expected credit loss 2023 $'000 | Total 2023 $'000 |
|---|---|---|---|---|---|---|
| Current | **128,539** | **(38)** | **128,501** | 142,813 | (76) | 142,737 |
| 1 Month | **25,147** | **(29)** | **25,118** | 32,477 | (74) | 32,403 |
| 2 Months | **2,741** | **(15)** | **2,726** | 4,304 | (74) | 4,230 |
| 3 Months | **1,818** | **(22)** | **1,796** | 3,386 | (183) | 3,203 |
| Over 3 months | **6,455** | **(634)** | **5,821** | 3,054 | (74) | 2,980 |
| | **164,700** | **(738)** | **163,962** | 186,034 | (481) | 185,553 |
| Other receivables | | | **752** | | | 567 |
| | | | **164,714** | | | 186,120 |

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 assets. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, then they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided at note 21(c).

## 10 Inventories

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Inventories | **19,485** | 16,445 |

Inventories recognised as an expense during the year ended 30 June 2024 amounted to $131,619,000 (2023: $159,217,000). These were included in the raw materials and consumables used line item in the consolidated statement of profit and loss and other comprehensive income.

Write-downs of inventories to net realisable value amounted to $467,294 (2023: nil). These were recognised as an expense during the year ended 30 June 2024 and included in raw materials and consumables in the consolidated statement of profit and loss and other comprehensive income.

## 11 Accrued revenue

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Accrued revenue | **266,621** | 254,436 |

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

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

## 12 Other assets

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Prepayments | **10,067** | 10,024 |
| Other assets | **2,480** | 1,014 |
| | **12,547** | 11,038 |

## 13 Property, plant and equipment

| | Land<br>$'000 | Leasehold improvements<br>$'000 | Plant and equipment<br>$'000 | Motor vehicles<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| **Year Ended 30 June 2023** | | | | | |
| Opening net book value | 2,150 | 588 | 45,761 | 11,144 | 59,643 |
| Additions | - | 770 | 4,501 | 15 | 5,286 |
| Disposals[1] | - | - | (2,642) | (74) | (2,716) |
| Depreciation charge | - | (300) | (13,405) | (5,491) | (19,196) |
| **Closing net book value** | **2,150** | **1,058** | **34,215** | **5,594** | **43,017** |
| **At 30 June 2023** | | | | | |
| Cost | 2,150 | 10,705 | 73,369 | 13,739 | 99,963 |
| Accumulated depreciation | - | (9,647) | (39,154) | (8,145) | (56,946) |
| **Net book value** | **2,150** | **1,058** | **34,215** | **5,594** | **43,017** |
| **Year Ended 30 June 2024** | | | | | |
| Opening net book value | 2,150 | 1,058 | 34,215 | 5,594 | 43,017 |
| Additions | - | 977 | 6,002 | 1,578 | 8,557 |
| Disposals[1] | - | - | (3,684) | (456) | (4,140) |
| Depreciation charge | - | (190) | (10,515) | (3,559) | (14,264) |
| **Closing net book value** | **2,150** | **1,845** | **26,018** | **3,157** | **33,170** |
| **At 30 June 2024** | | | | | |
| Cost | 2,150 | 11,682 | 72,194 | 9,849 | 95,875 |
| Accumulated depreciation | - | (9,838) | (46,176) | (6,691) | (62,705) |
| **Net book value** | **2,150** | **1,844** | **26,018** | **3,158** | **33,170** |

[1]Disposals are net of accumulated depreciation.

## 14 Intangible assets

| | Software<br>$'000 | Customer contracts and relationships<br>$'000 | Goodwill<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Year Ended 30 June 2023** | | | | |
| Opening net book value | 23,511 | 145,778 | 282,440 | 451,729 |
| Additions | 2,698 | - | - | 2,698 |
| Asset written off | (6,443) | - | - | (6,443) |
| Amortisation charge | (5,919) | (15,411) | - | (21,330) |
| Net acquired through finalisation of business combination | - | (6,097) | 16,471 | 10,374 |
| **Closing net book value** | **13,847** | **124,270** | **298,911** | **437,028** |
| **At 30 June 2023** | | | | |
| Cost | 59,537 | 183,371 | 298,911 | 541,819 |
| Accumulated amortisation & impairment | (45,690) | (59,101) | - | (104,791) |
| **Net book value** | **13,847** | **124,270** | **298,911** | **437,028** |
| **Year Ended 30 June 2024** | | | | |
| Opening net book value | 13,847 | 124,270 | 298,911 | 437,028 |
| Additions | 1,916 | - | - | 1,916 |
| Amortisation charge | (5,142) | (15,686) | - | (20,828) |
| **Closing net book value** | **10,621** | **108,584** | **298,911** | **418,116** |
| **At 30 June 2024** | | | | |
| Cost | 61,472 | 183,371 | 298,911 | 543,754 |
| Accumulated amortisation & impairment | (50,851) | (74,787) | - | (125,638) |
| **Net book value** | **10,621** | **108,584** | **298,911** | **418,116** |

## 14 Intangible assets (continued)

### (a) Impairment tests for goodwill

Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

It is Management's judgement that the CGU is at its lowest level of aggregation and no further distinctions can be made. The judgements and assumptions used in such determination are Management's best estimates based on the current market dynamics, business operations, service offerings, interactions with its customers and operational synergies achieved. Changes impacting these assumptions could result in changes in the determination of CGUs and recognition of impairment charges in future periods.

Goodwill is monitored at the level of operating segments as identified in Note 2.

A summary of the goodwill allocation are as follows:

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Telecommunication | **159,665** | 159,665 |
| Utilities | **129,947** | 129,947 |
| Transport | **9,299** | 9,299 |
| | **298,911** | 298,911 |

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

The recoverable amount of an asset or CGU is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. It is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial item assumes it is put to its highest and best use.

The recoverable amount of all CGUs was determined through a fair value less costs to sell calculation using a detailed 5-year cash flow financial model with revenue and earnings forecasts, discount rate and costs to sell reflective of a market participant's view of valuing the business. The fair value measurement was categorised as a Level-3 fair value based on the inputs in the valuation technique used (refer note 33 (o)) for further details on fair value measurements).

The cash flows are based on the Board approved budget covering a one-year period together with management prepared cash flows through to FY2029 with a terminal growth rate applied thereafter. Management's determination of cash flow projections is based on past performance and its expectations for the future. The cash flows assume that all businesses continue to undertake significant work with new and existing customers. This assumes existing contracts are extended, new contracts are awarded, and margins remain relatively stable.

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

| CGU | Telecommunication | Utilities | Transport |
|---|---|---|---|
| Terminal growth rate | 2.5% | 2.5% | 2.5% |
| Pre-tax discount rate | 14.0% | 13.7% | 13.5% |

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

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

## 14 Intangible assets (continued)

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

### Impact of possible changes in key assumptions

For the Utilities CGU, there is limited headroom between its recoverable amount and carrying value. The CGU achieved strong FY24 revenue growth through new contract wins and organic growth opportunities; despite cycling off discontinued operations and large D&C project works which negatively impacted earnings. The business has successfully repositioned itself strategically from the prior year with a strong recovery in earnings expected in FY25. However, the reasonably possible change of 80 bps in the discount rate or a 3% reduction in operational earnings for the forecast period (including terminal year) would result in the carrying value of the CGU to equal its recoverable amount.

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

## 15 Leases

## (a) Amount recognised in the Consolidated statement of financial position

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Properties | **23,231** | 15,012 |
| Motor vehicles | **31,865** | 29,964 |
| Equipment | **5,557** | 5,213 |
| **Total right-of-use assets** | **60,653** | 50,189 |
| Current lease liabilities | **21,341** | 19,487 |
| Non-current lease liabilities | **41,182** | 33,757 |
| **Total lease liabilities** | **62,523** | 53,244 |

The Group's weighted average incremental borrowing rate applied to the lease liabilities as at 30 June 2024 was 5.55% (2023: 4.17%).

Additions and remeasurements to the right-of-use assets during the 2024 financial year were $33.7 million (2023: $18.8 million).

## 15 Leases (continued)

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

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Depreciation of right-of-use assets** | | |
| Properties | **10,055** | 9,275 |
| Motor vehicles | **11,718** | 10,274 |
| Equipment | **1,596** | 1,631 |
| | **23,369** | 21,180 |
| Interest expense (included in interest expense and other finance costs) | **2,909** | 2,332 |
| Expense relating to short-term leases (included in the occupancy and motor vehicle expenses) | **3,524** | 3,233 |
| Income from sub-leasing of right-of-use assets | **-** | 380 |

The total cash outflow for leases in 2024 was $27.2 million (2023: $25.1 million).

### (c) The Group's leasing activities and how these are accounted for:

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

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

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

## 15 Leases (continued)

## (c) The Group's leasing activities and how these are accounted for (continued):

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

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

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

*(i) Variable lease payments*

There are no variable lease payments requiring estimations.

*(ii) Extension and termination options*

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

## (d) Critical judgements

In determining the lease term, management consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of approximately $44,128,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended or not terminated.

## 16 Trade and other payables

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Trade creditors | **45,985** | 74,996 |
| Sundry creditors and accruals | **141,827** | 120,096 |
| Goods and services tax payable | **8,754** | 11,601 |
| Income in advance | **89,005** | 95,087 |
| | **285,571** | 301,780 |

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 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 duration of one year or less.

## 17 Provisions

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Current** | | |
| Employee benefits [1] | **51,705** | 49,157 |
| Provision for contractual obligations [2] | **9,441** | 13,608 |
| Provision for onerous contracts [3] | **4,536** | 6,929 |
| Other provisions [4] | **4,540** | 2,846 |
| | **70,222** | 72,540 |
| **Non-current** | | |
| Provision for contractual obligations [2] | **14,175** | - |
| Employee benefits [1] | **7,332** | 6,806 |
| | **21,507** | 6,806 |
| **Total provisions** | **91,729** | 79,346 |

[1] The provision for employee benefits represents annual leave, sick leave, rostered day-off and long service leave entitlements.
[2] The provision for contractual obligations represents the present value of estimated future outflows that may be required under the Group's obligations for warranties, rectification and rework with its various customers.
[3] The provision for onerous contracts represents best estimation on loss-making projects where that cost is expected to exceed total revenue.
[4] Other provisions include make good provisions on premises, and other provisions as required.

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

### (a) Movement in provisions

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

## 17 Provisions (continued)

### (a) Movement in provisions (continued)

| | Contractual obligations $'000 | Onerous contracts $'000 | Other provisions $'000 |
|---|---|---|---|
| **Balance at 1 July 2023** | 13,608 | 6,929 | 2,846 |
| Additional provisions recognised | 15,134 | 16,479 | 3,055 |
| Unused amounts reversed | (3,528) | (989) | (1,210) |
| Amounts used during the year | (1,598) | (17,883) | (151) |
| **Balance at 30 June 2024** | **23,616** | **4,536** | **4,540** |

### (b) Significant estimates

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

## 18 Contributed equity

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | 2024 '000 | 2023 '000 | 2024 $'000 | 2023 $'000 |
| Fully paid ordinary shares | **612,825** | 615,953 | **496,344** | 499,682 |
| | **612,825** | 615,953 | **496,344** | 499,682 |

### (a) Fully paid ordinary shares

| | Number of shares '000 | Share capital $'000 |
|---|---|---|
| **Balance at 30 June 2023 / 1 July 2023** | **615,953** | **499,682** |
| Treasury shares purchased | **(3,901)** | **(4,131)** |
| Share issued under employee share scheme | **773** | **793** |
| **Balance at 30 June 2024** | **612,825** | **496,344** |

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

## 18 Contributed equity (continued)

### (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 2022** | - | - |
| **Balance at 30 June 2023** | - | - |
| Acquisition of treasury shares (average prices; $0.933 per share) | 1,000 | 933 |
| Acquisition of treasury shares (average prices; $1.051 per share) | 1,901 | 1,997 |
| Acquisition of treasury shares (average prices; $1.201 per share) | 1,000 | 1,201 |
| Share issued under employee share scheme | (773) | (793) |
| **Balance at 30 June 2024** | **3,128** | **3,338** |

## 19 Dividends

| | | 2024 | | 2023 |
|---|---|---|---|---|
| | Cents per share | Total Amount $'000 | Cents per share | Total Amount $'000 |
| Prior year final | **1.00** | **6,160** | 1.00 | 6,160 |
| Current year interim | **2.00** | **12,319** | 0.50 | 3,076 |
| | **3.00** | **18,479** | 1.50 | 9,236 |

A final dividend of 2.5 cents per share has been declared by the Board for the year ended 30 June 2024 (2023: 1.0 cent). The amount will be paid on 4 October 2024 and, as it was declared subsequent to 30 June 2024, no provision has been made as at 30 June 2024.

| | | Company |
|---|---|---|
| | 2024 $'000 | 2023 $'000 |
| Franking credits available for subsequent reporting periods based on a tax rate of 30% (2023: 30%) | **12,805** | 5,279 |

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax after the end of the year. The balance excludes the impact on franking credits associated with the final dividends declared at year-end.

## 20 Notes to the consolidated statement of cash flows

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Cash and cash equivalents | **62,947** | 84,267 |
| Balance per consolidated statement of cash flows | **62,947** | 84,267 |

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

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit for the year | **32,298** | 4,462 |
| Gain on sale of disposal of non-current assets | **(17)** | (1,248) |
| Depreciation and amortisation | **58,461** | 68,050 |
| Equity-settled share-based payments expense | **4,390** | 2,051 |
| Increase in tax balances & other tax adjustments | **1,186** | 42,403 |
| *Movement in working capital:* | | |
| Decrease / (Increase) in trade and other receivables | **21,405** | (81,124) |
| (Increase) / Decrease in accrued income | **(12,185)** | 19,405 |
| (Increase) in other assets | **(1,508)** | (1,046) |
| (Increase) in inventories | **(3,040)** | (1,707) |
| (Decrease) / Increase in trade and other payables | **(16,188)** | 33,687 |
| Increase in provisions | **12,383** | 9,879 |
| **Net cash provided by operating activities** | **97,185** | 94,812 |

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

## (c) Liabilities from financing activities

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

| $'000 | Borrowings | Lease liabilities |
|---|---|---|
| Balance as at 30 June 2023 | **121,579** | 53,244 |
| Additions | **-** | 27,993 |
| Remeasurements | **-** | 5,841 |
| Financing cash flows | **(65,000)** | (24,554) |
| Interest expense | **7,676** | 2,736 |
| Interest payments | **(8,813)** | (2,736) |
| **Balance as at 30 June 2024[1]** | **55,442** | **62,524** |

[1] Bank borrowings as at 30 June 2024 consist of borrowing of $55.0 million (2023: $118.6 million) and accrued interest of $0.9mil (2023: $2.9 million), which is classified as trade and other payables.

## 21 Financial instruments

### (a) Overview

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

### (b) Market risk – interest rate risk management

Based upon a 100-basis point increase in prevailing market interest rates as applied to the Group's net cash balance at 30 June 2024 the Group's sensitivity to interest rate risk would be equivalent to a $85,000 per annum favourable impact to profit before tax (2023: $343,000 unfavourable).

### (c) Credit risk management

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

The Group does not recognise revenue until it is considered to be highly probable. Historically the Group has had a high level of recoverability of accrued revenue.

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

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

#### Impairment of financial assets

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

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

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

#### Trade receivables and accrued revenue

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

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

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

## 21 Financial instruments (continued)

## (c) Credit risk management (continued)

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

| | Current<br>$'000 | 0-30 days<br>$'000 | 31-60 days<br>$'000 | 61-90 days<br>$'000 | 91 days +<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|
| **2024** | | | | | | |
| Expected loss rate | **0.03%** | **0.11%** | **0.55%** | **1.23%** | **9.83%** | |
| Gross carrying amount - trade receivables | **128,539** | **25,147** | **2,741** | **1,818** | **6,455** | **164,700** |
| Loss allowance | **38** | **29** | **15** | **22** | **634** | **738** |

| | Current<br>$'000 | 0-30 days<br>$'000 | 31-60 days<br>$'000 | 61-90 days<br>$'000 | 91 days +<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Expected loss rate | 0.05% | 0.23% | 1.73% | 5.40% | 2.42% | |
| Gross carrying amount - trade receivables | 142,813 | 32,477 | 4,304 | 3,386 | 3,054 | 186,034 |
| Loss allowance | 76 | 74 | 74 | 183 | 74 | 481 |

The loss allowances for trade receivables at 30 June 2024 reconciles to the opening loss allowances as follows:

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Opening balance** | **481** | 896 |
| Additional provision recognised | 300 | - |
| Unused amount reversed | (43) | (415) |
| **Closing balance** | **738** | **481** |

## 21 Financial instruments (continued)

## (d) Liquidity risk management

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

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

Included in note 21(d)(ii) are details of the financing facilities available to the Group at 30 June 2024.

### (i) Liquidity and interest rate risk tables

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

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

| | Weighted average interest rate | Carrying amount | Contractual cash flow | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | 5 + years |
|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2024 Financial liabilities** | | | | | | | | |
| Lease liabilities | 5.55% | (62,523) | (68,794) | (13,540) | (10,443) | (17,922) | (23,719) | (3,170) |
| Borrowings[1] | 5.62% | (54,496) | (59,363) | (1,559) | (1,534) | (56,270) | - | - |
| Trade and other payables | | (285,571) | (285,571) | (285,571) | - | - | - | - |
| | | **(402,590)** | **(413,278)** | **(300,670)** | **(11,977)** | **(74,192)** | **(23,719)** | **(3,170)** |

## 21 Financial instruments (continued)

## (d) Liquidity risk management (continued)

| | Weighted average interest rate | Carrying amount | Contractual cash flow | 6 months or less | 6 - 12 months | 1 - 2 years | 2 - 5 years | 5 + years |
|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2023 Financial liabilities** | | | | | | | | |
| Lease liabilities | 4.17% | (53,244) | (57,498) | (11,505) | (9,759) | (14,223) | (18,955) | (3,057) |
| Borrowings[1] | 4.84% | (118,612) | (133,964) | (2,930) | (2,882) | (5,764) | (122,388) | - |
| Trade and other payables | N/A | (301,780) | (301,780) | (301,780) | - | - | - | - |
| | | **(473,637)** | **(493,242)** | **(316,215)** | **(12,641)** | **(19,987)** | **(141,343)** | **(3,057)** |

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

### (ii) Financing facilities

| | 2024 | 2023 |
|---|---|---|
| | $'000 | $'000 |
| Bank guarantee | **115,245** | 113,355 |
| Surety bonds | **19,471** | 21,835 |
| Borrowings | **55,000** | 120,000 |
| **Amount used** | **189,716** | **255,190** |

As at 30 June 2024, the Group had undrawn committed loan facilities of $230.3 million (FY23: 161.6 million) across bank guarantees, surety bonds, borrowings and bank overdraft, of which the overdraft facility had $25 million available. The revolving credit facilities are due to expire in November 2025 and have a variable interest rate.

## 21 Financial instruments (continued)

## (e) Categories of financial instruments

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Cash and cash equivalents | **62,947** | 84,267 |
| Accrued revenue | **266,621** | 254,436 |
| Trade and other receivables | **164,714** | 186,120 |
| | **494,282** | 524,823 |

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Lease liabilities | **62,523** | 53,244 |
| Borrowings | **54,496** | 118,612 |
| Trade and other payables | **285,571** | 301,780 |
| | **402,590** | 473,636 |

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

## 22 Capital risk management

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

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

The Group is subject to various financial covenants under its Syndicated Facilities Agreement regarding minimum levels of equity, gearing, fixed charge cover and borrowing base; all of which are regularly monitored and reported upon. The Group has complied with all of the financial covenants of its borrowing facilities during the financial year ended 30 June 2024, and there are no indications that the entity may have difficulties complying with the covenants when they will be next tested at the 30 June 2025 interim reporting date.

## 23 Share-based payments

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

### Recognition and measurement

The Group operates equity incentive plans which provide equity instrument to certain executives as a component of their remuneration. Any LTI award will be in the form of performance rights, which are issued to participating employees, with each performance right converting into one ordinary share of Service Stream Limited on meeting the vesting criteria. No amounts are paid or payable by the participant on receipt of the performance right, and the performance rights do not carry rights to dividend or voting.

The number of performance rights granted is based on the employee's long-term incentive opportunity, which is expressed as a percentage of the participant's total fixed remuneration (TFR), and the volume-weighted average market price (VWAP) of the Group's shares over 10-days of trading following the release of full-year results. Refer to the Remuneration Report for further details of the LTI plan.

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

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

| Tranche | Number | Grant date | Fair value per right at grant date | Rights vesting date | Share grant date | Performance period |
|---|---|---|---|---|---|---|
| FY22 | 3,182,182 | 29 October 2021 | TSR - 55.2 cps<br>EPS - 74.7 cps | June 2024 | September 2024 | 1 July 2021 - 30 June 2024 |
| FY23 | 4,512,548 | 17 November 2022 | TSR - 34.90 cps<br>EPS - 64.93 cps | June 2025 | September 2025 | 1 July 2022 - 30 June 2025 |
| FY23 - MD | 990,441 | 19 October 2022 | TSR - 33.50 cps<br>EPS - 61.77 cps | June 2025 | September 2025 | 1 July 2022 - 30 June 2025 |
| FY24 | 4,343,827 | 24 November 2023 | TSR - 54.54 cps<br>EPS - 79.24 cps | June 2026 | September 2026 | 1 July 2023 - 30 June 2026 |
| FY24 - MD | 919,727 | 18 October 2023 | TSR - 58.30 cps<br>EPS - 81.90 cps | June 2026 | September 2026 | 1 July 2023 – 30 June 2026 |

## 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:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Number of rights | Grant date weighted avg FV $ | Number of rights | Grant date weighted avg FV $ |
| Balance at start of the financial year | **9,858,921** | **0.642** | 5,177,639 | 1.047 |
| Granted during the year | **5,346,354** | **0.675** | 6,155,835 | 0.497 |
| Vested during the year | **(240,199)** | **-** | - | - |
| Forfeited during the year | **(1,016,351)** | **1.129** | (1,474,553) | 1.456 |
| Balance at end of the financial year | **13,948,725** | **0.630** | 9,858,921 | 0.642 |

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

### Fair value of performance rights

The FY24 LTI performance rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a Monte-Carlo simulation. The FY24 LTI performance rights with the Adjusted EPS hurdle vesting condition have been valued using a Binominal tree methodology. Both valuation methodologies are underpinned by a 'risk-neutral' probability framework with key inputs as outlined below.

| Tranche | Share price at grant date | Expected life | Volatility [1] | Risk-free interest rate | Dividend yield | Rights vesting date | Share grant date |
|---|---|---|---|---|---|---|---|
| FY22 | $0.88 | 2.67 years | 40% | 1.07% | 4.96% | June 2024 | September 2024 |
| FY23 | $0.74 | 2.67 years | 40% | 3.19% | 4.99% | June 2025 | September 2025 |
| FY23 – MD | $0.71 | 2.70 years | 40% | 3.46% | 5.16% | June 2025 | September 2025 |
| FY24 | $0.88 | 2.60 years | 40% | 4.15% | 4.03% | June 2026 | September 2026 |
| FY24 - MD | $0.91 | 2.70 years | 40% | 4.13% | 3.90% | June 2026 | September 2026 |

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

## 24 Subsidiaries

Details of the Company's subsidiaries at 30 June 2024 are as follows:

| Name of entity | Country of incorporation | Ownership interest 2024 % | Ownership interest 2023 % |
|---|---|---|---|
| **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 Limited (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 Property Pty Ltd (i) (ii) | Australia | 100 | 100 |
| TechSafe Australia Pty. Ltd. (i) | Australia | 100 | 100 |
| TechSafe Management Pty Ltd (i) | Australia | 100 | 100 |
| Ayrab Pty. Ltd. (i) | Australia | 100 | 100 |
| Service Stream Utilities Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Civil Constructions Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Civil Constructions (QLD) Pty. Ltd. (i) | Australia | 100 | 100 |
| Comdain Services Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Asset Management Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Gas (Aust) Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Services (AMS) Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Corporate Pty Ltd (i) | Australia | 100 | 100 |
| Comdain Assets Pty Ltd (i) | Australia | 100 | 100 |
| Service Stream Maintenance Pty Ltd (i) | Australia | 100 | 100 |
| Westlink (Services) Pty Limited | Australia | 100 | 100 |
| EnerSafe Pty Ltd | Australia | 100 | 100 |

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

(ii) Subsequent to year end Service Stream Operations Pty Ltd changed its name to Service Stream Property Pty Ltd on 10 July 2024.

## 25 Joint arrangements

### (a) Joint Operations

Recognition and measurement

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

| | Principal activity | Principal place of business | Ownership interest | |
|---|---|---|---|---|
| | | | June 2024 | June 2023 |
| Delivering for Customer (D4C) | Sydney Water design, construction, maintenance and management services | Australia | 60.0% | 60.0% |
| The Intelligent Freeways Alliance (IFA) | Road and Maintenance services for Mitchell Freeway | Australia | 42.1% | 42.1% |

[1] Both joint operations above are unincorporated

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

The Group has interest in the following joint ventures and associates which are equity accounted as described in note 33 (b).

| | Ownership interest | | Measurement basis | Principal place of business and country of incorporation |
|---|---|---|---|---|
| | June 2024 | June 2023 | | |
| LT Joint Venture Pty Ltd[1] | 50% | 50% | Equity Accounted | Victoria, Australia |
| ConnectSydney Pty Ltd | 50% | 50% | Equity Accounted | New South Wales, Australia |
| South Australian Road Services Pty Ltd | 50% | 50% | Equity Accounted | South Australia, Australia |
| Brisbane Motorway Services Pty Ltd[1] | 50% | 50% | Equity Accounted | Queensland, Australia |

[1] These joint ventures are dormant and are in the process of being liquidated.

## 25 Joint arrangements (continued)

### (c) Summarised financial information for joint ventures and associates

Reconciliation of carrying amount in joint ventures and associates:

| | LT Joint Venture<br>$'000 | Connect-Sydney<br>$'000 | South Australian Road Services<br>$'000 | Brisbane Motorway Services<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| Opening balance as at 1 Jul 2022 | 39 | 5,219 | 343 | 5 | **5,606** |
| Total share of profit | 12 | 4,610 | 40 | - | **4,662** |
| Dividends received | - | (1,701) | - | - | **(1,701)** |
| **Closing balance as at 30 Jun 2023** | **51** | **8,128** | **383** | **5** | **8,567** |
| Opening balance as at 1 Jul 2023 | 51 | 8,128 | 383 | 5 | **8,567** |
| Total share of profit | - | 5,855 | 259 | - | **6,114** |
| Dividends received | - | (4,375) | - | - | **(4,375)** |
| **Closing balance as at 30 Jun 2024** | **51** | **9,608** | **642** | **5** | **10,306** |

## 26 Deed of cross guarantee

The Australian wholly owned subsidiaries listed in note 24 (excluding Westlink (Services) Pty Limited and Enersafe Pty Ltd), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, the wholly-owned subsidiaries listed in note 24 (excluding Westlink (Services) Pty Limited and Enersafe Pty Ltd) are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgment of financial reports, and Directors' report.

A Consolidated statement of profit or loss and other comprehensive income and a Consolidated statement of financial position for the year ended 30 June 2024 for the deed of cross guarantee group are set out below:

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

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **Revenue** | **2,262,852** | 2,028,129 |
| **Expenses** | **(2,224,557)** | (2,030,535) |
| Share of profits from investment in associates | **6,114** | 4,662 |
| **Profit before tax** | **44,409** | 2,256 |
| Income tax expense | **(14,597)** | (761) |
| **Profit for the year** | **29,812** | 1,494 |
| **Total comprehensive profit for the year** | **29,812** | 1,494 |

## 26 Deed of cross guarantee (continued)

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

| | 2024<br>$'000 | 2023<br>$'000 |
|---|---|---|
| **ASSETS** | | |
| Current assets | **530,933** | 545,481 |
| Non-current assets | **522,245** | 538,801 |
| **Total assets** | **1,053,178** | 1,084,282 |
| **LIABILITIES** | | |
| Current liabilities | **408,667** | 399,278 |
| Total non-current liabilities | **173,148** | 229,085 |
| **Total liabilities** | **581,815** | 628,363 |
| **Net assets** | **471,363** | 455,919 |
| **EQUITY** | | |
| ***Capital and reserves*** | | |
| Contributed equity | **496,344** | 499,667 |
| Reserves | **(5,582)** | (9,973) |
| Retained earnings / (accumulated losses) | **(19,399)** | (33,775) |
| **Total equity** | **471,363** | 455,919 |

## 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:

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Short-term employee benefits | **3,080,744** | 2,451,982 |
| Post-employment benefits | **100,058** | 103,609 |
| Other long-term benefits | **48,248** | 77,680 |
| Share-based payments[1] | **1,106,030** | 657,541 |
| | **4,335,080** | 3,290,812 |

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

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

### (b) Other transactions with key management personnel of the Group

There were no other transactions with key management personnel of the Group for the financial year ended 30 June 2024.

## 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.

### (a) Financial position

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Non-current assets | **483,079** | 451,216 |
| **Total assets** | **483,079** | 451,216 |
| Current liabilities | **7,642** | 6,704 |
| Non-current liabilities | **247** | - |
| **Total liabilities** | **7,889** | 6,704 |
| Net assets | **475,190** | 444,512 |
| Issued capital | **478,219** | 478,132 |
| Reserves - equity-settled employee benefits | **(5,336)** | (9,972) |
| Accumulated profit/(losses) | **2,307** | (23,648) |
| **Equity** | **475,190** | 444,512 |

### (b) Financial performance

| | 2024 $'000 | 2023 $'000 |
|---|---|---|
| Profit for the year | **44,391** | 15,666 |
| **Total comprehensive income** | **44,391** | 15,666 |

### (c) Determining the parent entity financial information

#### (i) Investment in subsidiaries

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

#### (ii) Guarantees entered into by parent entity

The parent entity is party to the Group's financing facilities as a security provider under the Security Trust Deed. In addition, the parent entity provides cross guarantees as described in notes 24 and 26, and the parent entity provides 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 the investment in subsidiary undertakings, with a corresponding credit to the equity.

## 29 Change in presentation of consolidated statement of profit or loss and other comprehensive income

### (i) Change in presentation of expenses

The Group has reviewed the expense categories disclosed and determined that the revised presentation below is most relevant for the users of the financial statements:

1. Motor vehicle expenses typically relate to management of fleet costs that are typically used on projects or on-site, therefore classification as site fees, which is within the subcontractor and site fees, is appropriate.
2. Consulting, company administration and insurance expenses, occupancy expenses and technology and communication services are primarily ancillary support related service expenses and therefore classification as other expenses is appropriate.

| | | (Increase)/ Decrease | (Restated) |
|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2023 $'000 | 30 Jun 2023 $'000 |
| **Expenses** ***(excluding income tax expense)*** | | | |
| Employee salaries and benefits | (503,466) | - | (503,466) |
| Subcontractor fees and site fees | (1,193,670) | (18,925) | (1,212,595) |
| Raw materials and consumables used | (159,217) | - | (159,217) |
| Consulting and temporary staff fees | (28,831) | 28,831 | - |
| Company administration and insurance expenses | (17,544) | 17,544 | - |
| Occupancy expenses | (10,041) | 10,041 | - |
| Technology and communication services | (28,112) | 28,112 | - |
| Motor vehicle expenses | (18,925) | 18,925 | - |
| Depreciation and amortisation | (68,050) | - | (68,050) |
| Net finance costs | (13,605) | - | (13,605) |
| Other expenses | (10,745) | (84,528) | (95,273) |
| **Total Expenses[1]** | **(2,052,206)** | **-** | **(2,052,206)** |

[1] Total Expenses excludes share of profit from investment in joint ventures and associates, and income tax expense.

## 29 Change in presentation of consolidated statement of profit or loss and other comprehensive income (continued)

### (ii) Incorrect prior year presentation of certain overhead expenses

The Group identified a historical error in its classification of certain overhead expenses. The prior year comparative has been restated to reflect the consistent presentation and classification of the relevant items, noting that there is no impact on revenue, total expenses, net profit/(loss) for the period disclosed. The table presented below is after the presentation change described in note 29(i) above.

| | | (Increase)/ Decrease | (Restated) |
|---|---|---|---|
| | 30 Jun 2023 $'000 | 30 Jun 2023 $'000 | 30 Jun 2023 $'000 |
| **Expenses** ***(excluding income tax expense)*** | | | |
| Employee salaries and benefits | (503,466) | (84,416) | (587,882) |
| Subcontractor fees and site fees | (1,212,595) | 99,923 | (1,112,672) |
| Raw materials and consumables used | (159,217) | (5,155) | (164,372) |
| Depreciation and amortisation | (68,050) | - | (68,050) |
| Net finance costs | (13,605) | - | (13,605) |
| Other expenses | (95,273) | (10,352) | (105,625) |
| **Total Expenses[1]** | **(2,052,206)** | **-** | **(2,052,206)** |

[1] Total Expenses excludes share of profit from investment in joint ventures and associates, and income tax expense.

## 30 Contingent assets and liabilities

At the date of this report there are no contingent assets and liabilities that are expected to materially impact, either individually or in aggregate, the Group's financial position or results from operations (2023: nil).

## 31 Events after the reporting period

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

## 32 Remuneration of auditors

| | 2024<br>$ | 2023<br>$ |
|---|---|---|
| Audit and review of the financial report | **1,081,000** | 1,208,000 |
| Other assurance services | **20,900** | 60,000 |
| Tax services | **68,285** | 219,599 |
| | **1,170,185** | 1,487,599 |

The auditor of Service Stream Limited is PricewaterhouseCoopers.

## 33 Material accounting policies

This note provides a list of Material 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 21 August 2024.

### (i) Compliance with IFRS

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

### (ii) Historical cost convention

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

### (iii) New and amended standards adopted by the Group

The group has applied AASB 2020-1, 2022-5 and 2023-1 for the first time for the annual reporting period commencing 1 July 2023. The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### (iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

## 33 Material accounting policies (continued)

## (a) Basis of preparation (continued)

### (v) Changes in accounting policy

There were no changes in accounting policies during the period.

### (vi) Critical accounting estimates

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

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

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

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

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

## (b) Joint arrangements

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

### Investments in joint ventures

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

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

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

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 33 (m).

### Joint operations

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

## 33 Material accounting policies (continued)

### (c) Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units, or groups of cash generating units (CGUs), expected to benefit from the synergies of the business combination. CGUs 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 CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then pro-rata on the basis of the carrying amount of each asset in that CGU. An impairment loss for goodwill is recognised immediately in the profit or loss and is not reversed in a subsequent accounting period.

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

### (d) Operating segments

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

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

### (e) Revenue recognition

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

#### Ticket of work services

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

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

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

#### Project delivery

Project works relate primarily to:

- turnkey services associated with the engineering, design and construction of infrastructure projects in the telecommunications, utilities and transport sectors. Service capability includes program management, site acquisition, town planning, design, engineering and construction management for projects in telecommunications, gas, power, road, intelligent transport services (ITS) and water utility networks;

## 33 Material accounting policies (continued)

## (e) Revenue recognition (continued)

- lump sum term maintenance contracts, typically associated with infrastructure networks. Under these contracts delivery obligations may consist of program management, asset management, routine maintenance and periodic maintenance tasks; and
- minor work services such as asset remediation, augmentation and relocation.

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

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

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

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

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

### Cost reimbursable

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

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

### Overhead recovery

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

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

### Variable consideration

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

## 33 Material accounting policies (continued)

## (e) Revenue recognition (continued)

### 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 represents 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 arises where payment is received prior to the work being performed. Accrued revenue and income in advance are recognised and measured in accordance with this accounting policy.

### Contract fulfilment costs

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

### Financing components

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

### Warranties and defect periods

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

## (f) Leases

The Group recognises leases in line with AASB 16 Leases, measuring lease liabilities 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.

## 33 Material accounting policies (continued)

## (f) Leases (continued)

### Lease liabilities

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

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

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

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

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

## (g) Employee benefits

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

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

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

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

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

## (h) Share-based payments

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

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

## 33 Material accounting policies (continued)

## (i) Taxation

### Current tax

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

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

### Deferred tax

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

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

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

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

### Current and deferred tax for the period

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

## (j) Property, plant and equipment

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

## 33 Material accounting policies (continued)

### (j) Property, plant and equipment (continued)

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

### (k) 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. 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 expenses 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 services, 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 methods are reviewed at the end of each annual accounting period, with the effect of any changes in estimates being accounted for on a prospective basis.

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

### (l) 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.

## 33 Material accounting policies (continued)

## (m) 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.

## (n) 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.

## (o) Financial instruments

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

### (i) Classification

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

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

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

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

### (ii) Recognition and derecognition

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

### (iii) Measurement

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

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

## 33 Material accounting policies (continued)

## (o) Financial instruments (continued)

### (iv) Impairment

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

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

### (v) Borrowings

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

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

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

### (vi) Financial liabilities and equity instruments

#### Classification as debt or equity

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

#### Equity instruments

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

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

## 33 Material accounting policies (continued)

## (o) Financial instruments (continued)

### 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.

## (p) 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.

## (q) 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.

## (r) Goods and Services Tax (GST)

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

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

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

## 33 Material accounting policies (continued)

### (s) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the Group's Consolidated statement of financial position.

### (t) Contributed equity

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

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

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

### (u) 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.

### (v) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing:

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

#### Diluted earnings per share

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

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

### (w) 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 judgement and key sources of estimation uncertainty

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

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

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

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.

# Consolidated entity disclosure statement

as at 30 June 2024

| Name of entity | Type of entity | % of share capital | Place of business/ country of incorporation | Australian resident/ foreign resident |
|---|---|---|---|---|
| **Parent entity** | | | | |
| Service Stream Limited | Body Corporate | n/a | Australia | Australian |
| **Subsidiaries** | | | | |
| Service Stream Holdings Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Service Stream Fixed Communications Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Service Stream Mobile Communications Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Service Stream Customer Care Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Radhaz Consulting Pty Limited | Body Corporate | 100 | Australia | Australian |
| Service Stream Infrastructure Services Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Service Stream Energy & Water Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Service Stream Nominees Pty Ltd | Body Corporate and Trustee of a Trust | 100 | Australia | Australian |
| Service Stream Operations Pty Ltd[1] | Body Corporate | 100 | Australia | Australian |
| TechSafe Australia Pty. Ltd. | Body Corporate | 100 | Australia | Australian |
| TechSafe Management Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Ayrab Pty. Ltd. | Body Corporate and Trustee of a Trust | 100 | Australia | Australian |
| Service Stream Utilities Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Civil Constructions Pty. Ltd. | Body Corporate | 100 | Australia | Australian |
| Comdain Civil Constructions (QLD) Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Services Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Asset Management Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Gas (Aust) Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Services (AMS) Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Corporate Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Comdain Assets Pty Ltd | Body Corporate | 100 | Australia | Australian |

| Name of entity | Type of entity | % of share capital | Place of business/ country of incorporation | Australian resident/ foreign resident |
|---|---|---|---|---|
| Service Stream Maintenance Pty Ltd | Body Corporate | 100 | Australia | Australian |
| Westlink (Services) Pty Limited | Body Corporate | 100 | Australia | Australian |
| EnerSafe Pty Ltd | Body Corporate | 100 | Australia | Australian |
| **Trust** | | | | |
| Service Stream Employee Share Trust | Trust | n/a | n/a | Australian |
| Ayrab Unit Trust | Trust | n/a | n/a | Australian |

1. Subsequent to year end Service Stream Operations Pty Ltd changed its name to Service Stream Property Pty Ltd on 10 July 2024.

Basis of Preparation:

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the *Corporations Act 2001* and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with *AASB 10 Consolidated Financial Statements*.

*Trust*

Australian tax law does not contain specific residency test for trust. Generally, these entities are taxed on a flow-through basis so there is no need for a general residency test. There are some provisions which treat trust as residents for certain tax purposes, but this does not mean the trust itself is an entity that is subject to tax.

# Directors' declaration

In the Directors' opinion:

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

(b) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(c) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the year ended on that date, and

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

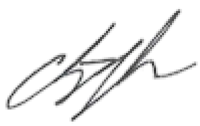
(e) the consolidated entity disclosure statement on page 103 is true and correct, and

(f) 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.

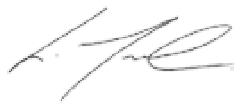
The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Brett Gallagher
Chairman

21 August 2024



Leigh Mackender
Managing Director

21 August 2024

# 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 2024 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 financial report comprises:

- the consolidated statement of financial position as at 30 June 2024
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 30 June 2024
- the directors' declaration.

## Basis for opinion

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

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

### *Independence*

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

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

## Our audit approach

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

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

### *Audit Scope*

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

## Key audit matters

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

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Revenue recognition***<br>*(Refer to note 3) $2,288.8m*<br><br>For the year ended 30 June 2024, the Group recognised $2,288.8 million of revenue from contracts with customers, and $266.6 million was accrued as an asset at 30 June 2024.<br><br>Revenue from the provision of ticket of work services involves a high volume of transactions and is recognised at a point in time once services or activities have been completed. Additionally, due to contractual terms and certain customers requiring payment claims to be submitted and approved prior to invoices being issued, this process can extend the time that revenue is classified as accrued. Judgement is required to determine if accrued revenue will be recoverable. Only revenue that is highly probable of not reversing can be recorded.<br><br>Revenue recognition in relation to the delivery of | We evaluated the design of relevant key internal controls over the recognition of revenue.<br><br>For revenue from the provision of ticket of work services, amongst other procedures and for a sample of transactions, we obtained evidence supporting the amount of revenue recognised in the current year.<br><br>For revenue from the delivery of projects, amongst other procedures and for a sample of contracts, we:<br><br>• obtained an understanding of the terms and conditions of contracts<br><br>• obtained an understanding, and agreed to supporting documents, the estimates of total contract revenue and forecast contract costs and evaluated the percentage of completion based on the actual costs incurred to date and the estimated costs to complete; and |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| projects is complex because it is based on the Group's estimates of:<br><br>• the stage of completion of the contract activity<br>• total forecast contract costs, and<br>• variable consideration<br><br>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. | • assessed the Group's forecasting accuracy by comparing historical actual costs incurred relative to the forecast of those costs.<br><br>In addition, for revenue that was accrued at 30 June 2024 we evaluated the appropriateness of management's recoverability assessment.<br><br>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. |
| ***Goodwill impairment assessment - Utilities***<br>*(Refer to note 14) $129.9m*<br><br>The Group is required by Australian Accounting Standards to test goodwill annually for impairment at the cash generating unit (CGU) level.<br><br>The consolidated statement of financial position at 30 June 2024 includes goodwill relating to the Utilities CGU ($129.9 million).<br><br>The determination of the recoverable amount of each CGU, being the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires judgement and estimation on the part of management.<br><br>In undertaking impairment testing, the following assumptions require estimation:<br><br>• expected cash flows, as taken from Board approved budgets and strategic plans, including assumptions regarding extending existing and winning new contracts.<br>• discount rates used to discount the estimated cash flows.<br>• the long-term growth rate to be applied to the forecast cash flows in the terminal year. | To evaluate the recoverable amount of the Utilities CGU, with assistance from PwC Valuation experts in aspects of our work, we performed the following procedures, amongst others:<br><br>• assessed the appropriateness of the discount rate in consideration of the forecast cash flows;<br>• evaluated the Group's historical ability to forecast future cash flows by comparing forecast cash flows with reported actual performance;<br>• evaluated the underlying cash flow assumptions for key customer contracts with reference to historical results and expected project pipelines on a sample basis; and<br>• considered whether the allocation of corporate costs between CGUs was appropriate.<br><br>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 |
|---|---|
| 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. | |

## 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 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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

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

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* including giving a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of Service Stream Limited for the year ended 30 June 2024 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

Andrew Cronin
Partner

Melbourne
21 August 2024

# ASX Additional Information for the financial year ended 30 June 2024

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

## A. Distribution of Shareholders Number as at 8 August 2024

| Category (size of holding) | Holders |
|---|---|
| 1-1,000 | 1,844 |
| 1,001- 5,000 | 2,557 |
| 5,001-10,000 | 1,225 |
| 10,001-100,000 | 1,999 |
| 100,001+ | 184 |
| | **7,809** |

## B. There are 7,809 holders of fully paid ordinary shares.

The Company has no other class of shares issued.

## C. The number of shareholdings held in less than marketable parcels is 677.

## D. The names of the substantial shareholders listed in the holding company's register, and their shareholdings (including shareholdings of their associates), as at 8 August 2024 are:

| Shareholder | Ordinary | % |
|---|---|---|
| Allan Gray Australia Pty Ltd[1] | 84,302,110 | 13.69% |
| Wilson Asset Management Group[2] | 34,806,440 | 5.65% |
| Tiga Trading Pty Ltd[3] | 28,693,355 | 4.66% |
| Thorney Opportunities Ltd[3] | 6,635,948 | 1.08% |
| Jasforce Pty Ltd (as trustee for the Alex Waislitz Retirement Plan)[3] | 2,000,000 | 0.32% |
| Waislitz Charitable Corporation Pty Ltd (as trustee for the Waislitz Family Foundation)[3] | 285,000 | 0.05% |

[1]Number of shares is based on the most recent Nasdaq report (22 July 2024).
[2]Number of shares is based on the most recent Nasdaq report (22 July 2024). Wilson Asset Management Group comprises the following entities: Wilson Asset Management (International) Pty Limited, MAM Pty Limited, WAM Capital Limited, WAM Research Limited, WAM Active Limited, Botanical Nominees Pty Limited ATF Wilson Asset Management Equity Fund, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited, WAM Strategic Value Limited, WAM Alternative Assets Limited, Wilson Asset Management Leaders Fund.
[3]The Company treats Tiga Trading Pty Ltd, Thorney Opportunities Ltd, Jasforce Pty Ltd (as trustee for the Alex Waislitz Retirement Plan) and Waislitz Charitable Corporation Pty Ltd (as trustee for the Waislitz Family Foundation) with an aggregated holding of 6.11%, as associated entities as defined in the Corporations Act.

## E. Voting Rights

The voting rights attached to each class of equity security are as follows:

**Ordinary shares**
Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**Options**
These securities have no voting rights.

## F. Net Tangible Assets

The net tangible assets per security is $0.1009 (2023: $0.0460)

## G. 20 Largest Shareholders as at 8 August 2024 - Ordinary Shares

| Name of 20 largest shareholders in each class of share | Ordinary shares Fully paid number of shares held | % Held |
|---|---|---|
| CITICORP NOMINEES PTY LIMITED | 150,753,198 | 24.47 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 122,024,733 | 19.81 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 106,600,884 | 17.31 |
| UBS NOMINEES PTY LTD | 33,817,839 | 5.49 |
| NATIONAL NOMINEES LIMITED | 16,790,704 | 2.73 |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C> | 15,618,980 | 2.54 |
| COMDAIN NOMINEES PTY LTD <COEN FAMILY A/C> | 9,420,880 | 1.53 |
| MR KENNETH JOSEPH HALL <HALL PARK A/C> | 7,109,288 | 1.15 |
| RUBINO GROUP PTY LTD <RUBINO GROUP A/C> | 7,000,000 | 1.14 |
| DR ROGER GRAHAM BROOKE + MRS SALLY ANN BROOKE <SALROG SUPER FUND A/C> | 4,488,542 | 0.73 |
| THORNEY OPPORTUNITIES LTD | 4,000,000 | 0.65 |
| BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD> | 3,950,937 | 0.64 |
| SERVICE STREAM NOMINEES PTY LTD <SHARES – ORD MINNETT A/C> | 3,127,984 | 0.51 |
| NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 2,543,133 | 0.41 |
| MR KEVIN ASHLEY SMITH | 2,453,002 | 0.40 |
| BNP PARIBAS NOMS PTY LTD | 2,013,085 | 0.33 |
| JASFORCE PTY LTD | 1,950,000 | 0.32 |
| BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS> | 1,758,738 | 0.29 |
| CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 1,717,876 | 0.28 |
| LKDL INVESTMENTS PTY LTD <KOW AND LAW FAMILY A/C> | 1,256,789 | 0.20 |
| | **498,396,592** | **80.91** |

# Corporate Directory

## Directors

Brett Gallagher
Leigh Mackender
Elizabeth Ward
Martin Monro
Sylvia Wiggins

## Company Secretaries

Chris Chapman
Jamie O'Brien

## Registered Office

Level 4
357 Collins Street
Melbourne Victoria 3000

Tel: +61 3 9677 8888
Fax: +61 3 9677 8877

www.servicestream.com.au

## Bankers

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

## Share Registry

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnson Street
Abbotsford Victoria 3067

Tel: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)
Fax: +61 3 9473 2500

## Auditor

PricewaterhouseCoopers

ServiceStream

ABN: 46 072 369 870
Level 4, 357 Collins Street, Melbourne, Victoria 3000

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