

ASX and NZX Release

25 August 2022

Appendix 4D and Half-Year Financial Report

Enclosed are the following documents relating to Ventia Services Group Limited's results for the half-year ended 30 June 2022:

- Appendix 4D
- Half-Year Report

The following associated documents will be provided separately for lodgement:

- Notification of Dividend (Appendix 3A.1)
- Media Release
- Half-Year Presentation

This announcement was authorised by the Board.

-Ends-

For further information, please contact:

Investors

Chantal Travers
General Manager Investor Relations
chantal.travers@ventia.com
+61 428 822 375

Media

Sarah McCarthy
General Manager Brand, Marketing & Communications
sarah.mccarthy@ventia.com
+61 400 993 542

About Ventia

Ventia is a leading essential infrastructure services provider in Australia and New Zealand, proudly providing the services that keeps infrastructure working for our communities. Ventia has access to a combined workforce of more than 35,000 people, operating in over 400 sites across Australia and New Zealand. With a strategy to redefine service excellence by being client-focused, innovative and sustainable, Ventia operates across a broad range of industry segments, including defence, social infrastructure, water, electricity and gas, resources, telecommunications and transport.



VENTIA SERVICES GROUP LIMITED

ABN 53 603 253 541

Results for Announcement to the Market

APPENDIX 4D - Half-Year Report

	Half-year ended 30 June 2022 \$'m	Half-year ended 30 June 2021 \$'m	Change \$'m	Change Percentage
Total revenue from continuing operations	2,510.0	2,309.5	200.5	8.7%
Profit after income tax from continuing operations attributable to members of the parent entity	105.0	15.3	89.7	586.3%
Profit after tax from discontinued operations	-	24.6	(24.6)	(100.0%)
Profit after tax attributable to members of the parent entity	105.0	39.9	65.1	163.2%

Dividends	Amount per security	Franked amount per security	
Interim dividend - year ending 31 December 2022	7.47 cents	5.98 cents	80%
Final dividend - year ended 31 December 2021	1.47 cents	1.47 cents	100%

Key interim dividend dates	Date
Ex-dividend date	30 August 2022
Record date for determining entitlement to the dividend	31 August 2022
Date for payment of dividend	7 October 2022

	As at 30 June 2022	As at 31 December 2021	As at 30 June 2021
Net tangible liabilities backing per ordinary share	\$ (0.81)	\$ (0.97)	\$ (1.97)

The remainder of the information requiring disclosure to comply with ASX Listing Rule 4.2A is contained in the Half-Year Financial Update and the Condensed Consolidated Financial Statements for the half-year ended 30 June 2022 which are lodged with this Appendix 4D.



**HALF-YEAR
REPORT 2022**



For personal use only



For personal use only

CONTENTS

Half-Year Financial Update	2
1. Pro Forma Group Financial Performance	2
2. Sector Pro Forma Financial Performance	5
3. Statutory Group Financial Performance	6
4. Liquidity and Capital Management	9
5. Sustainability	9
6. Dividends	9
7. Outlook	9
Financial Report for the Half-Year ended 30 June 2022	10
Corporate Directory	37



Acknowledgement of Country

Ventia would like to respectfully acknowledge the Traditional Owners and Custodians of Country throughout Australia and their connection to land, sea and community. We pay our respects to them, their cultures and to their Elders past, present and emerging.



Mihi

He tautoko te ahurea i ngā kawa me ngā tikanga o ngā Iwi whānui o Aotearoa, me ka kawa me ka tikaka o ka Iwi whānui o Te Waipounamu. / We recognise and celebrate the culture of manawhenua in Aotearoa and Te Waipounamu where our teams respect local Iwi and communities across the country.

For personal use only

Ventia. For when it's essential.



HALF-YEAR FINANCIAL UPDATE

Ventia Services Group Limited (Ventia or Company) and its subsidiaries (together referred to as the Group) is a leading essential services provider operating in Australia and New Zealand.

On 30 June 2020, Ventia (through its wholly-owned subsidiary Ventia Holdings I Pty Limited) acquired all of the share capital in Ferrovial Services Australia Pty Limited, subsequently renamed BRS Holdco Pty Limited (Broadspectrum), to form one of the largest infrastructure services providers in Australia and New Zealand. During November 2021, the Company completed its Initial Public Offering (IPO) and related refinancing.

Due to the material nature of the Broadspectrum acquisition, the IPO and related refinancing and their financial impact on Group, the Directors believe that in addition to the statutory analysis of results in Section 3, a pro forma view of the Group and sector results for half-year ended 30 June 2022 (HY22) compared to half-year ended 30 June 2021 (HY21) provides additional information for users of the financial statements to understand the underlying business performance and cash flows of the operations on a more comparable basis. This pro forma view is presented in Sections 1 and 2.

1. PRO FORMA GROUP FINANCIAL PERFORMANCE¹

The pro forma financial information has been derived from the statutory financial information after certain adjustments to amortisation, transaction and integration costs and income tax expense as set out in Section 1.2.

For HY22, the Group reported an increase in total revenue, EBITDA, EBITA and NPATA as compared to HY21. Revenue performance was driven by both contract wins and continued growth with existing customers. Profitability measures benefited from increased services revenue providing leverage over the cost base of the business. Cash performance was strong with operating cash flow conversion of 87.3% for HY22, reflecting an increase of 10.7 percentage points from HY21.

The financial highlights for the Group include:

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Total revenue	2,510.0	2,309.5	200.5	8.7%
Pro forma EBITDA from continuing operations ¹	203.3	188.8	14.5	7.7%
Pro forma EBITA from continuing operations ²	137.3	122.1	15.2	12.4%
Pro forma NPATA ³	85.2	75.0	10.2	13.6%
Pro forma operating cash flow before interest and tax	177.5	144.7	32.8	22.7%
Pro forma operating cash flow conversion %	87.3%	76.6%	n/a	10.7pp
Work in hand	17,291.7	12,529.0	4,762.7	38.0%

1. Pro forma EBITDA refers to earnings before interest, taxation, depreciation and amortisation.

2. Pro forma EBITA refers to earnings before interest, taxation and amortisation of acquired intangible assets.

3. Pro forma NPATA refers to net profit after income tax (NPAT) and before the after-tax amortisation of acquired intangible assets.

1. Pro forma results are non-International Financial Reporting Standards (non-IFRS) measures that are used by management to assess the performance of the business. They have been calculated from the statutory measures by adjusting the results for the financial impact of the Broadspectrum acquisition, the IPO and related refinancing. Refer to Section 1.1 for pro forma Group financial performance and Section 1.2 for statutory NPAT to pro forma NPATA reconciliation.

1.1 Pro forma Group financial performance

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Services revenue	2,508.9	2,309.1	199.8	8.7%
Other income	1.1	0.4	0.7	175.0%
Total revenue	2,510.0	2,309.5	200.5	8.7%
Pro forma EBITDA	203.3	188.8	14.5	7.7%
EBITDA %	8.1%	8.2%	n/a	(0.1pp)
Depreciation	(51.7)	(51.9)	0.2	(0.4%)
Amortisation of software	(14.3)	(14.9)	0.6	(4.0%)
Pro forma EBITA	137.3	122.1	15.2	12.4%
EBITA %	5.5%	5.3%	n/a	0.2pp
Amortisation of acquired intangible assets	(12.0)	(10.8)	(1.2)	11.3%
Pro forma EBIT	125.3	111.3	14.0	12.6%
Net finance costs	(15.5)	(14.9)	(0.6)	4.3%
Pro forma profit before tax	109.8	96.5	13.3	13.7%
Income tax expense	(33.0)	(28.9)	(4.1)	14.2%
Pro forma NPAT	76.8	67.5	9.3	13.7%
Amortisation of acquired intangible assets (after tax)	8.4	7.5	0.9	12.0%
Pro forma NPATA	85.2	75.0	10.2	13.6%

Compared to HY21, total revenue increased by 8.7% to \$2,510.0 million whilst pro forma EBITDA increased by 7.7% to \$203.3 million. This was mainly driven by growth in the Defence and Social Infrastructure and Telecommunications sectors. Section 2 provides further commentary on sector performance.

Net finance costs increased by \$0.6 million, or 4.3%, to \$15.5 million compared to HY21. Pro forma profit before tax was \$109.8 million, \$13.3 million higher than HY21. Income tax expense has been calculated at 30% of pro forma profit before tax, resulting in a pro forma NPAT of \$76.8 million, 13.7% higher than HY21.

HALF-YEAR FINANCIAL UPDATE

1.2 Reconciliation of statutory NPAT to pro forma NPATA

	Note	June 2022 \$'m	June 2021 \$'m
Statutory NPAT		105.0	39.9
Operating expense adjustments (pre-tax)			
Broadspectrum pro forma adjustments	1	–	(24.7)
Broadspectrum transaction and integration costs	2	5.5	28.8
Amortisation	3	5.8	13.2
IPO related costs	4	–	0.8
Listed public company costs	5	–	(4.4)
Ventia shareholder fee	6	–	1.5
Remuneration changes	7	–	(1.5)
Total operating expense adjustments (pre-tax)		11.3	13.8
Interest expense adjustments	8	–	37.0
Income tax adjustments	9	(39.5)	(23.2)
Total adjustments		(28.2)	27.7
Pro forma NPAT		76.8	67.5
Amortisation of acquired intangible assets (after tax)		8.4	7.5
Pro forma NPATA		85.2	75.0

1. HY21 excludes the gain on sale of APP Corporation Pty Limited (APP).
2. HY22 excludes integration costs relating to Broadspectrum. HY21 excludes transaction and integration costs relating to the acquisition of Broadspectrum and the sale of APP.
3. HY21 and HY22 exclude Ventia accelerated amortisation of brands and software retired post integration of Broadspectrum.
4. HY21 excludes IPO related costs which are expensed.
5. HY21 includes incremental costs that would have been incurred as a listed company.
6. HY21 excludes Ventia's previous shareholder fee structure which is no longer in place following the IPO.
7. HY21 excludes the previous Executive Incentive Plan and includes the new share-based payment plan.
8. HY21 includes interest expense on the new banking facilities as though they had been in place from 1 January 2021 and excludes the repayment of the previous debt facilities (and close out of associated hedges), including the removal of the amortisation and write-off of borrowing costs associated with the previous debt facilities.
9. HY21 and HY22 reflect the application of a pro forma tax rate of 30%, which is the Australian corporate tax rate.

2. SECTOR PRO FORMA FINANCIAL PERFORMANCE

2.1 Defence and Social Infrastructure

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Sector revenue	1,118.0	951.9	166.1	17.4%
Sector EBITDA	75.1	62.9	12.2	19.4%
Sector EBITA	66.4	54.1	12.3	22.7%

Defence and Social Infrastructure reported revenue of \$1,118.0 million. This represents an increase of \$166.1 million or 17.4% on HY21. This growth was primarily driven by increased volumes from existing contracts, particularly minor capital works in Defence. This was in addition to the contribution of the new or expanded contracts in Critical Infrastructure, Social Infrastructure and Local Government, particularly the Across Government Facilities Management Agreement (AGFMA) in South Australia.

EBITDA was \$75.1 million, an increase of \$12.2 million or 19.4% on HY21. This was primarily driven by increased revenue.

2.2 Infrastructure Services

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Sector revenue	558.5	589.0	(30.5)	(5.2%)
Sector EBITDA	53.7	59.5	(5.8)	(9.7%)
Sector EBITA	33.9	36.5	(2.6)	(7.1%)

Infrastructure Services reported revenue of \$558.5 million. This represents a decrease of \$30.5 million or 5.2% on HY21. This was primarily due to lower volumes from clients operating across Industrial Services, Water and Environmental Services. This was partially offset by stronger revenue across Rig and Well Services and Electricity and Gas.

EBITDA was \$53.7 million, a decrease of \$5.8 million or 9.7% on HY21. This was primarily due to the decrease in revenue and a change in the mix of work performed.

2.3 Telecommunications

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Sector revenue	580.7	490.6	90.1	18.4%
Sector EBITDA	74.4	70.2	4.2	6.0%
Sector EBITA	68.1	62.1	6.0	9.7%

Telecommunications reported revenue of \$580.7 million. This represents an increase of \$90.1 million or 18.4% on HY21. This increase was primarily due to new contracts including N2P Evolution and Fixed Wireless Services contracts with NBN Co. The acquisition of Kordia Solutions Pty Ltd in October 2021 also contributed to an increase in revenue for HY22.

EBITDA was \$74.4 million, an increase of \$4.2 million or 6.0% on HY21. This was primarily due to the increase in revenue and a change in the mix of work performed.

HALF-YEAR FINANCIAL UPDATE

2.4 Transport

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Sector revenue	251.7	277.6	(25.9)	(9.3%)
Sector EBITDA	19.0	18.6	0.4	2.2%
Sector EBITA	14.4	14.7	(0.3)	(2.0%)

Transport reported revenue of \$251.7 million. This represents a decrease of \$25.9 million or 9.3% on HY21. This decrease was due to the timing of commencement of new projects and weather conditions pushing out the timing of works beyond 30 June 2022. This was partially offset by Sydney Road Asset Performance Contract (SRAPC), which mobilised in July 2021.

EBITDA was \$19.0 million, an increase of \$0.4 million or 2.2% on HY21.

3. STATUTORY GROUP FINANCIAL PERFORMANCE

3.1 Statutory Group financial performance

	June 2022 \$'m	June 2021 \$'m	Change \$'m	Change %
Continuing operations:				
Services revenue	2,508.9	2,309.1	199.8	8.7%
Other income	1.1	0.4	0.7	175.0%
Total revenue	2,510.0	2,309.5	200.5	8.7%
Expenses	(2,313.7)	(2,149.3)	(164.4)	7.6%
Share of profits of joint ventures	1.5	3.4	(1.9)	(55.9%)
Earnings before interest, income tax, depreciation and amortisation	197.8	163.7	34.1	20.8%
Depreciation expense	(51.7)	(51.9)	0.2	(0.4%)
Amortisation expense	(32.1)	(38.9)	6.8	(17.5%)
Earnings before interest and income tax	114.0	72.9	41.1	56.4%
Net finance costs	(15.5)	(51.9)	36.4	(70.1%)
Profit before income tax benefit/(expense)	98.5	21.0	77.5	369.0%
Income tax benefit/(expense)	6.5	(5.8)	12.3	(212.1%)
Profit after income tax from continuing operations	105.0	15.3	89.7	586.3%
Discontinued operations:				
Profit after income tax from discontinued operations	–	24.6	24.6	(100.0%)
Profit after income tax	105.0	39.9	65.1	163.2%

Revenue

Ventia reported an increase in total revenue of \$200.5 million to \$2,510.0 million for HY22. This was mainly driven by growth in the Defence and Social Infrastructure and Telecommunications sectors. Section 2 provides further commentary on sector performance.

Expenses

Expenses increased by 7.6% as compared to an increase in revenue of 8.7% for HY22. This is due to appropriate management of costs and the benefit of increased services revenue providing leverage over the cost base of the business.

As a percentage of revenue, expenses decreased from 93.1% of revenue to 92.2%, a reduction of 0.9 percentage points.

Depreciation expense

There was no significant change in depreciation expense compared to HY21.

Amortisation expense

Amortisation expense has decreased by \$6.8 million, or 17.5%, primarily as a result of brand amortisation expense for Visionstream and Easternwell in 2021. As these brands were fully written off by 31 December 2021, there was no corresponding amortisation expense in HY22.

Net finance costs

Net finance costs reduced by \$36.4 million, or 70.1%, as a result of a change in the funding arrangements from Term Loan B facilities to the syndicated banking facilities. There was also a reduction in the loan principal outstanding in 2022 as compared to 2021, due to the repayment of borrowings of \$584.6 million in November 2021.

Income tax benefit

Income tax benefit was \$6.5 million for HY22. The income tax benefit is primarily due to the recognition of \$35.2 million of previously unrecognised tax losses (see note 3.6 to the Condensed Consolidated Financial Statements for further details). Excluding the recognition of these losses, the effective tax rate is 29.1% which is slightly lower than the statutory corporate rate of 30%, mainly due to the impact of the lower tax rate in overseas jurisdictions, principally New Zealand.

3.2 Statutory Group financial position

Trade and other receivables

Total trade and other receivables increased by 20.3%, or \$141.8 million, to \$841.9 million, mainly driven by a \$107.4 million increase in net trade receivables. This was due to an increase in work volume together with close out of project work as at the end of HY22.

Deferred tax assets

Net deferred tax assets increased from \$220.1 million to \$266.1 million, mainly due to the recognition of tax losses during the period amounting to \$35.2 million (see note 3.6 to the Condensed Consolidated Financial Statements for further details).

Intangible assets

Intangible assets decreased by \$30.2 million, to \$97.4 million. The decrease includes \$32.1 million of amortisation charges partially offset by \$2.2 million of additions during HY22. Software and system development assets were amortised by \$20.1 million during HY22 including \$5.8 million of accelerated amortisation relating to software that will not be used by the Group post-integration of Broadpectrum.

Trade and other payables

Total trade and other payables increased by 17.1%, or \$148.9 million, to \$1,020.4 million mainly driven by a \$37.9 million increase in trade payables, a \$43.8 million increase in accruals and a \$56.4 million increase in contract liabilities. The increase in trade payables and accruals was due to increase in work volume together with close out of project work as at the end of HY22. The increase in contract liabilities was due to the timing of cash received in advance of work being performed.

HALF-YEAR FINANCIAL UPDATE

Employee benefit liabilities

Total employee benefit liabilities decreased by 14.3%, or \$38.7 million, to \$231.1 million mainly driven by a \$10.9 million decrease in workers' compensation and a \$24.8 million decrease in other employee benefits.

Provisions

Total provisions decreased by 7.0%, or \$17.5 million to \$233.6 million. The decrease is mainly driven by a reduction in the unfavourable contracts provision and onerous contracts provision, partially offset by an increase in warranties and contract claims. Unfavourable contracts provision reduced by \$11.2 million, representing provisions utilised during HY22. Onerous contracts provision decreased by \$12.2 million, representing provisions utilised during HY22.

Net debt

Net debt is calculated as borrowings (excluding lease liabilities) less cash and cash equivalents.

Net debt has decreased by \$53.1 million to \$509.9 million, mainly due to the increase in cash held at the end of HY22 of \$54.0 million. The increase in cash held at the period end reflects the strong operating cash flows of the Group.

Total equity

The total equity of the Group has increased by \$104.7 million, mainly driven by \$105.0 million of profit after income tax. The other key movements for equity were payment of dividends of \$12.6 million and an increase in cash flow hedge reserve of \$8.3 million.

3.3 Statutory Group cash flow

Operating cash flow

Net cash generated from operating activities for HY22 was \$119.9 million, an increase of \$65.3 million from HY21. The improvement in cash was mainly due to an increase in EBITDA with a \$46.4 million increase in operating cash flow before interest and tax.

Operating cash flow also improved due to a \$27.7 million reduction in interest and other costs of finance paid.

Investing cash flow

Total cash outflow from investing activities of \$18.4 million was \$102.1 million lower than the cash inflow of \$83.7 million in HY21. This was mainly due to HY21 including \$89.2 million of proceeds from the sale of APP. In addition, capital expenditure of \$15.8 million was \$10.1 million higher than HY21 due to an increase in expenditure to support new contract wins.

Financing cash flow

Total financing cash outflow of \$46.9 million reduced by \$76.2 million compared to HY21. This was mainly due to a reduction in dividends paid of \$25.9 million, together with a reduction in repayment of borrowings of \$50.0 million.

4. LIQUIDITY AND CAPITAL MANAGEMENT

As at 30 June 2022, the Group had liquidity of \$634.2 million, comprising cash balances of \$234.2 million and undrawn committed debt facilities of \$400.0 million.

Syndicated loan facilities

Ventia has in place a \$750.0 million syndicated loan facilities and a \$400.0 million syndicated revolving cash facility. The syndicated bank loan facilities are unsecured, and committed and comprise Australian dollar tranches with maturities in 2024, 2025 and 2026.

Covenants on financing facilities

The Group's financing facilities contain undertakings to comply with financial covenants and ensure that Group guarantors of these facilities collectively meet certain minimum threshold amounts of Group EBITDA and Group total tangible assets. The Group was in compliance with all its financial covenants as at 30 June 2022.

Bank guarantees and insurance bonds

The Group has \$765.0 million of bank guarantee and insurance bond facilities on a committed and uncommitted basis to support its contracting activities. As at 30 June 2022, \$424.1 million of these facilities were utilised and \$340.9 million were unutilised.

Credit ratings

The Group has Investment Grade credit ratings of Baa3 (Outlook Stable) from Moody's and BBB- (Outlook Stable) from S&P.

5. SUSTAINABILITY

During March 2022, Ventia published its first Sustainability Report. The Ventia Sustainability Strategy has three focus areas:

- Environment – creating a healthier planet;
- Social – people and community; and
- Governance – being ethical and accountable in everything we do.

Our commitments and targets are set out in our 2021 Sustainability Report which is accessible from the Ventia website (www.ventia.com).

6. DIVIDENDS

The Directors intend to pay out between 60% and 80% of the Group's pro forma NPATA (refer to Section 1) as a dividend. NPATA provides a proxy for Ventia's cash flows available to pay dividends before the after-tax amortisation of acquired intangible assets. It is a key measure of Ventia's financial performance.

On 25 August 2022, the Ventia Board resolved to pay an interim dividend of 7.47 cents per share, representing a payout ratio of 75%. The dividend will be partially franked at 80%. The dividend is not fully franked due to the availability of tax losses from the acquisition of Broadspectrum business and the profit generated from New Zealand operations, which is not subject to Australian tax.

7. OUTLOOK

The outlook for the Group is positive. The Group is a resilient and diversified business with recent results evidencing increasing momentum. The Group has secured a number of new contract wins recently, work in hand is growing and there is a strong pipeline of additional opportunities. The Group is also well positioned to navigate the inflationary environment with the majority of revenues linked to inflation and a large proportion of future labour costs can be measured and therefore are known.

FINANCIAL REPORT

for the Half-Year ended 30 June 2022

For personal use only



CONTENTS

Directors' Report	12
Auditor's Independence Declaration	14
Condensed Consolidated Financial Statements	15
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Statement of Cash Flows	18
Notes to the Condensed Consolidated Financial Statements	19
Directors' Declaration	34
Independent Auditor's Review Report	35

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation	19	4. Capital structure, financing and risk management	26
1.1 Basis of preparation	19	4.1 Earnings per share	26
1.2 Significant accounting policies	19	4.2 Dividends	26
1.3 Key estimates and judgements	20	4.3 Share capital	27
2. Group performance	20	4.4 Reserves	27
2.1 Services revenue and other income from continuing operations	20	4.5 Borrowings	28
2.2 Expenses	20	4.6 Fair value measurement of financial instruments	29
2.3 Segment disclosures from continuing operations	20	4.7 Commitments for capital expenditure	30
3. Assets and liabilities	23	4.8 Receivable finance arrangements	30
3.1 Trade and other receivables	23	5. Group structure	30
3.2 Goodwill	23	5.1 Discontinued operations	30
3.3 Trade and other payables	24	5.2 Related parties	31
3.4 Employee benefit liabilities	24	5.3 Equity accounted investments	31
3.5 Provisions	25	5.4 Joint operations	32
3.6 Income tax	25	6. Other	33
		6.1 Contingent liabilities	33
		6.2 Events after the reporting period	33

DIRECTORS' REPORT

This is the report of the Directors of Ventia Services Group Limited (Ventia or Company) in respect of the Company and the entities it controlled at the end of, or during, the half-year ended 30 June 2022 (together referred to as the Group).

DIRECTORS

The following persons held office as Directors of Ventia during the half-year ended 30 June 2022 and up to the date of this report, unless otherwise stated:

- Mr David Moffatt (Chairman)
- Mr Dean Banks (Managing Director) (appointed on 14 June 2022)
- Mr Michael Cooper (Alternate Director) (resigned on 31 March 2022)
- Mr Robert Cotterill (resigned on 31 March 2022)
- Mr Kevin Crowe
- Mr Jeffrey Forbes
- Ms Sibylle Krieger
- Mr Steve Martinez (Alternate Director)
- Ms Lynne Saint
- Mr Ignacio Segura (resigned on 31 March 2022)
- Ms Anne Urlwin.

All of the current Directors are non-executive directors, except for Mr Dean Banks who is the Managing Director and Group Chief Executive Officer.

PRINCIPAL ACTIVITIES

The Group is one of the largest essential services providers in Australia and New Zealand. The Group organises its operations into four sectors as follows:

- Defence and Social Infrastructure provides maintenance and support services to customers operating across Defence, Social Infrastructure (Education, Social Housing, Justice and Health), Local Government and Critical Infrastructure. The Group also provides property and consulting services to public and private customers;
- Infrastructure Services supports the ongoing maintenance of infrastructure including utility infrastructure (including Water and Electricity and Gas) and Resources and Industrial assets (including mine operation facilities, oil and gas processing facilities, gas wells and industrial facilities). The Group also provides complex and large-scale environmental remediation services, and leverages technologies aimed at enhancing customer productivity;
- Telecommunications provides end-to-end service capabilities that span design, supply, minor construction, installation, commissioning and maintenance of telecommunications networks and infrastructure; and
- Transport provides maintenance, project delivery and technology solutions to owners and operators of road, motorway, tunnel and rail networks.

Further details of the results of operations and likely developments are set out in the Half-Year Financial Update on pages 2 to 9.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of activities of the Group during the half-year.

COMPANY SECRETARIES

- Mr. Jonathan Dockney
- Mr. Zoheb Razvi
- Ms. Debbie Schroeder (appointed on 8 April 2022)

DIVIDENDS

Details of dividends for the current and previous financial years are as follows:

	2022 \$'m	2021 \$'m
Interim dividend for 2022 of 7.47 cents per share to be paid on 7 October 2022 (80% franked)	63.9	–
Final dividend for 2021 of 1.47 cents per share paid on 6 April 2022 (fully franked)	–	12.6
Interim dividend for 2021 of 6.25 cents per share paid on 31 March 2021 (fully franked)	–	38.5

Since the end of the half-year, the Directors have resolved to pay an interim dividend of 7.47 cents per share, 80% franked. The aggregate amount of the proposed interim dividend of \$63.9 million is not recognised as a liability at 30 June 2022.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

PROCEEDINGS ON BEHALF OF THE COMPANY

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.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Instrument amounts in the Directors' Report and the Condensed Consolidated Financial Statements are rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with that Instrument, unless otherwise indicated.

MATTERS SUBSEQUENT TO BALANCE DATE

Since the end of the half-year, the Directors have resolved to pay an interim dividend of 7.47 cents per share, 80% franked.

The aggregate amount of the proposed interim dividend of \$63.9 million is not recognised as a liability as at 30 June 2022.

Unless disclosed elsewhere in the Condensed Consolidated Financial Statements, no other material matter or circumstance has arisen since 30 June 2022 that has significantly affected or may significantly affect:

- the Group's operations in future financial periods;
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

OTHER INFORMATION

The following information, contained in other sections of this Half-Year Report 22, forms part of this Directors' Report:

- Half-Year Financial Update on pages 2 to 9; and
- Auditor's Independence Declaration on page 14.

This report is made in accordance with a resolution of the Directors of the Company and is dated 25 August 2022.



David Moffatt
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Tel: +61 2 9322 7000
www.deloitte.com.au

25 August 2022

The Board of Directors
Ventia Services Group Limited
Level 8, 80 Pacific Highway
North Sydney, NSW 2060

Dear Board Members

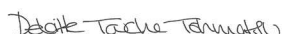
Auditor's Independence Declaration to Ventia Services Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Ventia Services Group Limited.

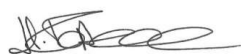
As lead audit partner for the review of the half year financial report of Ventia Services Group Limited for the half year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



H Fortescue
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 30 June 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 30 June 2022

	Note	June 2022 \$'m	June 2021 \$'m
Continuing operations:			
Services revenue	2.1	2,508.9	2,309.1
Other income	2.1	1.1	0.4
Total revenue		2,510.0	2,309.5
Expenses	2.2	(2,313.7)	(2,149.3)
Share of profits of joint ventures		1.5	3.4
Earnings before interest, income tax, depreciation and amortisation		197.8	163.7
Depreciation expense		(51.7)	(51.9)
Amortisation expense		(32.1)	(38.9)
Earnings before interest and income tax		114.0	72.9
Net finance costs		(15.5)	(51.9)
Profit before income tax benefit/(expense)		98.5	21.0
Income tax benefit/(expense)	3.6	6.5	(5.8)
Profit after income tax from continuing operations		105.0	15.3
Discontinued operations:			
Profit after income tax from discontinued operations	5.1	-	24.6
Profit after income tax		105.0	39.9
Earnings per share (cents)			
Basic earnings per share	4.1	12.29	6.66
Diluted earnings per share	4.1	12.29	6.26
Earnings per share from continuing operations (cents)			
Basic earnings per share	4.1	12.29	2.55
Diluted earnings per share	4.1	12.29	2.40
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign exchange translation differences	4.4	(2.2)	1.2
Cash flow hedges:			
- Fair value gains	4.4	11.4	9.5
- Reclassification adjustments for amounts recognised in profit or loss	4.4	0.5	(2.8)
- Income tax effect of items above	4.4	(3.6)	(2.0)
Total cash flow hedges		8.3	4.7
Other comprehensive income		6.1	5.9
Total comprehensive income		111.1	45.8

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

as at 30 June 2022

	Note	30 June 2022 \$'m	31 December 2021 \$'m
Current assets			
Cash and cash equivalents		234.2	180.2
Trade and other receivables	3.1	833.4	691.5
Current tax asset		–	20.0
Inventories		34.2	32.0
Derivative assets		5.9	–
Total current assets		1,107.7	923.7
Non-current assets			
Trade and other receivables	3.1	8.5	8.6
Equity accounted investments		5.5	4.9
Derivative assets		6.1	–
Deferred tax assets		266.1	220.1
Right-of-use assets		128.1	136.7
Property, plant and equipment		161.1	166.6
Intangible assets		97.4	127.6
Goodwill	3.2	1,092.1	1,093.2
Total non-current assets		1,764.9	1,757.7
Total assets		2,872.6	2,681.4
Current liabilities			
Trade and other payables	3.3	999.1	848.0
Derivative liabilities		0.1	0.2
Employee benefit liabilities	3.4	149.6	181.4
Provisions	3.5	57.8	53.4
Lease liabilities		54.1	64.2
Current tax liability		17.4	12.5
Total current liabilities		1,278.1	1,159.7
Non-current liabilities			
Trade and other payables	3.3	21.3	23.5
Employee benefit liabilities	3.4	81.5	88.4
Provisions	3.5	175.8	197.7
Derivative liabilities		0.3	0.2
Lease liabilities		76.3	78.2
Borrowings	4.5	744.1	743.2
Total non-current liabilities		1,099.3	1,131.2
Total liabilities		2,377.4	2,290.9
Net assets		495.2	390.5
Equity			
Share capital	4.3	374.5	374.5
Reserves	4.4	(37.4)	(48.1)
Retained earnings		158.1	64.1
Total equity		495.2	390.5

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 30 June 2022

2022	Note	Share capital \$'m	Reserves \$'m	Retained earnings \$'m	Total \$'m
Balance at 1 January 2022		374.5	(48.1)	64.1	390.5
Total comprehensive income					
Profit after income tax		–	–	105.0	105.0
Other comprehensive income		–	6.1	–	6.1
Total comprehensive income		–	6.1	105.0	111.1
Transactions with owners					
Dividends paid	4.2	–	–	(12.6)	(12.6)
Share-based payments expense	4.4	–	0.6	–	0.6
Shares issued to employees	4.4	–	4.0	1.6	5.6
Total transactions with owners		–	4.6	(11.0)	(6.4)
Balance at 30 June 2022		374.5	(37.4)	158.1	495.2

2021	Note	Share capital \$'m	Reserves \$'m	Retained earnings \$'m	Total \$'m
Balance at 1 January 2021		2.6	(11.7)	42.8	33.7
Total comprehensive income					
Profit after income tax		–	–	39.9	39.9
Other comprehensive income		–	5.9	–	5.9
Total comprehensive income		–	5.9	39.9	45.8
Transactions with owners					
Dividends paid	4.2	–	–	(38.5)	(38.5)
Share-based payments expense	4.4	–	1.5	–	1.5
Net transfer from reserves to share capital	4.4	0.1	(0.1)	–	–
Total transactions with owners		0.1	1.4	(38.5)	(37.0)
Balance at 30 June 2021		2.7	(4.4)	44.2	42.5

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

for the half-year ended 30 June 2022

	Note	June 2022 \$'m	June 2021 \$'m
Cash flows from operating activities			
Receipts from customers		2,701.9	2,355.7
Payments to suppliers and employees		(2,549.5)	(2,249.7)
Operating cash flow before interest and tax		152.4	106.0
Interest received		0.2	0.4
Payments for the interest component of lease liabilities		(3.5)	(3.8)
Interest and other costs of finance paid		(11.4)	(39.1)
Dividends received from joint ventures		0.9	7.8
Income tax paid		(18.7)	(16.7)
Net cash generated from operating activities		119.9	54.6
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		0.7	0.2
Payment for acquisition of subsidiary, net of cash acquired		(3.3)	-
Proceeds from sale of subsidiary		-	89.2
Payment for acquisition of intangible assets		(2.2)	(0.5)
Payment for acquisition of property, plant and equipment		(13.6)	(5.2)
Net cash (used in)/generated from investing activities		(18.4)	83.7
Cash flows from financing activities			
Repayments of principal portion of lease liabilities		(34.3)	(34.6)
Repayments of borrowings		-	(50.0)
Dividends paid	4.2	(12.6)	(38.5)
Net cash used in financing activities		(46.9)	(123.1)
Net increase in cash and cash equivalents		54.6	15.2
Cash and cash equivalents at start of period		180.2	444.3
Effect of movements in exchange rates on cash and cash equivalents		(0.6)	(0.3)
Cash and cash equivalents at end of period		234.2	459.2

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Basis of preparation

Ventia Services Group Limited (Company) is a for-profit company limited by shares, incorporated and domiciled in Australia.

The address of the Company's registered office and principal place of business is Level 8, 80 Pacific Highway, North Sydney NSW 2060, Australia.

The Condensed Consolidated Financial Statements comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities).

The Condensed Consolidated Financial Statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and AASB 134 Interim Financial Reporting (AASB 134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The Condensed Consolidated Financial Statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 31 December 2021.

The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors on 25 August 2022.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Instrument amounts in the Directors' Report and the Condensed Consolidated Financial Statements are rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with that Instrument, unless otherwise indicated.

The Condensed Consolidated Financial Statements have been prepared on the going concern basis. The Group generated positive net cash from operating activities of \$119.9 million (2021: \$54.6 million) for the half-year ended 30 June 2022 and has net assets of \$495.2 million (31 December 2021: \$390.5 million) as at 30 June 2022. The Group is in a net current liability position of \$170.4 million (31 December 2021: \$236.0 million). The Group has current assets of \$1,107.7 million (31 December 2021: \$923.7 million) which include cash at bank and on hand of \$234.2 million (31 December 2021: \$180.2 million). Further supporting this position is a positive forecast operating net cash flow in 2023 and \$400.0 million of undrawn borrowing facilities currently available to the Group.

The Condensed Consolidated Financial Statements have been prepared on the historical cost basis except for derivative assets and liabilities which are measured at fair value.

The Condensed Consolidated Financial Statements are presented in Australian dollars which is the Company's functional currency. Certain companies within the Group have different functional currencies.

The accounting policies and methods of computation adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with those adopted and disclosed in the annual financial report for the year ended 31 December 2021.

1.2 Significant accounting policies

New and amended standards adopted by the Group

The Group has applied the required amendments to standards and interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing 1 January 2022, including:

- AASB 2021-3 COVID-19-Related Rent Concession beyond 30 June 2021.

These new and amended standards have not had any material impact on the disclosures or on the amounts recognised in the Condensed Consolidated Financial Statements.

Issued standards and interpretations not early adopted

Below is a list of the standards and amendments to standards on issue but not yet effective that are available for early adoption and are applicable to the Group.

- AASB 2020-1 and 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates; and
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

These new or amended standards are not expected to have a significant impact on the Condensed Consolidated Financial Statements when the standards are adopted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.3 Key estimates and judgements

Significant estimates and judgements made in the application of the Company's accounting policies are consistent with those described in the annual financial report for the year ended 31 December 2021.

2. GROUP PERFORMANCE

2.1 Services revenue and other income from continuing operations

	June 2022 \$'m	June 2021 \$'m
Services revenue	2,508.9	2,309.1
Other income	1.1	0.4
Total revenue	2,510.0	2,309.5

2.2 Expenses

	June 2022 \$'m	June 2021 \$'m
Labour	921.1	874.1
Subcontractors	1,132.4	997.1
Materials	166.6	181.4
Other	93.6	96.7
Total expenses excluding interest, tax, depreciation and amortisation	2,313.7	2,149.3

2.3 Segment disclosures from continuing operations

Operating segment reporting from continuing operations

Operating segments have been identified based on separate financial information that is regularly reviewed by the Group Chief Executive Officer, who is also the chief operating decision maker (CODM). The identification of operating segments is based on the nature of services provided. The Group operates in the following operating segments which are equivalent to its reportable segments under AASB 8 Segment Reporting:

Operating segments	Segment description
Defence and Social Infrastructure	Provides maintenance and support services to customers operating across Defence, Social Infrastructure (Education, Social Housing, Justice and Health), Local Government and Critical Infrastructure. The segment also provides property and consulting services to public and private customers.
Infrastructure Services	Supports the ongoing maintenance of infrastructure including utility infrastructure (including Water and Electricity and Gas) and Resources and Industrial assets (including mine operation facilities, oil and gas processing facilities, gas wells and industrial facilities). The segment also provides complex and large-scale environmental remediation services, and leverages technologies aimed at enhancing customer productivity.
Telecommunications	Provides end-to-end service capabilities that span design, supply, minor construction, installation, commissioning and maintenance of telecommunications networks and infrastructure.
Transport	Provides maintenance, project delivery and technology solutions to owners and operators of road, motorway, tunnel and rail networks.

The performance of each segment forms the primary basis of all management reporting to the CODM. Segment revenue includes the Group's share of revenue of joint ventures. Performance is measured on the segment result which is EBITA (earnings before interest, income tax and amortisation of acquired intangible assets and before acquisition, integration and other restructuring costs).

June 2022	Defence and Social Infrastructure \$'m	Infrastructure Services \$'m	Tele-communications \$'m	Transport \$'m	Consolidated continuing operations \$'m
Segment revenue	1,118.0	559.6	580.7	264.1	2,522.4
Segment result	66.4	33.9	68.1	14.4	182.8

June 2021	Defence and Social Infrastructure \$'m	Infrastructure Services \$'m	Tele-communications \$'m	Transport \$'m	Consolidated continuing operations \$'m
Segment revenue	951.9	590.6	490.6	290.9	2,324.0
Segment result	54.1	36.6	62.4	14.7	167.8

	June 2022 \$'m	June 2021 \$'m
Segment revenue	2,522.4	2,324.0
Other income	1.1	0.4
Share of revenue of joint ventures	(13.5)	(14.9)
Total revenue	2,510.0	2,309.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of segment result to profit after income tax

	June 2022 \$'m	June 2021 \$'m
Segment result	182.8	167.8
Corporate costs including amortisation of intangible assets	(48.0)	(41.7)
Acquisition and integration costs ⁽ⁱ⁾	(8.8)	(36.8)
Offer related costs ⁽ⁱⁱ⁾	–	(5.6)
EBIT before amortisation of acquired intangible assets	126.0	83.7
Amortisation of acquired intangible assets ⁽ⁱⁱⁱ⁾	(12.0)	(10.8)
Earnings before interest and income tax from continuing operations	114.0	72.9
Net finance costs	(15.5)	(51.9)
Profit before income tax	98.5	21.0
Income tax benefit/(expense)	6.5	(5.8)
Profit after income tax from continuing operations	105.0	15.3
Profit after income tax from discontinued operations	–	24.6
Profit after income tax	105.0	39.9

(i) Acquisition and integration costs relating to the acquisition and integration of BRS Holdco Pty Ltd (Broadspectrum) and the acquisition of Kordia Solutions Pty Ltd (Kordia). The details of the acquisitions are set out in the annual financial report for the year ended 31 December 2021.

(ii) Offer related costs associated with the Initial Public Offering (IPO) of Ventia Services Group Limited.

(iii) Amortisation of acquired intangible assets relating to customer contracts and relationships acquired as part of the acquisition of Broadspectrum and Kordia.

Other segment information

30 June 2022	Defence and Social Infrastructure \$'m	Infrastructure Services \$'m	Tele- communications \$'m	Transport \$'m	Corporate \$'m	Total \$'m
Segment assets	543.9	784.7	735.1	180.4	628.5	2,872.6
Segment liabilities	441.2	284.1	457.8	266.3	928.0	2,377.4

31 December 2021	Defence and Social Infrastructure \$'m	Infrastructure Services \$'m	Tele- communications \$'m	Transport \$'m	Corporate \$'m	Total \$'m
Segment assets	571.3	795.6	758.9	137.6	418.0	2,681.4
Segment liabilities	322.4	253.2	426.0	253.2	1,036.1	2,290.9

3. ASSETS AND LIABILITIES

3.1 Trade and other receivables

	30 June 2022 \$'m	31 December 2021 \$'m
Current		
Trade receivables	348.6	241.4
Impairment allowance	(4.6)	(4.8)
Trade receivables, net of impairment allowance	344.0	236.6
Contract assets	441.8	422.8
Prepayments and other receivables	38.0	23.4
Amounts receivable from related parties	9.6	8.7
Total current trade and other receivables	833.4	691.5
Non-current		
Amounts receivable from related parties	8.5	8.6
Total non-current trade and other receivables	8.5	8.6
Total trade and other receivables	841.9	700.1

The ageing of the Group's gross trade receivables at the reporting date was:

	30 June 2022 \$'m	31 December 2021 \$'m
Gross aged receivables 0-90 days	342.0	239.1
Gross aged receivables more than 90 days	6.6	2.3
Total	348.6	241.4

3.2 Goodwill

Goodwill has been allocated to groups of cash-generating units (CGUs) represented by the Group's operating segments for the purpose of impairment testing.

	30 June 2022 \$'m	31 December 2021 \$'m
Defence and Social Infrastructure	251.2	251.4
Infrastructure Services	360.3	360.7
Telecommunications	426.1	426.5
Transport	54.5	54.6
Total goodwill	1,092.1	1,093.2

The recoverable amounts of all CGUs are based on value in use (VIU) calculations. In assessing VIU, the estimated future cash flows are discounted to their present value using discount rates which use current assessment of the time value of money and the risks specific to the CGU.

No impairment indicators have been identified for any of the CGUs as at 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.3 Trade and other payables

	30 June 2022 \$'m	31 December 2021 \$'m
Current		
Trade payables	272.7	234.8
Accruals	388.5	344.7
Contract liabilities	254.2	195.6
Other payables	79.9	69.1
Amounts payable to related parties	3.8	3.8
Total current trade and other payables	999.1	848.0
Non-current		
Contract liabilities	21.3	23.5
Total non-current trade and other payables	21.3	23.5
Total trade and other payables	1,020.4	871.5

3.4 Employee benefit liabilities

	30 June 2022 \$'m	31 December 2021 \$'m
Current		
Annual leave	93.4	96.4
Long service leave	23.9	26.2
Workers' compensation	14.7	25.6
Other employee benefits	17.6	33.2
Total current employee benefit liabilities	149.6	181.4
Non-current		
Long service leave	53.4	51.1
Workers' compensation	19.4	19.4
Other employee benefits	8.7	17.9
Total non-current employee benefit liabilities	81.5	88.4
Total employee benefit liabilities	231.1	269.8

3.5 Provisions

	30 June 2022 \$'m	31 December 2021 \$'m
Current		
Unfavourable contracts	14.6	16.7
Onerous contracts	13.5	17.9
Warranties and contract claims	23.1	11.6
Other provisions	6.6	7.2
Total current provisions	57.8	53.4
Non-current		
Unfavourable contracts	58.0	67.1
Onerous contracts	16.4	24.2
Warranties and contract claims	86.9	88.8
Other provisions	14.5	17.6
Total non-current provisions	175.8	197.7
Total provisions	233.6	251.1

3.6 Income tax

Reconciliation between profit before income tax and income tax (benefit)/expense from continuing operations

	June 2022 \$'m	June 2021 \$'m
Profit before income tax	98.5	21.0
Income tax expense using the Australian corporate tax rate of 30%	29.6	6.3
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Share of profits of joint ventures	(0.5)	(1.0)
Recognition of tax losses ⁽ⁱ⁾	(35.2)	-
Effect of different tax rates on overseas income	(0.4)	-
Other	-	0.5
Income tax (benefit)/expense	(6.5)	5.8

- (i) As disclosed in the Annual Report for the year ended 31 December 2021, the Australian Taxation Office (ATO) was conducting an audit of the tax affairs of Broadspectrum Pty Limited (BRS), now part of the Group following the acquisition of the Broadspectrum group of companies, for the income years from 1 July 2012 to 31 December 2017. The ATO was reviewing the way in which BRS allocated profits associated with historical Regional Processing Centre (RPC) contracts between Australia and the RPC jurisdictions (Nauru and Manus Island) for tax purposes. At 31 December 2021, the ATO was evaluating whether to cancel carry forward losses with a tax effected value of up to \$101 million and, in addition, whether to assess for up to \$107 million of cash tax payable. During the half-year ended 30 June 2022, the ATO has completed its audit. The ATO has accepted the position taken by BRS and concluded that no changes should be made to the BRS income tax assessments for the years subject to audit. Accordingly, no incremental cash tax is payable for the audit years. At 30 June 2022, the Group had unused tax losses for which no deferred tax had been recognised of \$27.8 million (31 December 2021: \$339.0 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

4.1 Earnings per share

Basic earnings per share is calculated as profit after income tax attributable to shareholders, divided by the weighted average number of ordinary shares issued.

Diluted earnings per share is calculated as profit after income tax attributable to shareholders adjusted for any profit recognised in the period in relation to potential dilutive shares, divided by the weighted average number of shares and dilutive shares.

	June 2022	June 2021
Profit after income tax attributable to equity holders of the parent entity used in earnings per share (\$'m)		
Continuing operations	105.0	15.3
Discontinued operations	–	24.6
	105.0	39.9
Weighted average number of ordinary shares used in earnings per share (millions of shares)		
Basic earnings per share	854.2	598.4
Diluted earnings per share		
Weighted average number of ordinary shares on issue	854.2	598.4
Adjustment to reflect potential dilution for Legacy Ventia Executive Incentive Plan	–	38.4
	854.2	636.7
Basic earnings per share (cents)		
Continuing operations	12.29	2.55
Discontinued operations	–	4.11
Continuing and discontinued operations	12.29	6.66
Diluted earnings per share (cents)		
Continuing operations	12.29	2.40
Discontinued operations	–	3.86
Continuing and discontinued operations	12.29	6.26

4.2 Dividends

	June 2022			June 2021		
	Cents per share	Total amount \$'m	Date of payment	Cents per share	Total amount \$'m	Date of payment
Prior year final	1.47	12.6	6 April 2022	–	–	–
Current year interim	–	–	–	6.25	38.5	31 March 2021
Dividends paid during the period	1.47	12.6	–	6.25	38.5	–

All dividends paid were fully franked at a 30% tax rate.

On 25 August 2022, the Board of Directors declared an interim dividend of 7.47 cents per share in respect of the 2022 financial year, 80% franked at a 30% tax rate. The amount will be paid on 7 October 2022 and is expected to be \$63.9 million. As the dividend was declared subsequent to 30 June 2022, no provision had been made at 30 June 2022.

4.3 Share capital

	30 June 2022		31 December 2021	
	Number millions	\$'m	Number millions	\$'m
<i>Movement:</i>				
Balance at start of period/year	855.5	374.5	615.8	2.6
Shares issued as part of the IPO	–	–	219.9	373.8
Capital raising costs (net of tax)	–	–	–	(9.0)
Vested share-based payments/ Transfers from share-based payments reserve	–	–	19.8	7.1
Balance at end of period/year	855.5	374.5	855.5	374.5

Share capital

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any net proceeds on liquidation.

The total number of shares issued by the Company as at 30 June 2022 is 855,484,445 (31 December 2021: 855,484,445). This includes 345,591 treasury shares as at 30 June 2022 (31 December 2021: 2,670,590 treasury shares).

4.4 Reserves

June 2022	Treasury share reserve \$'m	Cash flow hedge reserve \$'m	Foreign currency translation reserve \$'m	Share-based payments reserve \$'m	Accumulated losses reserve \$'m	Total \$'m
Balance at start of period	(4.5)	(0.3)	(0.9)	–	(42.4)	(48.1)
Shares issued to employees	4.0	–	–	–	–	4.0
Share-based payments expense	–	–	–	0.6	–	0.6
Gains arising on change in the fair value of hedging instruments entered into for cash flow hedges	–	11.4	–	–	–	11.4
Income tax related to gains recognised in other comprehensive income	–	(3.4)	–	–	–	(3.4)
Cumulative gain arising on changes in fair value of hedging instruments reclassified to profit or loss	–	0.5	–	–	–	0.5
Income tax related to gain reclassified to profit or loss	–	(0.2)	–	–	–	(0.2)
Foreign exchange translation differences	–	–	(2.2)	–	–	(2.2)
Balance at end of period	(0.5)	8.0	(3.1)	0.6	(42.4)	(37.4)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 2021	Cash flow hedge reserve \$'m	Foreign currency translation reserve \$'m	Share-based payments reserve \$'m	Capital redemption reserve \$'m	Total \$'m
Balance at start of period	(12.8)	(0.8)	4.0	(2.1)	(11.7)
Gains arising on change in the fair value of hedging instruments entered into for cash flow hedges	9.5	-	-	-	9.5
Income tax related to gains recognised in other comprehensive income	(2.9)	-	-	-	(2.9)
Cumulative loss arising on changes in fair value of hedging instruments reclassified to profit or loss	(2.8)	-	-	-	(2.8)
Income tax related to loss reclassified to profit or loss	0.9	-	-	-	0.9
Foreign exchange translation differences	-	1.2	-	-	1.2
Share-based payments expense	-	-	1.5	-	1.5
Transfer to share capital	-	-	(0.1)	-	(0.1)
Balance at end of period	(8.1)	0.4	5.4	(2.1)	(4.4)

Share-based payments reserve

Legacy Ventia Executive Incentive Plan

The Legacy Ventia Executive Incentive Plan was in place prior to the IPO of the Group in November 2021. The details of the Legacy Ventia Executive Incentive Plan are set out in the annual financial report for the year ended 31 December 2021. Share-based payments expense for the half-year ended 30 June 2022 was \$Nil (2021: \$1.5 million).

Long-term Incentive Plan

Details of the Long-term Incentive Plan are set out in the annual financial report for the year ended 31 December 2021. Share-based payments expense for the half-year ended 30 June 2022 was \$0.6 million (2021: \$Nil).

Short-term Incentive (STI) Plan

Details of the STI Plan are set out in the annual financial report for the year ended 31 December 2021. Share-based payments expense relating to STI deferral for the half-year ended 30 June 2022 was \$Nil (2021: \$Nil).

4.5 Borrowings

	30 June 2022 \$'m	31 December 2021 \$'m
Borrowings	750.0	750.0
Capitalised borrowing costs	(5.9)	(6.8)
Total borrowings	744.1	743.2

On 23 November 2021, the Group executed a syndicated facility agreement for the provision of syndicated term loan facilities and a syndicated revolving cash facility (Syndicated Banking Facilities).

The Syndicated Banking Facilities have an aggregate commitment of \$1,150.0 million and comprise:

- \$750.0 million of term loan facilities, spread equally across three-year, four-year and five-year tranches, each of which is fully drawn at 30 June 2022; and
- a \$400.0 million four-year revolving cash facility which is undrawn at 30 June 2022.

The Syndicated Banking Facilities have variable interest rates, based on BBSY plus a margin.

The maturity profile of the Group's borrowing arrangements by financial year is represented in the below table by facility limit:

	Currency	Annual interest rate	Maturity	\$'m
Syndicated term loan facilities				
Term loan	AUD	BBSY + 140bps	23 November 2024	250.0
Term loan	AUD	BBSY + 150bps	23 November 2025	250.0
Term loan	AUD	BBSY + 160bps	23 November 2026	250.0
				750.0
Syndicated revolving cash facility	AUD		23 November 2025	400.0

4.6 Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at each reporting date.

The following table provides information about how the fair values of these financial assets and financial liabilities are determined. They are grouped into levels 1 to 3 based on the degree to which the fair value measurement inputs are observable.

- Level 1** Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3** Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value asset		Fair value liability		Fair value hierarchy
	30 June 2022 \$'m	31 December 2021 \$'m	30 June 2022 \$'m	31 December 2021 \$'m	
Interest rate swaps	12.0	-	0.4	0.4	Level 2
Total	12.0	-	0.4	0.4	

There were no transfers between level 1, level 2, or level 3 during the period.

Estimation of fair values

The fair value of interest rate swaps is determined using a discounted cash flow model where future cash flows are estimated based on market forward rates at the reporting date and the contract rates, discounted at a rate that reflects the credit risk of the various respective counterparties.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying value of cash and cash equivalents, financial assets, bank and other loans, and non-interest bearing monetary financial liabilities of the Group approximate their fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4.7 Commitments for capital expenditure

Capital expenditure commitments of the Group at the reporting date are as follows:

	30 June 2022 \$'m	31 December 2021 \$'m
<i>Estimated capital expenditure under firm contracts, payable:</i>		
Not later than one year	9.6	9.3
Later than one year, not later than two years	–	–
Beyond two years	–	–
Total capital expenditure commitments¹	9.6	9.3

1. There were no material commitments related to joint arrangements.

4.8 Receivable finance arrangements

The Group has a receivable financing facility with a banking institution. The level of non-recourse factoring across the Group was \$34.0 million at 30 June 2022 (31 December 2021: \$30.3 million).

Certified receivables are sold to this banking institution on a non-recourse basis and are acknowledged by the customer with payment only being subject to the passage of time. Under the factoring arrangements:

- the certified receivables are derecognised where the risks and rewards of the receivables have been transferred;
- the cash flow to the Group only arises when there is an amount certified by the customer and contractually due to be paid to the Group, and there are no disputes regarding the amounts due; and
- the receipt by the Group irrevocably removes the Group's right to the certified receivable due from the customers.

5. GROUP STRUCTURE

5.1 Discontinued operations

APP Corporation Pty Ltd (APP) delivers professional services to the property and infrastructure sectors, and was a wholly-owned subsidiary of BRS Holdco Pty Ltd which was acquired by the Group on 30 June 2020. On 1 July 2020, the Group announced its intention to sell APP and its subsidiaries, and actively started to market the business for sale. Therefore, APP was considered to be a subsidiary acquired exclusively with a view to resale and was classified as an asset held for sale at 31 December 2020.

On 3 March 2021, Broadspectrum (Holdings) Pty Ltd (a controlled entity of Ventia Services Group Limited) signed an agreement with a third party to sell the entire share capital of APP. Completion of the transaction took place on 19 March 2021. Details of the transaction are set out in the Group's annual financial report for the year ended 31 December 2021.

5.2 Related parties

Related parties are persons or entities that are related to the Group as defined by AASB 124 Related Party Disclosures. This note provides information about transactions with related parties during the period.

The Company's two largest shareholders are AIF VIII Singapore Pte Limited (Apollo), a company domiciled in Singapore and CIMIC Group Investments No 3 Pty Limited (CIMIC), a company domiciled in Australia. The ultimate parent entities of the respective entities above are Apollo Global Management, LLC, a company incorporated in the United States of America and listed on the New York Stock Exchange, and Actividades de Construcción y Servicios, SA, a company incorporated in Spain and listed on the Bolsa de Madrid Stock Exchange.

Transactions within the Group

During the period and previous periods, subsidiaries of Ventia Services Group Limited advanced loans to, received and repaid loans from, and provided treasury, accounting, legal, taxation, and administrative services to other Group entities.

Group entities also exchanged goods and services in sale and purchase transactions. All transactions occurred on the basis of normal commercial terms and conditions. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with related parties

The Group has entered into transactions with Apollo and CIMIC related entities, and its joint arrangements during the period. The outstanding balances with related parties are disclosed in Notes 3.1 and 3.3.

Key Management Personnel compensation

Remuneration arrangements of Key Management Personnel are disclosed in the annual financial report for the year ended 31 December 2021.

5.3 Equity accounted investments

The details of equity accounted investments of the Group are as follows:

Joint Venture	Country of Incorporation	Statutory Reporting Date	Ownership Interest	
			30 June 2022 %	31 December 2021 %
Gateway Motorway Services Pty Limited	Australia	30 June	50.0	50.0
Skout Solutions Pty Limited	Australia	31 December	50.0	50.0
SV Joint Venture Pty Limited	Australia	31 December	50.0	50.0
Ventia Boral Amey NSW Pty Limited ¹	Australia	31 December	64.4	64.4
Ventia Boral Amey QLD Pty Limited ¹	Australia	31 December	66.6	66.6
Venture Smart Pty Limited	Australia	31 December	50.0	50.0
Skout Solutions (NZ) Limited	New Zealand	31 December	50.0	50.0
Broadspectrum WorleyParsons JV (M) Sdn Bhd	Malaysia	31 December	50.0	50.0

1. While the Group holds a greater than 50% interest in these joint venture entities, voting rights on key matters are shared among the joint venture entity participants, and therefore the Group accounts for these joint venture entities using the equity method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5.4 Joint operations

The details of joint operations of the Group are as follows:

Joint Operation	Country of Incorporation or Establishment	Ownership Interest	
		30 June 2022 %	31 December 2021 %
Allwater	Australia	50.0	50.0
Aroona Alliance	Australia	50.0	50.0
Arup Pty Limited & BMD Constructions Pty Ltd & Ventia Pty Ltd (Smartways)	Australia	20.0	20.0
BRSJay	Australia	50.0	50.0
Confluence Water	Australia	42.5	42.5
MTC-Broadspectrum	Australia	50.0	50.0
Optus Wireless Project (OWP)	Australia	50.0	50.0
Trace UJV ¹	Australia	80.0	80.0
Transcom Connect	Australia	50.0	50.0
Utilita Water Solutions	Australia	50.0	50.0
Ventia Boral Amey NSW ¹	Australia	64.4	64.4
Ventia Boral Amey QLD ¹	Australia	66.6	66.6
Watersure	Australia	40.0	40.0

¹ Whilst the Group holds a greater than 50% interest in these joint operations, as they are formed by contractual arrangements and are not entities, the Group recognises its share of assets, liabilities, revenue and expenses arising from these arrangements.

6. OTHER

6.1 Contingent liabilities

Indemnities

Indemnities given by third parties on behalf of the Group in the ordinary course of business are as follows:

	30 June 2022 \$'m	31 December 2021 \$'m
Insurance, performance and payment bonds	424.1	424.4
Letters of credit	–	3.3
	424.1	427.7

Legal claims

Legal claims arise in the ordinary course of business. The Directors consider that appropriate provisions have been raised to reflect expected settlement amounts and finalisation of open matters and therefore no contingent liabilities for legal settlements have been noted, other than the matters below.

Gateway Motorway project

Claims have been made by Queensland Motorways Pty Limited (QM) in the Supreme Court of Queensland against various parties, including the head design, construction and maintenance contractors of the Gateway Motorway project (D&C Contractor) in relation to alleged defects in the motorway upgrade project.

Two companies in which the Group has an interest, Visionstream Australia Pty Limited (VA) (a wholly-owned subsidiary) and Gateway Motorway Services Pty Limited (GMS) (a 50/50 joint venture company), independently provided services to the D&C Contractor in connection with the project. The D&C Contractor has sought to pass down the nature and the value of certain claims made against it by QM to VA, and separately GMS.

Both VA and GMS have respectively served their defence to each allegation, denying all liability. The effect of contractual liability caps, any applicable insurance cover and other relevant matters, will need to be considered.

The future liability arising from the above matters, if any, cannot be reasonably determined at this stage.

6.2 Events after the reporting period

Since the end of the half-year, the Directors have resolved to pay an interim dividend of 7.47 cents per share, 80% franked.

In accordance with AASB 110 Events after the Reporting Period, the aggregate amount of the proposed interim dividend of \$63.9 million is not recognised as a liability as at 30 June 2022.

Unless disclosed elsewhere in the Condensed Consolidated Financial Statements, no other material matter or circumstance has arisen since 30 June 2022 that has significantly affected or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors of Ventia Services Group Limited (Company):

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) the attached Condensed Consolidated Financial Statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2022 and performance for the half-year then ended, of the Group; and
- (c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors:



David Moffatt
Chairman

25 August 2022

INDEPENDENT AUDITOR'S REVIEW REPORT



Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Review Report to the members of Ventia Services Group Limited

Conclusion

We have reviewed the half-year financial report of Ventia Services Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 15 to 34.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

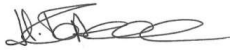
INDEPENDENT AUDITOR'S REVIEW REPORT

Deloitte.

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



DELOITTE TOUCHE TOHMATSU



H Fortescue
Partner
Chartered Accountants
Sydney, 25 August 2022

For personal use only

CORPORATE DIRECTORY

Ventia Services Group Limited

ABN 53 603 253 541
Level 8
80 Pacific Highway
North Sydney NSW 2060

Website

<https://www.ventia.com>

Investor Relations

<https://www.ventia.com/investor-centre>
Email: investors@ventia.com

Directors of Ventia Services Group Limited

Mr David Moffatt (Chairman)
Mr Dean Banks (Managing Director)
Mr Kevin Crowe
Mr Jeffrey Forbes
Ms Sibylle Krieger
Mr Steve Martinez (Alternate Director)
Ms Lynne Saint
Ms Anne Urlwin

Group Chief Executive Officer

Mr Dean Banks

Company Secretaries

Mr Jonathan Dockney
Mr Zoheb Razvi
Ms Debbie Schroeder

Corporate Governance Statement

Our Corporate Governance Statement is in the Corporate Governance section of our website
<https://www.ventia.com/who-we-are/corporate-governance>

For personal use only

For personal use only