SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

Interim Financial Report
For the six months ended
31 December 2021

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the six months ended 31 December 2021, the 2021 Annual Report and public announcements made during the period in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

Reporting Period

Current period:	1 July 2021 to 31 December 2021
Previous corresponding period:	1 July 2020 to 31 December 2020

Results for announcement to the market

				$m
Revenue and other income from ordinary activities	down	3%	to	137.7
Profit from ordinary activities after tax attributable to members	down	14%	to	13.3
Net profit for the period attributable to members	down	14%	to	13.3

Dividends	Total amount $m	Amount per security (cents per share)	Franked amount per security (cents per share)
Current period			
Interim dividend declared	9.7	10.00c	none
Previous corresponding period			
Interim dividend paid	8.7	9.00c	none

Record date for determining entitlements to the dividend	9 March 2022
Dividend payment date	6 April 2022

The final dividend is 100% conduit foreign income.

	31 December 2021 $	30 June 2021 $
Net tangible asset backing		
Net tangible asset backing per ordinary security[1]	1.96	1.91

Additional 4D disclosures can be found in the Notes to the Servcorp Consolidated Interim Financial Report for the six months ended 31 December 2021 lodged with the ASX on 23 February 2022.

[1] *The net tangible asset backing per ordinary security as 30 June 2021 has been restated – refer to the Consolidated Interim Financial Report for the six months ended 31 December 2021*

Management Discussion & Analysis

FY22 Guidance

- Underlying[2] NPBT[3] is between $33.0m and $36.0m – **ON TARGET**
- Underlying Free Cash of more than $50.0m – **ON TARGET**

1H22 in Review

COVID-19 continues to dominate the flexible workspace industry. Our response has been to focus on:

- **A strong liquidity position:** Current cash balances in excess of $110.0m and no external debt.
- **Tightly controlled operating expenditure:** Operationally efficient cost base.
- **Strict capital expenditure allocation:** Looking to the medium term and opportunities for growth, particularly in mature markets with proven management performance, there is allocation of capital for some growth in FY22.
- **Unique technology platforms:** Servcorp's technology platforms are market-unique and well placed to attract new clients in this COVID-19 environment. In particular, our best-in-market virtual product makes working from home in a post-COVID world even more seamless.
- **VLANS, unique password, Wi-Fi and our Onefone app:** give unrivalled security for the clients.

Trading conditions continue to be difficult in the industry. Servcorp, with a secretarial team, receptionists and 100 in-house I.T. experts, continues to be the market leader, and we are able to compete effectively in most of the markets in which we operate.

Occupancy levels through 1H22 have been relatively stable; mature[4] floor occupancy was 72% at 31 December 2021. Growth in Virtual Office and Coworking has also helped us remain in a strong cash positive operating environment.

We are one of the few operators that have global reach and a client base of in excess of 40,000. This client base gives us more revenue per square metre than any other operator.

Hybrid workspace

As confidence in our underlying business returns, we now turn our attention to the potential opportunities arising from the changed market conditions, which could have a positive impact on Servcorp's future.

Our new hybrid software product is 90% complete, with estimated completion in August 2022. Hybrid workspace is the ability to maximise the square metre usage, cost effectively. In a corporate sense – 1 desk, 3 operatives.

Hybrid space cannot operate effectively without a specifically designed software platform that should allow a normal commercial enterprise to halve their space costs. Servcorp has best-in-market technology platforms, Onefone app and secure high speed Wi-Fi; hybrid workspace is a natural fit for Servcorp.

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[2] *"Underlying" is a non-statutory measure and is the primary reporting measure used by the CEO, CFO, COO & Board of Directors for the purpose of assessing the performance of our business.*
[3] *Underlying NPBT guidance is: net profit from mature operations before non-cash impairment of assets and tax*
[4] *Refer glossary on page 12*

Headline

A reasonable underlying performance in 1H22 despite difficult COVID-19 trading conditions:

- Revenue and other income down 3%
- Mature revenue down 4%, or 3% on a constant currency basis
- Underlying NPBT up 5%
- Underlying Free Cash $29.5m (flat on pcp)
- Increased FY22 interim dividend from previously announced minimum level, paying 10.0 cps, unfranked.

Operating performance

Reconciliation of Statutory and Underlying performance:

	% move on pcp	1H22	1H21[5]
			$m
Statutory NPBT	*down 11%*	**16.0**	**17.9**
Add/(Less):			
Net non-cash impairment of assets		-	1.1
Immature floor losses		1.3	-
Closed floor losses/(gains)		0.4	(2.1)
Underlying NPBT[6]	*up 5%*	**17.7**	**16.9**
Underlying tax expense	*up 11%*	(3.2)	(2.9)
Underlying NPAT	*up 3%*	**14.5**	**14.0**
Net non-cash impairment of assets		-	(0.7)
Immature floor losses (after tax)		(0.9)	-
Closed floor losses/(gains) (after tax)		(0.3)	2.1
Statutory NPAT	*down 14%*	**13.3**	**15.5**

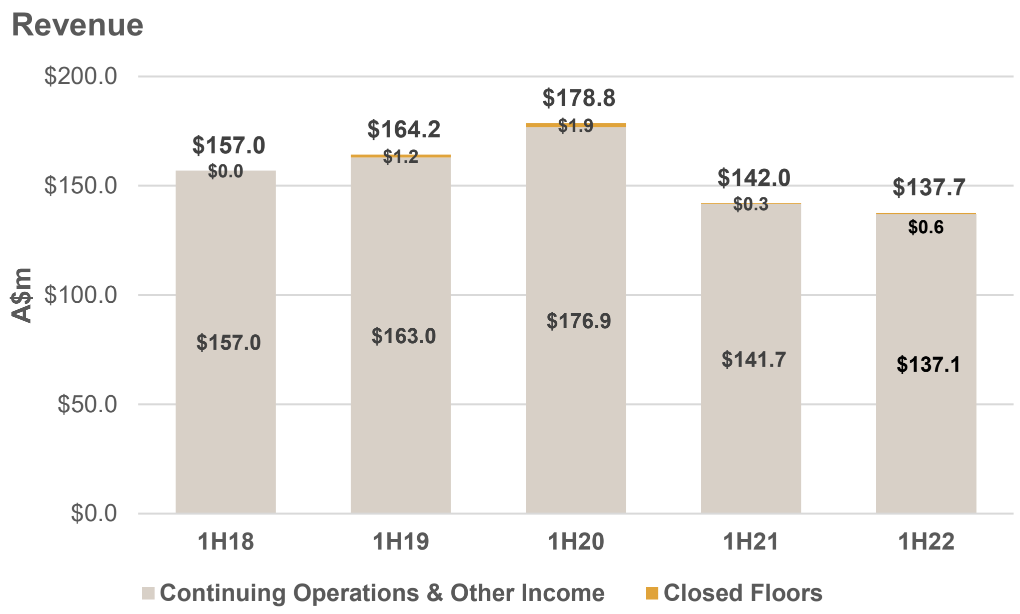
Resilient balance sheet

- Cash balances and unencumbered financial securities at 31 December 2021 of $109.6m, up $12.7m from $96.9m at 30 June 2021, driven substantially by improved operational performance
- Cash balances currently in excess of $110.0m and no external net debt
- Underlying Free Cash 167% of 1H22 Underlying NPBT, providing some buffer to navigate through the COVID-19 pandemic, supporting self-funded capital expenditure and dividends
- Healthy cash generation enabling a FY22 interim dividend of 10.0 cps, unfranked

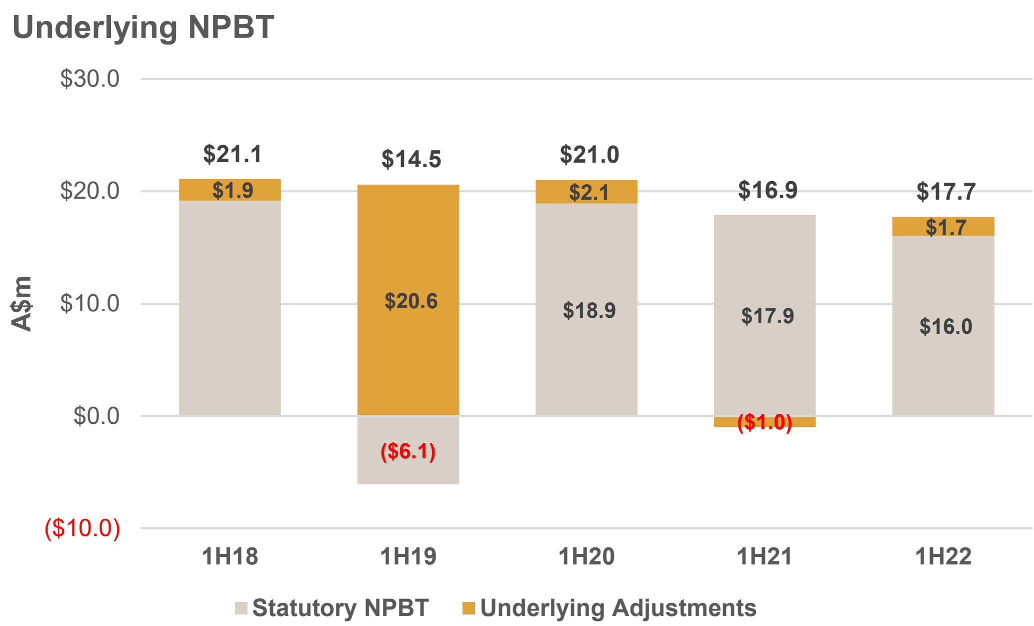
[5] *1H21 Underlying NPBT has not been adjusted for the $2.0m JobKeeper subsidy accounted for in the same period because without JobKeeper more extensive cost control measures would have been applied and additional headcount reductions made.*
[6] *In order to compare financial periods on a mature basis, the 1H21 Underlying NPBT has been restated downwards from $19.0m to $16.9m to exclude closed floor gains of $2.1m*

1H22 – Overview

1H22 revenue $137.7m, down 3% on 1H21. Revenue from continuing operations[7] and other income[8] $137.1m, down 3%[9] on 1H22 reflecting tough COVID-19 trading conditions.



1H22 Underlying NPBT $17.7m, up 5% on 1H21[10]. 1H22 Underlying NPBT was underpinned by a solid North Asia performance, a reasonable EME performance and a breakeven-result in the USA.



[7] *Refer to the segment information note 3 in the FY22 Interim Financial Report*
[8] *Excluding 1H21 $2.0m JobKeeper subsidy, revenue from continuing operations and other income was down 2% on 1H21.*
[9] *Revenue from continuing operations and other income decreased 3% compared to 1H21 on constant currency basis.*
[10] *In order to compare financial periods on a mature basis, the 1H21 Underlying NPBT has been restated downwards from $19.0m to $16.9m to exclude closed floor gains of $2.1m*

Cash Flow

Reconciliation of Net Operating Cash Flows to Free Cash and Underlying Free Cash:

	1H22	1H21
		$m
Net Operating Cash Flows	**79.9**	**68.0**
Add/(Less):		
Tax paid	6.2	7.5
Cash Rent timing differences[11]	(2.4)	0.2
Lease liability Cash Rent[12] for related period paid in related period	(52.6)	(52.0)
Free Cash	**31.1**	**23.7**
USA deconsolidation	-	2.9
Cash Rent relating to prior period previously unpaid	1.6	4.7
Unpaid Cash Rent relating to reported period	(3.2)	(1.9)
Underlying Free Cash[13]	**29.5**	**29.4**

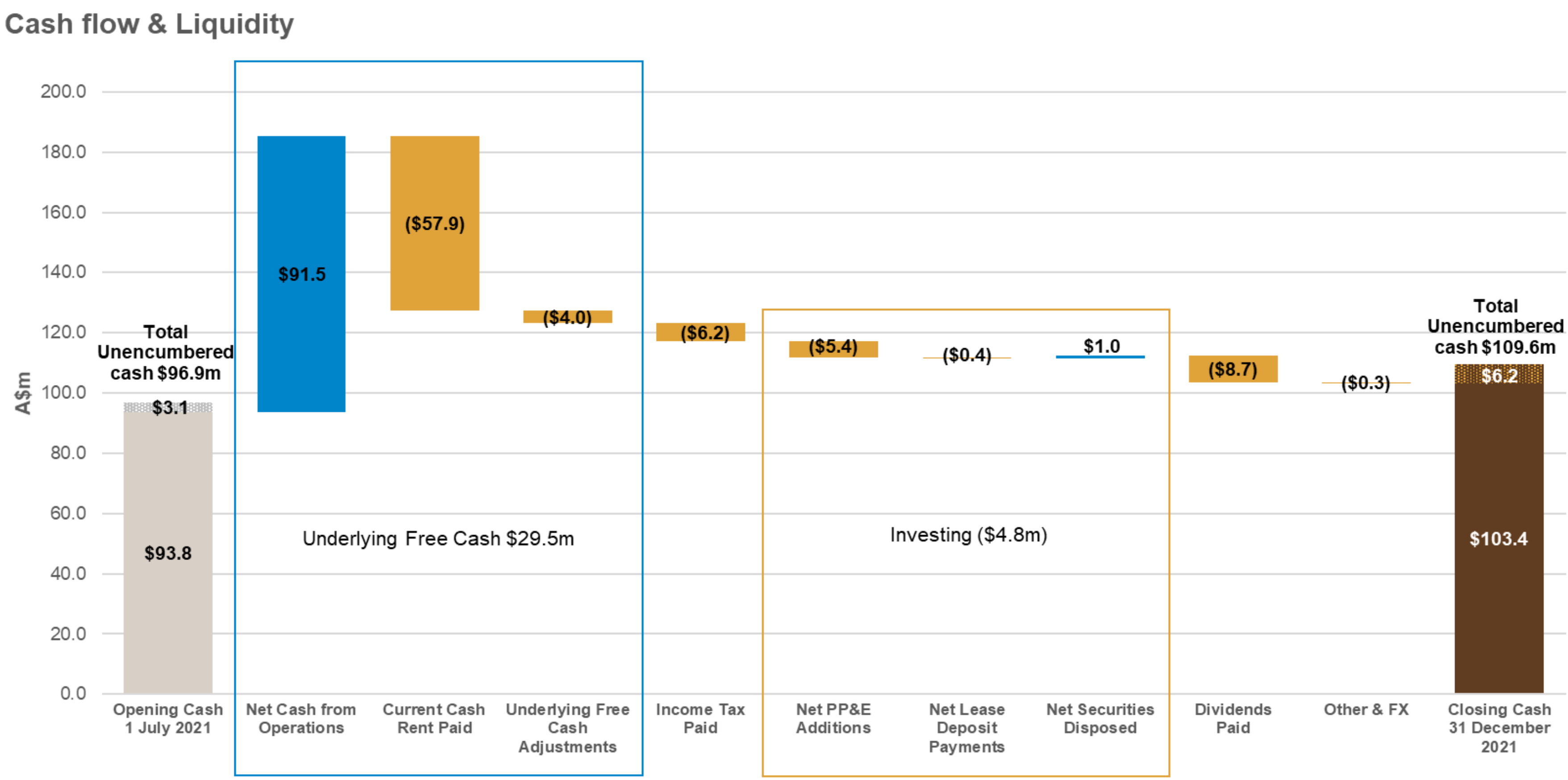
Free Cash of $31.1m, up 31% compared to 1H21. Underlying Free Cash of $29.5m, flat on 1H21.

11 *Cash Rent relating to future periods paid in current period less Cash Rent relating to current period paid in previous period*

12 *The interest component of Cash Rent of $5.4m (1H21: $8.1m) is included in the Net Operating Cash Flows of $81.1m (1H21: $68.0m)*

13 *1H21 Underlying Free Cash has not been adjusted for the $2.0m JobKeeper subsidy accounted for in the same period because without JobKeeper more extensive cost control measures would have been applied and additional headcount reductions made. On balance, the net impact of a JobKeeper subsidy and associated remuneration costs, on an underlying basis, is not considered material.*

Cash Flow - continued



Other cash outflows of $0.3m include $4.0m of Underlying Free Cash adjustments (refer reconciliation on page 5), $6.3m of Cash Rent relating to future years, $0.1m upward effects of exchange rate changes offset by incentives received from landlords of $1.9m.

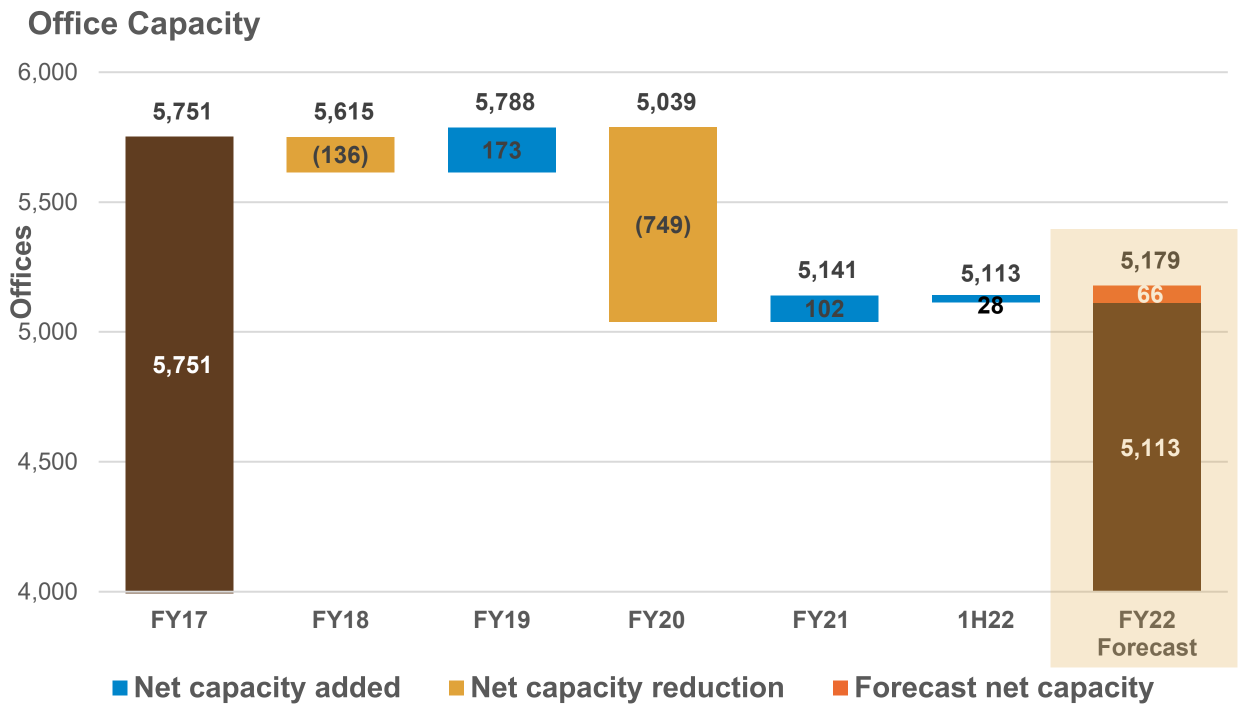
Overall cash increased by $12.7m from $96.9m at 30 June 2021 to $109.6m at 31 December 2021.

Office Capacity

In 1H22 we opened two floors, one in Tokyo and another in Parramatta; we closed three floors, one in Manila, one in Parramatta and one in Istanbul. Net capacity decreased by 28 offices to 5,113 and capacity for the remainder of FY22 is forecast to increase by 66 offices to 5,179 due to a new location opening in Riyadh, offset by closures in Hong Kong and Singapore.

Mature floor occupancy was 72% and all floor occupancy was 72% at 31 December 2021 respectively (30 June 2021: 73% and 72% respectively).

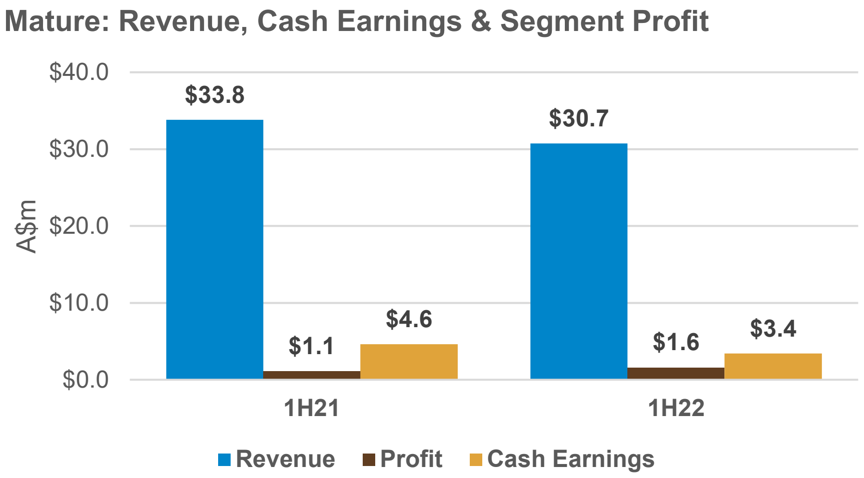
Mature floor occupancy at 31 January 2022 was 73% and all floor occupancy was 71%.



Our global footprint encompasses 122 floors, in 41 cities across 20 countries.

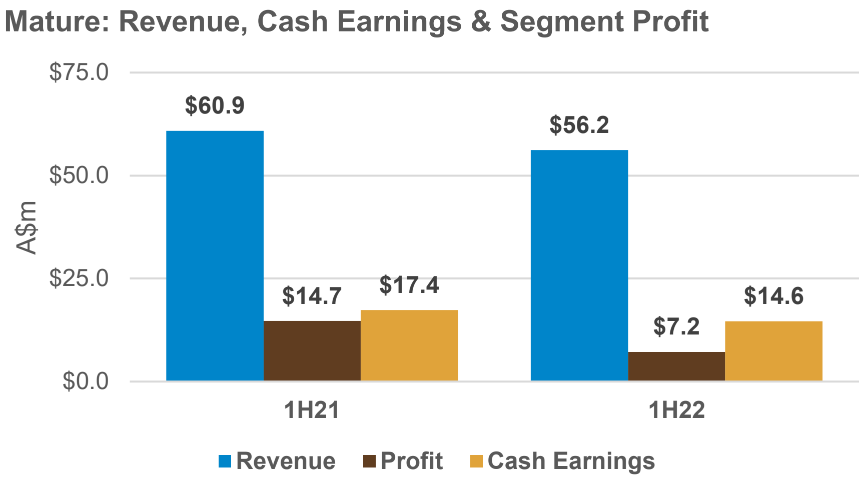
Operating Summary by Region

ANZ & South East Asia[14]



1H22 Mature Revenue and Cash Earnings were down 9% and 27% respectively, with operations having been substantially impacted by COVID-19. The region was profitable, recording a Mature Profit of $1.6m, up $0.5m compared to 1H21.

North Asia

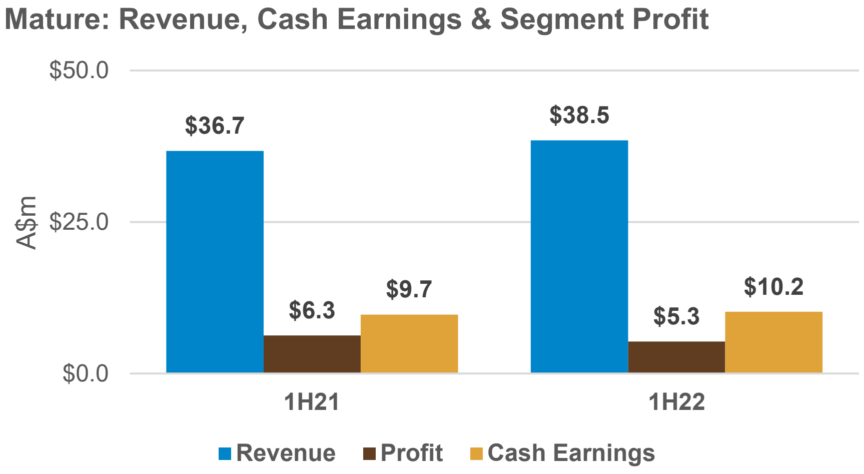


Despite the impact of COVID-19, North Asia as a whole produced a solid result with the drag on profit attributed to China (including Hong Kong). Mature Revenue was down 8% from $60.9m to $56.2m. Mature Segment Profit and Cash Earnings decreased 51% and 16% respectively in 1H22 compared to 1H21.

[14] *Mature: 1H21 Revenue, Segment Profit and Cash Earnings include $1.0m JobKeeper subsidy relating to Australian operations.*

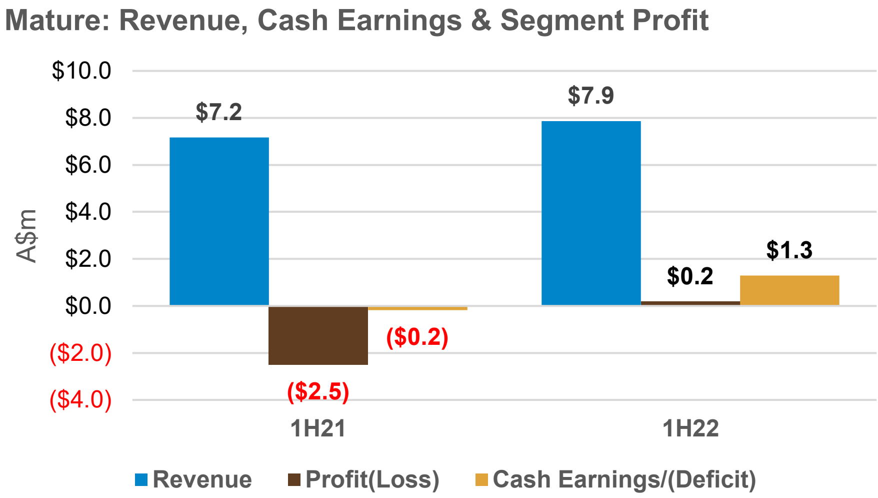
Operating Summary by Region – continued

Europe & Middle East



EME performed relatively well given trading conditions. Mature Revenue and Cash Earnings were up 5% each in 1H22 compared to 1H21. Mature Segment Profit was down $1.0m in 1H22 compared to 1H21. In December 2021 we terminated our franchise arrangement with India and no longer have a footprint in that country.

USA



The long overdue USA recovery has almost been achieved. The USA recorded Mature Profit and Cash Earnings of $0.2m and $1.3m respectively. Mature Revenue of $7.9m was up 10% in 1H22 compared to 1H21.

Financial Summary

1H22 revenue and other income was down 3% to $137.7m (1H21: $142.0m). 1H22 Mature revenue decreased 3% compared to 1H21 on constant currency basis.

1H22 Statutory NPBT was $16.0m, down $1.9m or 11% from 1H21 NPBT of $17.9m. 1H22 Statutory NPAT was $13.3m, down $2.2m or 14% from 1H21 NPAT of $15.5m.

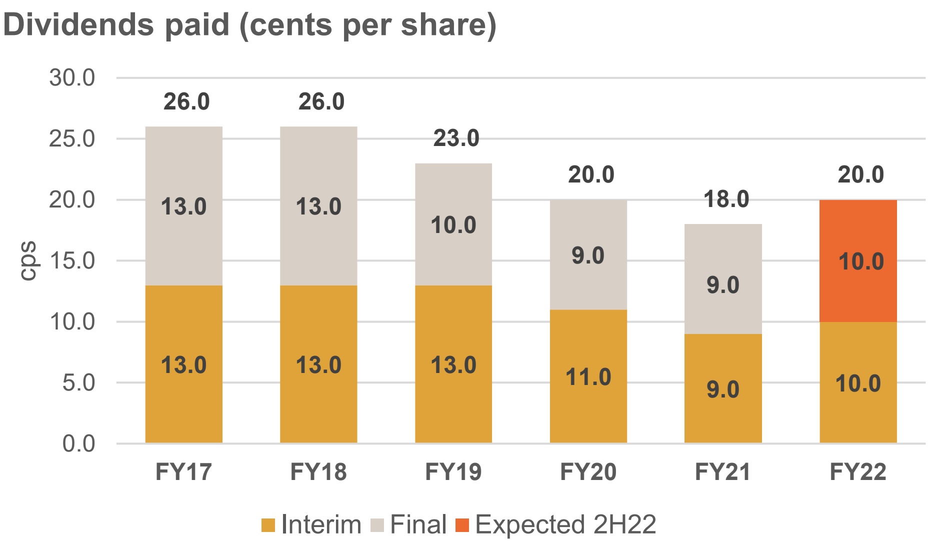
1H22 Underlying NPBT was $17.7m, up 5% on 1H21 Underlying NPBT[15] of $16.9m (before $1.1m of net non-cash impairment of assets and $2.1m of closed floor gains).

At 31 December 2021 Net Tangible Assets per share is up to $1.96 per share from $1.91 per share at 30 June 2021, principally owing to higher cash balances.

Cash balances as at 31 December 2021 remained healthy at $109.6m, up $12.7m from $96.9m at 30 June 2021, driven substantially by a stronger operational performance.

Other financial assets at 31 December 2021 includes mark-to-market investments in bank hybrid variable rate securities and ordinary securities of $7.0m (30 June 2021: $10.8m).

Dividends



The Directors have declared an interim dividend of 10.0 cps, unfranked, payable on 6 April 2022.

As previously indicated the final FY22 dividend will be no less than 9.0 cps, and is now expected to be 10.0 cps (franking uncertain). We expect to make dividend payments consistent with our long term history and commitment to shareholders.

Future dividends are subject to currencies remaining constant, continued strong cash generation, and the continued impacts of COVID-19 on our operations.

[15] *In order to compare financial periods on a mature basis, the 1H21 Underlying NPBT has been restated downwards from $19.0m to $16.9m to exclude closed floor gains of $2.1m*

FY22 Guidance Reaffirmed

Servcorp has a strong, diversified global business and is in a financially sound position with current cash balances exceeding $110.0m. Accordingly we reaffirm FY22 Underlying NPBT[16] guidance of between $33.0m and $36.0m and Underlying Free Cash to exceed $50.0m.

Further, expressing confidence in the future of our business, we have increased the interim dividend from previously announced minimum of 9.0 cps to 10.0 cps.

Outlook

While it remains unclear how long the path to a post-COVID world is, we continue to remain optimistic. Servcorp's global reach and client base provides a great advantage, allowing us to compete effectively in most of the markets in which we operate. Business and consumer confidence is slowly returning to pre-COVID levels in some markets. We have already committed to some growth in FY22 and continue to look for further opportunities for growth in mature markets with proven management performance.

We are cash positive, an I.T. leader, and believe we are on the road back. Opportunities will abound for Servcorp over the next few years.

Forecasts and future dividends are subject to currencies remaining constant, continued strong cash generation, and the continued impacts of COVID-19 on our operations.

[16] *Underlying NPBT guidance is: net profit from mature operations before non-cash impairment of assets and tax*

Glossary

1H	First half of financial year - six months to 31 December
2H	Second half of financial year - six months to 30 June
ANZ	Australia & New Zealand
Cash Earnings	Is EBITDA *minus* Cash Rent paid
Cash Rent	Cash Rent is the amount paid to a landlord (or lessor) by Servcorp as a lessee under the terms of a signed lease agreement.
cps	Cents per share
EBITDA	Earnings before interest, tax, depreciation and amortisation
EME	Europe & Middle East
Free Cash	Is the Net Operating Cash Flows before tax as reported in the Consolidated Statement of Cash Flows contained in the Servcorp Consolidated Financial Report minus Cash Rent paid.
FY	Financial year
Immature	Immature means floors that have been operational for less than 24 months ***and*** have not produced 3 months consecutive operating profit in the same timeframe.
m	Million
Mature	Mature means floors that were open in both the current and comparative reporting periods. A floor is categorised as Mature at the earlier of 24 months from the date it becomes operational or 3 months consecutive operating profit. For the avoidance of doubt, Mature excludes closed floors.
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NPBIT	Net Profit Before non-cash Impairment of assets and Tax
SEA	South East Asia
Segment Profit/(Loss)	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
Statutory NPAT	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
Statutory NPBT	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
Underlying Free Cash	Is Free Cash adjusted for significant items (before tax) which relate to the reported financial year however, because of timing, either occurred in the preceding financial year or will occur in the subsequent financial year.
Underlying NPAT	Is the Statutory NPAT adjusted significant items (net of tax) that are one-off in nature and that do not reflect the underlying performance of our business.
Underlying NPBT	Is the Statutory NPBT adjusted for significant items (before tax) that are one-off in nature and that do not reflect the underlying performance of our business.
USA	United States of America

Servcorp Limited

ABN 97 089 222 506

Consolidated Interim Financial Report

For the half-year ended 31 December 2021

Contents

For the half-year ended 31 December 2021

Directors' Report
31 December 2021

The Directors of Servcorp Limited ("the Company") submit herewith the condensed consolidated financial report for the Company and its consolidated entities ("the Consolidated Entity") for the half-year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001 the Directors' report as follows:

1. General information

Information on Directors

The names of each person who has been a Director during the half-year and to the date of this report are:

Name	Date Appointed
Mr Alf Moufarrige (Managing Director and CEO)	August 1999
The Hon. Mark Vaile (Chairman and Independent Non-Executive Director)	June 2011
Mrs Wallis Graham (Independent Non-Executive Director)	October 2017
Mr Anthony McGrath (Independent Non-Executive Director)	August 2019

2. Operating results and review of operations for the year

Review of operations

Revenue and other income from operating activities was down 3.0% to $137.7 million for the half-year ended 31 December 2021 (31 December 2020: $142.0 million).

Net profit before tax for the half-year ended 31 December 2021 was $16.0 million, down 11.1% from $18.0 million net profit before tax for the half-year ended 31 December 2020.

Operating net profit after tax was $13.3 million (31 December 2020: $15.5 million).

Cash and cash equivalents as at 31 December 2021 remained healthy at $103.3million (30 June 2021: $93.8 million).

The Directors have declared an interim unfranked dividend of 10 cents per share payable on 6 April 2022.

3. COVID-19 pandemic

The impact of COVID-19 continues to dominate the flexible workspace industry. In response management has focused on:

- A strong liquidity position: 31 December 2021 cash and unencumbered financial securities are $109.6 million and no external debt;
- Tightly controlled operating expenditure: Operationally efficient costs base;
- Strict capital expenditure allocation: Looking to the medium term and opportunities for growth, particularly in mature markets with proven management performance, there is allocation of capital for some growth in the second half of the year.
- Unique technology platforms: Servcorp's technology platforms are market-unique and well placed to attract new clients in this COVID-19 environment. In particular, our best-in-market virtual product makes working from home in a post-COVID world even more seamless.
- VLANS, unique password, Wi-Fi and our Onefone app: give unrivalled security for the clients.

3. COVID-19 pandemic (Continued)

Trading conditions continue to be difficult in the industry. Servcorp, with a secretarial team, receptionists and 100 in-house I.T. experts continues to be the market leader, and we are able to compete effectively in most of the markets in which we operate.

Occupancy levels through the half-year have been relatively stable. Mature floor occupancy was 72% at 31 December 2021. Growth in Virtual Office and Coworking has also helped us remain in a strong cash positive operating environment.

We are one of the few operators that have global reach and a client base of in excess of 40,000.This client base gives us more revenue per square metre than any other operator.

4. Servcorp capacity

Servcorp's global footprint encompasses 122 floors, in 41 cities across 20 countries.

During the reporting half-year ended 31 December 2021, Servcorp opened two floors, one in Tokyo and another in Parramatta; we closed three floors, one in Manila, one in Parramatta and one in Istanbul. Net capacity decreased by 28 offices to 5,113 and capacity for the remainder of the year is forecast to increase by 66 offices to 5,179 due to a new location opening in Riyadh, offset by closures in Hong Kong and Singapore.

Mature floor occupancy was 72% and all floor occupancy was 72% at 31 December 2021 respectively (30 June 2021: 73% and 72% respectively).

Hybrid workspace

As confidence in our underlying business returns, we now turn our attention to the potential opportunities arising from the changed market conditions, which could have a positive impact on Servcorp’s future.

Our new hybrid software product is 90% complete, with estimated completion in August 2022. Hybrid workspace is the ability to maximise the square metre usage, cost effectively. In a corporate sense – 1 desk, 3 operatives.

Hybrid space cannot operate effectively without a specifically designed software platform that should allow a normal commercial enterprise to halve their space costs. Servcorp has best-in-market technology platforms, Onefone app and secure high speed Wi-Fi; hybrid workspace is a natural fit for Servcorp.

5. Operating summary by region

Australia, New Zealand and Southeast Asia

During the half-year ended 31 December 2021 mature revenue and cash earnings were down 9% and 27% respectively, with operations having been substantially impacted by COVID-19. The region was profitable, recording a mature profit of $1.6 million, up $0.5 million compared to the first half of the previous year.

North Asia

Despite the impact of COVID-19, North Asia as a whole produced a solid result with the drag on profit attributed to China (including Hong Kong). Mature revenue was down 8% from $60.9 million to $56.2 million. Mature segment profit and cash earnings decreased 51% and 16% respectively in the half-year compared to the first half of the previous year.

Directors' Report
31 December 2021

5. Operating summary by region (Continued)

Europe and the Middle East

Europe and the Middle East performed relatively well given trading conditions. Mature revenue and cash earnings were up 5% each in the half-year compared to the first half of the previous year. Mature segment profit was down $1.0 million compared to previous half-year. In December 2021 we terminated our franchise arrangement with India and no longer have a footprint in that country.

United States of America

The long overdue United States of America ("USA") recovery has almost been achieved. The USA recorded mature profit and cash earnings of $0.2 million and $1.3 million respectively. Mature revenue of $7.9 million was up 10% compared to the previous half-year.

6. Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Consolidated Entity during the half-year.

7. Subsequent events

Dividend

On 23 February 2022, the Directors declared an interim dividend of 10.00 cents per share unfranked, payable on 6 April 2022.

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

8. Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2021 has been received and can be found on page 5 of the consolidated financial report.

9. ASIC Corporations Instrument 2016/191 rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

On behalf of the Directors

Director: ....
A G Moufarrige AO
Managing Director and CEO

Dated this 23rd day of February 2022

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Servcorp Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Servcorp Limited for the half-year ended 31 December 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kim Lawry
Partner

Sydney
23 February 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Note	31 Dec 2021 $ '000	Restated* 31 Dec 2020 $ '000
Revenue	4	**136,365**	139,437
Other revenue and income	4	**1,376**	2,555
Total revenue		**137,741**	141,992
Service expenses		**(32,738)**	(30,197)
Marketing expenses		**(7,506)**	(8,524)
Occupancy expenses		**(16,799)**	(16,480)
Administrative expenses		**(10,287)**	(12,243)
Amortisation of right-of-use asset	10	**(50,412)**	(52,687)
Finance costs attributable to lease liability		**(5,382)**	(8,139)
Impairment of property, plant and equipment		**-**	(1,122)
Net foreign exchange gains realised and unrealised		**2,057**	5,957
Fair value loss on derivatives		**-**	(1,126)
Share of gains of joint venture		**206**	161
Other (losses)/gains		**(907)**	397
Total expenses		**(121,768)**	(124,003)
Profit before income tax		**15,973**	17,989
Income tax expense	5	**(2,682)**	(2,485)
Profit for the half-year		**13,291**	15,504
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Translation of foreign operations (items may be reclassified subsequent to profit or loss)		**9**	(21,834)
Other comprehensive income/(loss) for the half-year, net of tax		**9**	(21,834)
Total comprehensive income/(loss) for the half-year		**13,300**	(6,330)
Earnings per security			
Basic EPS	6	**$ 0.137**	$ 0.160
Diluted EPS	6	**$ 0.137**	$ 0.160

*The profit of loss for the period ending 31 December 2020 has been restated. Refer to note 16 for more details.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 Dec 2021 $ '000	Restated* 30 Jun 2021 $ '000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**103,328**	93,783
Trade and other receivables	7	**22,270**	24,032
Other financial assets	8	**8,898**	12,495
Current tax receivable		**6,492**	2,985
Prepayments and other assets		**8,656**	4,809
TOTAL CURRENT ASSETS		**149,644**	138,104
NON-CURRENT ASSETS			
Other financial assets	8	**42,526**	42,260
Property, plant and equipment	9	**90,023**	96,500
Right-of-use assets	10	**271,696**	293,993
Deferred tax assets		**39,430**	38,917
Goodwill	11	**13,775**	13,775
TOTAL NON-CURRENT ASSETS		**457,450**	485,445
TOTAL ASSETS		**607,094**	623,549
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**40,698**	35,917
Other financial liabilities		**27,430**	28,545
Lease liabilities		**89,047**	88,031
Short-term provisions		**7,747**	9,747
TOTAL CURRENT LIABILITIES		**164,922**	162,240
NON-CURRENT LIABILITIES			
Lease liabilities		**237,345**	261,440
Long-term provisions		**1,376**	1,263
TOTAL NON-CURRENT LIABILITIES		**238,721**	262,703
TOTAL LIABILITIES		**403,643**	424,943
NET ASSETS		**203,451**	198,606
EQUITY			
Issued capital	12	**151,594**	151,594
Reserves		**(15,732)**	(16,000)
Retained earnings		**67,589**	63,012
TOTAL EQUITY		**203,451**	198,606

*Balances for the period ending 30 June 2021 have been restated. Refer to note 16 for more details.

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the Consolidated Financial Statements

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2021

	Issued Capital	Share Buy-Back Reserve	Foreign Currency Translation Reserve	Employee Equity Settled Benefits Reserve	Retained Earnings	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at July 1, 2021	**151,594**	**(4,733)**	**(11,865)**	**372**	**65,736**	**201,104**
Restatement due to correction of AASB 16	**-**	**-**	**226**	**-**	**(2,724)**	**(2,498)**
Balance at 1 July 2021 restated*	**151,594**	**(4,733)**	**(11,639)**	**372**	**63,012**	**198,606**
Profit attributable to members of the parent entity	**-**	**-**	**-**	**-**	**13,291**	**13,291**
Translation of foreign operations (net of tax)	**-**	**-**	**9**	**-**	**-**	**9**
Transactions with owners in their capacity as owners						
Dividends provided for or paid	**-**	**-**	**-**	**-**	**(8,714)**	**(8,714)**
Share based payment transactions	**-**	**-**	**-**	**259**	**-**	**259**
Balance at 31 December 2021	**151,594**	**(4,733)**	**(11,630)**	**631**	**67,589**	**203,451**
Balance at July 1, 2020	151,594	(4,733)	12,614	442	61,044	220,961
Restatement due to correction of AASB 16	-	-	246	-	(2,750)	(2,504)
Balance at 1 July 2020 restated*	151,594	(4,733)	12,860	442	58,294	218,457
Profit attributable to members of the parent entity	-	-	-	-	15,504	15,504
Translation of foreign operations (net of tax)	-	-	(21,834)	-	-	(21,834)
Transactions with owners in their capacity as owners						
Dividends provided for or paid	-	-	-	-	(8,714)	(8,714)
Share based payment transactions	-	-	-	(53)	-	(53)
Balance at 31 December 2020	**151,594**	**(4,733)**	**(8,974)**	**389**	**65,084**	**203,360**

*The results for the period ending 31 December 2020 and 30 June 2021 have been restated. Refer to note 16 for more details.

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021

	31 Dec 2021 $ '000	31 Dec 2020 $ '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**154,526**	156,571
Payments to suppliers and employees	**(63,513)**	(73,536)
Interest received	**401**	-
Franchise fees received	**66**	54
Interest and other costs of finance paid	**(5,382)**	(7,611)
Tax paid	**(6,217)**	(7,477)
Net operating cash inflows	**79,881**	68,001
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for variable rate bonds	**(5,520)**	(1,498)
Payments for property, plant and equipment	**(5,401)**	(737)
Payments for landlord lease deposits	**(411)**	(492)
Proceeds on disposal of hybrid equity investments	**6,547**	-
Proceeds on disposal of fixed assets	**5**	-
Proceeds from refund of lease deposits	**-**	341
Net investing cash outflows	**(4,780)**	(2,386)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	**(8,714)**	(8,714)
Prepayment of leasing liability relating to future occupancy periods	**(6,296)**	(9,927)
Repayment of leasing liabilities relating to current period occupancy	**(52,551)**	(52,001)
Landlord cash incentives received	**1,895**	-
Net financing cash outflows	**(65,666)**	(70,642)
Effects of exchange rate changes on cash and cash equivalents	**110**	(7,791)
Net increase/(decrease) in cash and cash equivalents held	**9,545**	(12,818)
Cash and cash equivalents as at 1 July	**93,783**	99,887
Cash and cash equivalents as at 31 December	**103,328**	87,069

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements

Statement of Compliance

The half-year report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting (AASB134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does 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 and any public announcements made by Servcorp Limited ("the Company") and the subsidiaries ("the Consolidated Entity") during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

For the purpose of preparing the consolidated financial statements, the Consolidated Entity is a for-profit entity.

The financial report was authorised for issue by the Directors on 23 February 2022.

Balances relating to the correction of Right-of-use assets and Lease liabilities have been restated. Refer to note 16 for detail of the restatement. The remaining comparatives are consistent with prior year disclosure.

1 Basis of Preparation

The half-year financial report has been prepared on the basis of historical cost, except for financial instruments that are measured at their fair value. Cost is based on the fair value of the consideration given in exchange of the assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Consolidated Entity is of a 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 Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2 Summary of Significant Accounting Policies

Going concern

This half-year financial report has been prepared on the going concern basis. Trading conditions continue to be difficult in the industry. Occupancy levels through the half-year have been relatively stable. Mature floor occupancy was 72% at 31 December 2021. Growth in Virtual Office and Coworking has also helped us remain in a strong cash positive operating environment.

The Consolidated Entity has prepared an assessment of its ability to continue as a going concern, taking into account information available up to the date of signing the financial report. The Directors have also considered that the Consolidated Entity is in a net current asset deficiency position of $15.3 million at balance date.

Notwithstanding COVID-19 challenges, the Directors remain confident that the Consolidated Entity will be able to continue as a going concern. This assumes the Consolidated Entity will be able to continue trading, realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the financial statements. In reaching this position, the following factors have been considered.

- The Consolidated Entity has a cash balance totaling $103.3 million;
- The Consolidated Entity produced positive cash from operations of $79.9 million;
- The Consolidated Entity is in a net current liabilities position due to the capitalisation of lease commitments. Net current liabilities are impacted by the current portion of lease liabilities of $89.0 million which is forecast to be funded out of operating cash flows, while the related Right of Use Asset ("ROU") is classified as non-current asset in full;

2 Summary of Significant Accounting Policies

Going concern (Continued)

- The Consolidated Entity has no external debt;
- The Consolidated Entity has net assets of $203.5 million as at 31 December 2021;
- The Consolidated Entity took immediate steps to introduce a number of resilience protocols, curbing discretionary spending and maintaining a strong focus on cost control; and
- Globally there have been various support measures including government relief which the Consolidated Entity has qualified for and will continue to monitor. The total of these relief payments received by the Consolidated Entity for the half-year ended 31 December 2021 was $0.9 million.

On the basis of these factors, the Directors believe that the going concern basis of preparation is appropriate and that the Consolidated Entity will be able to pay its debts when they fall due.

New Accounting Standards and Interpretations

A number of new accounting standards are effective for annual reporting periods beginning after 1 July 2021 and earlier application is permitted. The consolidated entity has not early adopted the new or amended standards in preparing these consolidated financial statements. These new standards and interpretations do not materially affected any of the amounts recognised in the current period or any prior period.

Standard Name	Effective date for entity	Requirements
Onerous contracts - Cost of Fullfilling a Contract (Amendments to IAS 37)	1 January 2022	Expected to have no material impact on the Consolidated Entity.

Configuration or customisation costs in a cloud computing arrangement

In April 2021, the International Financial Reporting Standards Interpretation Committee (IFRIC) issued a final agenda decision, *Configuration or customisation costs in a cloud computing arrangement*. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The consolidated entity's accounting policy has historically been to expense the cost associated with initial system configuration and setup through profit or loss, and to capitalise the costs incurred on further customisation and development as intangible assets on consolidated statement of financial position. As at 31 December 2021, the Consolidated Entity has yet to complete its assessment of the impact of the IFRIC agenda decision. The consolidated entity expects to adopt this IFRIC agenda decision in the annual financial statements ending on 30 June 2022. The total costs capitalised as intangible assets as at 31 December 2021 is disclosed in Note 9 Property, plant and equipment.

3 Operating Segments

Segment information

The Consolidated Entity identifies its operating segments based on the internal reporting provided to the Executive Leadership team, who are the Consolidated Entity chief operating decision makers.

The Consolidated Entity provides flexible workspace solutions that are fully-managed, fully-furnished office suites in prime locations, with a receptionist, meeting rooms, IT infrastructure and support services available. Servcorp Virtual Office provides the services, facilities and IT to businesses without the cost of a physical office.

The information reported to the Board of Directors is based on each segment manager directly responsible for the functioning of the operating segment. The segment manager has regular contact with members of the Board of Directors to discuss operating activities, forecasts and financial results. Segment managers are also responsible for disseminating management planning material as directed by the Chief Operating Decision Maker. The segment manager motivates and rewards team members who meet or exceeds sales targets. Four reportable operating segments have been identified: Australia, New Zealand and Southeast Asia (ANZ/SEA); USA; Europe and Middle East (EME); North Asia and Other which reflect the segment requirements under AASB 8 "Operating Segments" ("AASB 8").

The Consolidated Entity initially adopted AASB 16 at 1 July 2019. The ROU assets and Lease Liability recognised from leases where the Consolidated Entity is a lessee, is now monitored centrally at the Consolidated Entity level by the Consolidated Entity's Chief Operating Decision Maker.

The Consolidated Entity reportable operating segment under AASB 8 are presented below. The accounting policies of the reportable operating segments are the same as the Consolidated Entity's accounting policies.

The revenue reported below represents revenue generated from external customers. Intersegment sales were eliminated in full. For the half-year 31 December 2021, the Consolidated Entity's Virtual Office revenue and Serviced Office revenue were $40.8 million and $95.6 million respectively (31 December 2020: $40.3 million and $99.1 million respectively).

3 Operating Segments (Continued)

Segment performance

	Lease revenue 31 Dec 2021 $ '000	Contract revenue 31 Dec 2021 $ '000	Total revenue 31 Dec 2021 $ '000	Lease revenue 31 Dec 2020 $ '000	Contract revenue 31 Dec 2020 $ '000	Total revenue 31 Dec 2020 $ '000	Segment profit/ (loss) 31 Dec 2021 $ '000	Restated* Segment profit/ (loss) 31 Dec 2020 $ '000
Continuing operations								
Australia, New Zealand and Southeast Asia	**24,814**	**6,123**	**30,937**	25,497	7,363	32,860	**1,020**	121
USA	**6,799**	**1,071**	**7,870**	5,805	1,366	7,171	**163**	(2,424)
Europe and Middle East	**24,671**	**13,782**	**38,453**	25,538	11,209	36,747	**4,259**	6,148
North Asia	**44,504**	**13,075**	**57,579**	46,592	14,874	61,466	**8,517**	13,738
Other	**414**	**286**	**700**	563	272	835	**2,841**	(21)
Total continuing operations	**101,202**	**34,337**	**135,539**	103,995	35,084	139,079	**16,800**	17,562
Closed floors (i)								
Australia, New Zealand and Southeast Asia	**298**	**110**	**408**	3	-	3	**(375)**	8
USA	**-**	**-**	**-**	154	15	169	**(3)**	2,323
Europe and Middle East	**182**	**170**	**352**	83	53	136	**(48)**	(251)
North Asia	**-**	**-**	**-**	(6)	2	(4)	**(1)**	(12)
	480	**280**	**760**	**234**	**70**	**304**	**(427)**	**2,068**
Franchise fee income	**-**	**66**	**66**	-	54	54	**66**	54
Consolidated total	**101,682**	**34,683**	**136,365**	104,229	35,208	139,437	**16,439**	19,684

3 Operating Segments (Continued)

Segment performance (Continued)

	Lease revenue 31 Dec 2021 $ '000	Contract revenue 31 Dec 2021 $ '000	Total revenue 31 Dec 2021 $ '000	Lease revenue 31 Dec 2020 $ '000	Contract revenue 31 Dec 2020 $ '000	Total revenue 31 Dec 2020 $ '000	Segment profit/ (loss) 31 Dec 2021 $ '000	Restated* Segment profit/ (loss) 31 Dec 2020 $ '000
Other								
Interest revenue	**-**	**401**	**401**	-	391	391	**401**	391
Foreign exchange gains	**-**	**-**	**-**	-	-	-	**2,057**	4,831
Central unrecovered head office overheads	**-**	**-**	**-**	-	-	-	**(3,024)**	(6,590)
Share of profits of joint venture	**-**	**-**	**-**	-	-	-	**206**	161
Gain / (loss) on asset disposal	**-**	**-**	**-**	-	-	-	**(959)**	501
Impairment of ROU assets (ii)	**-**	**-**	**-**	-	-	-	**-**	(3,272)
Impairment reversal of leasehold improvements	**-**	**-**	**-**	-	-	-	**-**	2,150
COVID-19 payments received from governments	**-**	**862**	**862**	-	2,004	2,004	**862**	-
Unallocated	**-**	**113**	**113**	-	160	160	**(9)**	133
Profit before tax	**101,682**	**36,059**	**137,741**	104,229	37,763	141,992	**15,973**	17,989
Income tax expense	**-**	**-**	**-**	-	-	-	**(2,682)**	(2,485)
Total	**101,682**	**36,059**	**137,741**	**104,229**	**37,763**	**141,992**	**13,291**	**15,504**

Note:

i. Closed floors represent floors no longer operational, either through deconsolidation or termination.

ii. Refer to note 9 and 10 for details on the net impairment of the ROU and leasehold improvements.

*Balances for the period ending 31 December 2020 have been restated. Refer to note 16 for more details.

3 Operating Segments (Continued)

Segment net assets

	Segment assets 31 Dec 2021 $ '000	Segment liabilities 31 Dec 2021 $ '000	Net assets 31 Dec 2021 $ '000	Restated* Segment assets 30 Jun 2021 $'000	Restated* Segment liabilities 30 Jun 2021 $'000	Restated* Net assets 30 Jun 2021 $'000
Australia, New Zealand and Southeast Asia	**261,819**	**(113,366)**	**148,453**	227,683	(72,387)	155,296
USA	**(14,087)**	**(91,776)**	**(105,863)**	(10,277)	(90,823)	(101,100)
Europe and Middle East	**165,933**	**(61,572)**	**104,361**	172,824	(75,430)	97,394
North Asia	**194,181**	**(136,908)**	**57,273**	234,049	(186,285)	47,764
Other	**(752)**	**(21)**	**(773)**	(730)	(18)	(748)
Total	**607,094**	**(403,643)**	**203,451**	**623,549**	**(424,943)**	**198,606**

*Balances for the period ending 30 June 2021 have been restated. Refer to note 16 for more details.

Deconsolidation of subsidiaries due to loss of control

During the half-year ended 31 December 2021 the Consolidated Entity did not gain or lose control of entities.

4 Revenue and other income

Revenue

The Consolidated Entity has four main revenue streams: lease, communications, service and franchise fee income.

	31 Dec 2021 $ '000	31 Dec 2020 $ '000
Revenue from contracts with customers		
- Communication revenue	**14,188**	16,134
- Franchise fee income	**66**	54
- Service revenue	**20,429**	19,020
	34,683	35,208
Revenue from other sources		
- Lease revenue	**101,682**	104,229
	101,682	104,229
Total revenue	**136,365**	139,437
Other Income		
- Interest income - bank deposits	**401**	391
- Other income	**113**	160
- Jobkeeper payments received from the Australian federal government	**-**	2,004
- Government grants received from non-Australian sources	**862**	-
Total other revenue and income	**1,376**	2,555

Notes to the Financial Statements

For the half-year ended 31 December 2021

5 Tax expense

	31 Dec 2021	Restated* 31 Dec 2020
	$ '000	$ '000
Profit before income tax	**15,973**	17,989
Tax rate	**30 %**	30 %
Income tax expense calculated at 30%	**4,792**	5,397
Add:		
Tax effect of:		
- Unused tax losses and tax offset not recognised as deferred tax assets	**122**	2,718
	4,914	8,115
Adjustments:		
Tax effect of:		
- Deductible local taxes	**(292)**	(404)
- Effect of different tax rates of subsidiaries operating in other jurisdictions	**(771)**	(1,057)
- Other non assessable items	**(917)**	(2,355)
- Income tax over provision in prior years	**(252)**	(1,814)
Income tax expense	**2,682**	2,485

The tax consequence of the Consolidated Entity's opening balance restatement of the IFRS16 ROU asset and lease liability balances:

Adjustment in deferred tax assets		
Deferred tax impact - retained earnings	**(623)**	(572)

*The balances for the period ending 31 December 2020 has been restated. Refer to note 16 for more details.

6 Earnings per share

(a) Earnings used to calculate overall Earning Per Share ("EPS")

Profit attributable to security holders used to calculate basic and diluted EPS ($'000)	**13,291**	15,504

(b) Weighted Average Number of Ordinary Shares ("WANOS") outstanding during the year used in calculating EPS

WANOS used in calculating basic and diluted EPS ('000)	**96,818**	96,818

(c) Earnings per security

Basic EPS	**$ 0.137**	$ 0.160
Diluted EPS	**$ 0.137**	$ 0.160

Notes to the Financial Statements

For the half-year ended 31 December 2021

7 Trade and other receivables

	31 Dec 2021	30 Jun 2021
	$ '000	$ '000
At amortised cost		
Trade receivables	**24,963**	27,507
Less: expected credit loss	**(4,236)**	(5,035)
Net trade receivables	**20,727**	22,472
Other receivables	**1,543**	1,560
Total current trade and other receivables	**22,270**	24,032

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

There has been no change to the Consolidated Entity's accounting policies in relation to trade receivables and provision for expected credit loss in the half-year period ended on 31 December 2021.

8 Other financial assets

Financial assets at fair value through profit or loss

	31 Dec 2021	30 Jun 2021
	$ '000	$ '000
CURRENT		
At fair value through profit or loss		
Investment in bank hybrid variable rate securities (i)	**6,962**	10,759
At amortised cost		
Lease deposits	**1,936**	1,736
	8,898	12,495
NON-CURRENT		
At fair value through profit or loss		
Forward foreign currency exchange contracts	**1,375**	1,216
At amortised cost		
Lease deposits (ii)	**40,135**	40,027
Other	**1,016**	1,017
	42,526	42,260
Total other financial assets	**51,424**	54,755

Note:

(i) Australia has $0.7 million in securities which is encumbered (30 June 2021: $7.6 million).

(ii) No expected credit loss has been provided on lease deposits as, based on past experience, these are expected to be recovered in full.

9 Property, plant and equipment

Movements in carrying amounts of property, plant and equipment

	Freehold land and buildings	Leasehold Improve-ments	Office furniture and fittings	Office equipment & software	Capital Works in Progress	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Dec 2021						
Balance at 1 July 2021	**7,188**	**67,005**	**11,214**	**8,892**	**2,201**	**96,500**
Additions/(transfers)	**-**	**3,790**	**559**	**1,482**	**(430)**	**5,401**
Disposals	**-**	**(840)**	**(61)**	**(11)**	**-**	**(912)**
Depreciation expense	**(66)**	**(7,239)**	**(1,530)**	**(2,924)**	**-**	**(11,759)**
Foreign exchange movements	**(14)**	**636**	**135**	**36**	**-**	**793**
Net book value as at 31 Dec 2021	**7,108**	**63,352**	**10,317**	**7,475**	**1,771**	**90,023**
Cost	8,081	209,619	39,039	62,548	1,771	321,058
Accumulated depreciation	(973)	(146,267)	(28,722)	(55,073)	-	(231,035)
Balance as at 31 Dec 2021	**7,108**	**63,352**	**10,317**	**7,475**	**1,771**	**90,023**
June 2021						
Balance as at 1 July 2020	8,157	81,090	15,408	15,274	1,386	121,315
Additions/(transfers)	-	4,225	213	451	815	5,704
Disposals	-	(33)	(45)	(49)	-	(127)
Depreciation expense	(135)	(15,609)	(3,105)	(6,598)	-	(25,447)
Impairment reversal (i)	-	2,150	-	-	-	2,150
Foreign exchange movements	(834)	(4,818)	(1,257)	(186)	-	(7,095)
Net book value as at 30 Jun 2021	7,188	67,005	11,214	8,892	2,201	96,500
Cost	8,027	206,169	38,107	60,497	2,201	315,001
Accumulated depreciation	(839)	(139,164)	(26,893)	(51,605)	-	(218,501)
Balance as at 30 Jun 2021	**7,188**	**67,005**	**11,214**	**8,892**	**2,201**	**96,500**

Note:

(i) The reversal of impairment of leasehold improvements relates to Abu Dhabi and Singapore.

Leasehold improvements are assessed for indicators of impairment under AASB 136. Refer to note 10 for further details of impairment testing.

10 Right of use assets

The Consolidated Entity leases property. Information about leased property for which the Consolidated Entity is a lessee is presented below:

	31 Dec 2021 $ '000	Restated* 30 Jun 2021 $ '000
Balance at beginning of year	**295,863**	355,047
Restatement (refer note 16)	**(1,870)**	(1,507)
Opening balance - restated*	**293,993**	353,540
Additions to right-of-use assets	**25,856**	76,032
Terminations	**-**	(11,740)
Amortisation charge for the period	**(50,412)**	(100,106)
Impairment charge	**-**	(3,648)
Net foreign exchange movement	**2,259**	(20,085)
	271,696	293,993

*The balances for the period ending 30 June 2021 have been restated. Refer to note 16 for more details.

The recoverable amount of the ROU Assets are assessed for indicators of impairment under AASB 136. Where impairment indicators exist, the Cash Generating Unit ("CGU") is tested for impairment. CGUs are defined as individual cities where the Consolidated Entity operates, being the smallest identifiable group of assets that generate cash flows that are largely independent of other groups of assets. Indicators that a CGU may be impaired include but not limited to persistent operating losses or net cash outflows, and unfavourable financial performance of the CGUs against forecasts.

The recoverable amount of ROU Assets is the higher of fair value less costs to sell and value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment exists when the carrying value of an asset or CGU exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

The Consolidated Entity assessed the ROU assets for impairment indicators in light of the continuing COVID-19 pandemic. 5 CGUs, namely London, Guangzhou, Manila, Kuala Lumpur, and Perth were identified with impairment indicators for the half-year ended on 31 December 2021. VIU associated with these CGUs was further assessed. And based on this assessment, the Consolidated Entity concluded that no additional impairment loss was required for the current period. The key assumptions used in the assessment include the pre-tax WACC used in the Consolidated Entity's calculations range between 4.9% and 11.0% (2021: 4.9% and 11.0%).

11 Goodwill

Each of the following countries is a stand-alone CGU:

Japan, Australia, New Zealand, China, Malaysia, Singapore, Thailand, Belgium, United Arab Emirates, Bahrain, Qatar, Saudi Arabia, Philippines, Lebanon, Turkey, France, Germany, United States of America, Kuwait and United Kingdom.

Goodwill was allocated to the CGU in which goodwill arose. Not every CGU has goodwill allocated to it.

The carrying amounts of goodwill relating to each group of cash-generating unit as at 31 December 2021 were as follows:

	31 Dec 2021	30 Jun 2021
	$ '000	$ '000
Australia	**2,636**	2,636
China	**161**	161
Japan	**9,161**	9,161
New Zealand	**785**	785
Singapore	**706**	706
Thailand	**326**	326
	13,775	13,775

The Consolidated Entity tests goodwill for impairment annually. A preliminary review of the recoverability of the goodwill has been performed, there has been no indication of impairment of goodwill allocated to the CGUs for the half-year period ended 31 December 2021. The Consolidated Entity will complete and report the annual goodwill impairment testing under AASB 136 Impairment of Assets in the annual financial report for the financial year ending on 30 June 2022.

12 Issued capital

	31 Dec 2021	30 Jun 2021
	$ '000	$ '000
96,817,888 (30 June 2021: 96,817,888) Ordinary shares	**151,594**	151,594
Total issued capital	**151,594**	151,594

Ordinary shares reconciliation of number of shares

	31 Dec 2021	30 Jun 2021
	No. '000	No. '000
At the beginning of the reporting period	**96,818**	96,818
At the end of the reporting period	**96,818**	96,818

13 Equity settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of rights to Key Management Personnel ("KMP"), senior executives and managers in accordance with the provisions of Servcorp's Executive Share Options Scheme. Amounts are transferred out of the reserve and into share capital when the right vest, the options exercised and shares issued. Further information about the share-based payments to employees is set out in the Remuneration Report contained in the Annual Report for the year ended 30 June 2021.

13 Equity settled employee benefits reserve (Continued)

On 3 September 2021 Servcorp Limited issued 100,000 options to managers, at an exercise price of $3.35 per option, expiring 3 September 2026. The contractual life of the options is 5 years, with the last exercise date occurring 3 September 2026 (unless the options lapse earlier in accordance with the terms). The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model.

On 19 November 2021 100,000 options over ordinary shares with an exercise price of $2.48 have been cancelled. The options were cancelled because the option holder ceased to be an employee of the Consolidated Entity.

14 Distributions

Ordinary distributions paid / payable and distribution per security:

Recognised amounts

		Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
30 June 2021						
Interim	Fully paid ordinary share	9.00	8,714	7 April 2021	30 %	0 %
Final	Fully paid ordinary share	9.00	8,714	7 October 2021	30 %	0 %
30 June 2020						
Interim	Fully paid ordinary share	11.00	10,650	2 April 2020	30 %	25 %
Final	Fully paid ordinary share	9.00	8,714	1 October 2020	30 %	0 %

Unrecognised amounts

Since the end of the financial half-year, the Directors have declared the following dividend:

Interim	Fully paid ordinary share	10.00	9,682	6 April 2022	30 %	0 %

In determining the level of future dividends, the Directors will seek to balance growth objectives and rewarding shareholders with income. This policy is subject to the cash flow requirements of the Consolidated Entity and its investment in new opportunities aimed at growing earnings. The Directors cannot give any assurances concerning the extent of future dividends, or the franking of such dividends, as they are dependent on future profits, the financial and taxation position of the Company and the impact of taxation legislation.

Dividend franking account

	31 Dec 2021 $ '000	30 Jun 2021 $ '000
30% Franking credit available	**604**	142

The above amounts represent the balance of the franking account as at the end of the half-year, adjusted for:

- Franking debits that will arise from the prepayment of dividends recognised as a liability at the reporting date; and
- Franking credit that will arise from the receipt of dividends recognised as receivable at the reporting date.

The tax rate at which paid dividends have been franked at 31 December 2021 is 30% (30 June 2021: 30%). Dividends declared and unpaid will be franked at the rate of 30% as at 31 December 2021 (30 June 2021: 30%).

15 Fair value measurement

Fair value hierarchy

The Consolidated Entity measures various financial assets and liabilities at fair value which, in come cases, may be subjective and depend on the inputs used in the calculations. The different levels of measurement are described below:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Not traded in an active market but calculated with significant inputs coming from observable market data; and
Level 3	Significant inputs to the calculation that are not based on observable market data (unobservable inputs).

The Consolidated Entity holds level 1 and level 2 financial instruments.

The Board of Directors consider that the carrying amount of financial assets and financial liabilities approximate their fair value other than in respect of the Company's investment in subsidiaries.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to 3 based on the degree to which fair value is observable.

The table below shows the assigned level for each asset and liability held at fair value by Consolidated Entity:

31 December 2021	**Level 1 $ '000**	**Level 2 $ '000**	**Level 3 $ '000**	**Total $ '000**
Recurring fair value measurements				
Financial assets				
Bank hybrid variable rate securities	**6,962**	**-**	**-**	**6,962**
Forward foreign currency exchange contracts	**-**	**1,375**	**-**	**1,375**

30 June 2021	**Level 1 $ '000**	**Level 2 $ '000**	**Level 3 $ '000**	**Total $ '000**
Recurring fair value measurements				
Financial assets				
Bank hybrid variable rate securities	10,759	-	-	10,759
Forward foreign currency exchange contracts	-	1,216	-	1,216

15 Fair value measurement (Continued)

Fair value hierarchy (Continued)

There were no transfers between the fair value hierarchy levels during the half-year. The following tables gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value at 31 Dec 2021 $ '000	Fair value at 30 Jun 2021 $ '000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Bank hybrid variable rate securities	6,962	10,759	1	Quoted price in an active market
Forward foreign currency exchange contracts	1,375	1,216	2	Future cash flows are estimated based on observable forward exchange rates

16 Retrospective restatement

During the half-year period, the Consolidated Entity identified certain errors with the lease accounting which, whilst not material to the consolidated interim financial statements as a whole, have been corrected in the prior period balances. These corrections relate to:

- revision of the lease commencement dates as per AASB 16 Leases to earlier dates where the Consolidated Entity had access to the leased premises prior to the rent commencement dates to perform office fit-out work;
- correction of errors in the inputs used in the calculation of lease balances under AASB 16 Leases. These include errors in lease payment amounts, annual increase rates, and incremental borrowing rate used to discount the lease payments; and
- correction of the treatment of lease incentives with a number of leases.

The majority of the errors identified relate to leases that existed on initial adoption of *AASB 16 Leases* on 1 July 2019. If these errors had been identified by the Consolidated Entity on the initial adoption of *AASB 16 Leases*, different Right-of-Use Assets, Lease Liabilities, and Opening Retained Earnings impact would have been recorded.

16 Retrospective restatement (Continued)

As a result of the correction of these errors, the following changes have been made to the comparative Statement of Financial Position balances in the consolidated interim financial statements for the half-year ended 31 December 2021:

	Previously stated	Adjustments	30 June 2021 Restated
	$ '000	**$ '000**	**$ '000**
Financial statement caption			
Right-of-use asset	295,863	(1,870)	293,993
Deferred tax asset	38,294	623	38,917
Trade payables	(35,397)	(520)	(35,917)
Lease liabilities	(348,740)	(731)	(349,471)
Retained earnings	(65,736)	2,724	(63,012)
Reserves	16,226	(226)	16,000
	(99,490)	**-**	**(99,490)**

The following changes have been made to the comparative profit or loss balances in the consolidated interim financial statements for the half-year ended 31 December 2021:

	Previously stated	Adjustments	31 Dec 2020 Restated
	$ '000	**$ '000**	**$ '000**
Financial statement caption			
Profit before tax	**17,872**	117	17,989
Income tax expense	**(2,450)**	(35)	(2,485)
Profit after tax	**15,422**	82	15,504

17 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2021 (30 June 2021: None).

18 Events Occurring after the reporting date

The consolidated financial report was authorised for issue on 23 February 2022 by the board of Directors.

Dividend

On 23 February 2022, the Directors declared an interim dividend of 10.00 cents per share, unfranked and payable on 6 April 2022.

The financial effect of the above transaction has not been brought to account in the financial statements for the half-year ended 31 December 2021.

No matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Directors' Declaration

The Directors of the Company declare that:

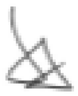
1. The consolidated financial statements and notes, as set out on pages 2 to 24 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

   (b) give a true and fair view of the consolidated group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 23rd day of February 2022.

Independent Auditor's Review Report

To the shareholders of Servcorp Limited

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Servcorp Limited.

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 Servcorp Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2021
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Note 1 to 18 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Consolidated Entity*** comprises Servcorp Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

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 Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 these requirements.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- 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 does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Kim Lawry
Partner

Sydney
23 February 2022