SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4E

Preliminary Final Report
For the financial year ended
30 June 2021

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the twelve months ended 30 June 2021, the 2021 Annual Financial 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 2020 to 30 June 2021
Previous corresponding period:	1 July 2019 to 30 June 2020

Results for announcement to the market

				$m
Revenue and other income from ordinary activities	down	22%	To	275.7
Profit from ordinary activities after tax attributable to members	up	219%	to	22.1
Net profit for the period attributable to members	up	219%	to	22.1

Dividends	**Total amount** **$m**	**Amount per security** **(cents per share)**	**Franked amount per security** **(cents per share)**
Current period			
Final dividend declared	8.7	9.00c	none
Interim dividend paid	8.7	9.00c	none
Previous corresponding period			
Final dividend paid	8.7	9.00c	none
Interim dividend paid	10.7	11.00c	2.75c

Record date for determining entitlements to the dividend	2 September 2021
Dividend payment date	7 October 2021

The final dividend is 100% conduit foreign income.

	30 June 2021 **$**	**30 June 2020** **$**
Net tangible asset backing		
Net tangible asset backing per ordinary security	1.93	2.14

Additional 4E disclosures can be found in the Notes to the Servcorp Consolidated Financial Report for the year ended 30 June 2021 lodged with the ASX on 26 August 2021.

Management Discussion & Analysis

FY21 in Review

The impact of COVID-19 on the flexible workspace industry has been unprecedented. Servcorp's response to the existing global environment has been swift and we continue to manage through the pandemic by prioritising:

- **A strong liquidity position:** Current cash balances in excess of $110.0m and no external debt.
- **Tightly controlled operating expenditure:** Cost reduction initiatives across our operations have lowered our operating cost base by 24% compared to the prior corresponding period.
- **Strict capital expenditure allocation:** All capital expenditure programs were temporarily suspended through FY21. However 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 seamless.
- **Vaccination of the team:** Encouraging team members to be vaccinated by allowing paid time off and, where necessary, paying for vaccinations.

The COVID-19 pandemic continues to make trading conditions difficult across every market in which we operate. Occupancy levels through FY21 have been relatively stable, Mature[1] floor occupancy finishing the year at 73%. While the COVID-19 pandemic had a significant impact on coworking initially, our investment pre-COVID in refurbishing reception areas has played a substantial part in our ability to hold serviced office occupancy above 70%.

There remains continued downward price pressure across our global footprint. Virtual office client numbers have almost recovered to pre-COVID levels. The restructuring of coworking and virtual office has allowed us to operate globally and ensure adherence to social distancing requirements. In the last two months coworking uptake has increased significantly in areas that are not either in state of emergency or in lockdown. We are also seeing higher coworking enquiries where vaccination rates are above 60%.

Despite the COVID-19 challenges, we remain cautiously optimistic. The roll out of the vaccine across markets in which we operate, as well as impacts of fiscal stimulus, are supporting economic activity, with both business and consumer confidence slowly returning to pre-COVID levels in some markets. We are confident that when we emerge from the COVID-19 pandemic, the flexible workspace industry will be more important than ever before.

Servcorp is uniquely positioned, has a global reach, best-in-market technology platforms, a longstanding track record and strong cash generation ability to emerge post-COVID a stronger performer in the flexible workspace industry.

[1] *Refer glossary on page 12*

Headline

A reasonable underlying performance in FY21 despite difficult COVID-19 trading conditions:

- Revenue and other income[2] down 22%
- Mature revenue down 17%, or 10% on a constant currency basis
- Underlying[3] NPBT down 20%
- Statutory NPBT up 83%
- Underlying Free Cash $49.9m (down 25%)

Despite the current economic environment stemming from COVID-19 the FY21 final dividend maintained at previously announced level of 9.0 cps, unfranked.

Operating performance

Reconciliation of Statutory NPBT and NPAT to Underlying NPBT and NPAT:

	FY21	FY20
		$m
Statutory NPBT	**28.5**	**15.6**
Add:		
Net non-cash impairment of assets	1.5	-
Deconsolidation loss[4] and restructure costs and write-offs	-	21.4
Restricted losses[5]	-	0.5
Underlying NPBT[6]	**30.0**	**37.5**
Less:		
Underlying tax expense	6.4	6.9
Underlying NPAT	**23.6**	**30.6**
Less:		
Net non-cash impairment of assets	1.5	-
Deconsolidation loss and restructure costs and write-offs (after tax)	-	20.9
Restricted losses (after tax)	-	0.5
Non-cash tax adjustment relating to deferred tax assets	-	2.3
Statutory NPAT	**22.1**	**6.9**

- Statutory NPBT $28.5m, up $12.9m or 83% on FY20
- Underlying NPBT $30.0m before $1.5m of net non-cash impairment of assets, down $7.5m or 20% on FY20
- Statutory NPAT $22.1m, up $15.2m or 219% on FY20
- Underlying Free Cash $49.9m, down 25% on FY20

[2] *Excluding $2.4m (FY20: $1.1m) JobKeeper subsidy, FY21 revenue and other income is down 22% on FY20; JobKeeper is disclosed in the Financial Report as revenue.*

[3] *"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.*

[4] *Aggregate FY20 deconsolidation loss of $19.5m relating to USA and entity operating in a politically restricted country with exchange controls.*

[5] *Losses generated by a previous member of the consolidated entity operating in a politically restricted country with exchange controls; the previous member was deconsolidated in FY20.*

[6] *FY21 Underlying NPBT has not been adjusted for the $2.4m (FY20: $1.1m) 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.*

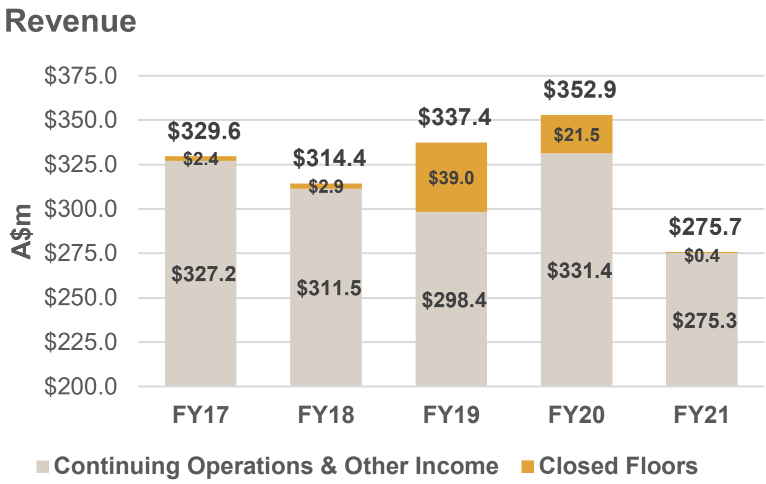
Operating performance - continued

Resilient balance sheet

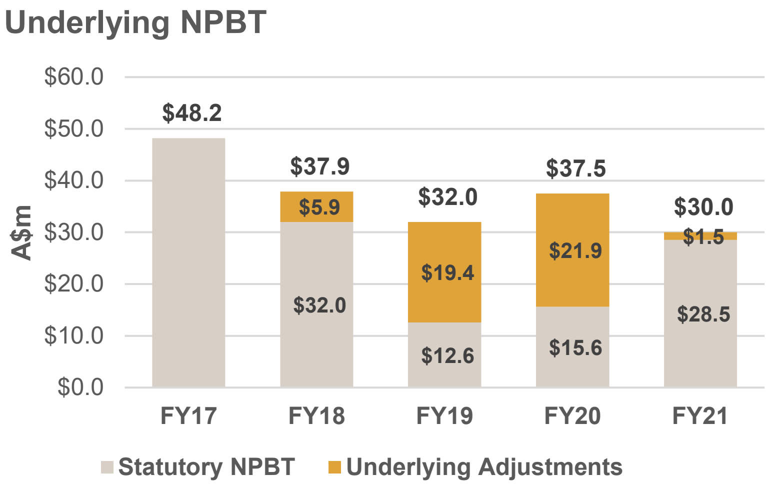
- Cash balances at 30 June 2021 of $97.0m, down $4.4m from $101.4m at 30 June 2020 driven substantially by a strong Australian dollar and associated $8.0m downward revaluation on cash balances
- Cash balances currently in excess of $110.0m
- Underlying Free Cash 166% of Underlying FY21 NPBT, providing some buffer to navigate through the COVID-19 pandemic, supporting self-funded capital expenditure and dividends
- No external net debt
- Notwithstanding COVID-19 impact, cash generation enabling a FY21 final dividend of 9.0 cps, unfranked

FY21 – Overview

FY21 revenue $275.7m, down 22% on FY20. Revenue from continuing operations[7] and other income[8] $275.3m, down 17%[9] on FY20 reflecting tough COVID-19 trading conditions partially offset by the benefits of the global footprint consolidation undertaken in FY20.



FY21 Underlying NPBT $30.0m, down 20% on FY20. FY21 NPBT was underpinned by a solid North Asia performance, a reasonable EME performance, a poor ANZ & SEA result combined with reduced losses in the USA.



[7] *Refer to the segment information note B1 in the FY21 Financial Report*
[8] *Excluding $2.4m (FY20: $1.1m) JobKeeper subsidy, revenue from continuing operations and other income was down 17% on FY20.*
[9] *Revenue from continuing operations and other income decreased 10% compared to FY20 on constant currency basis.*

Cash Flow

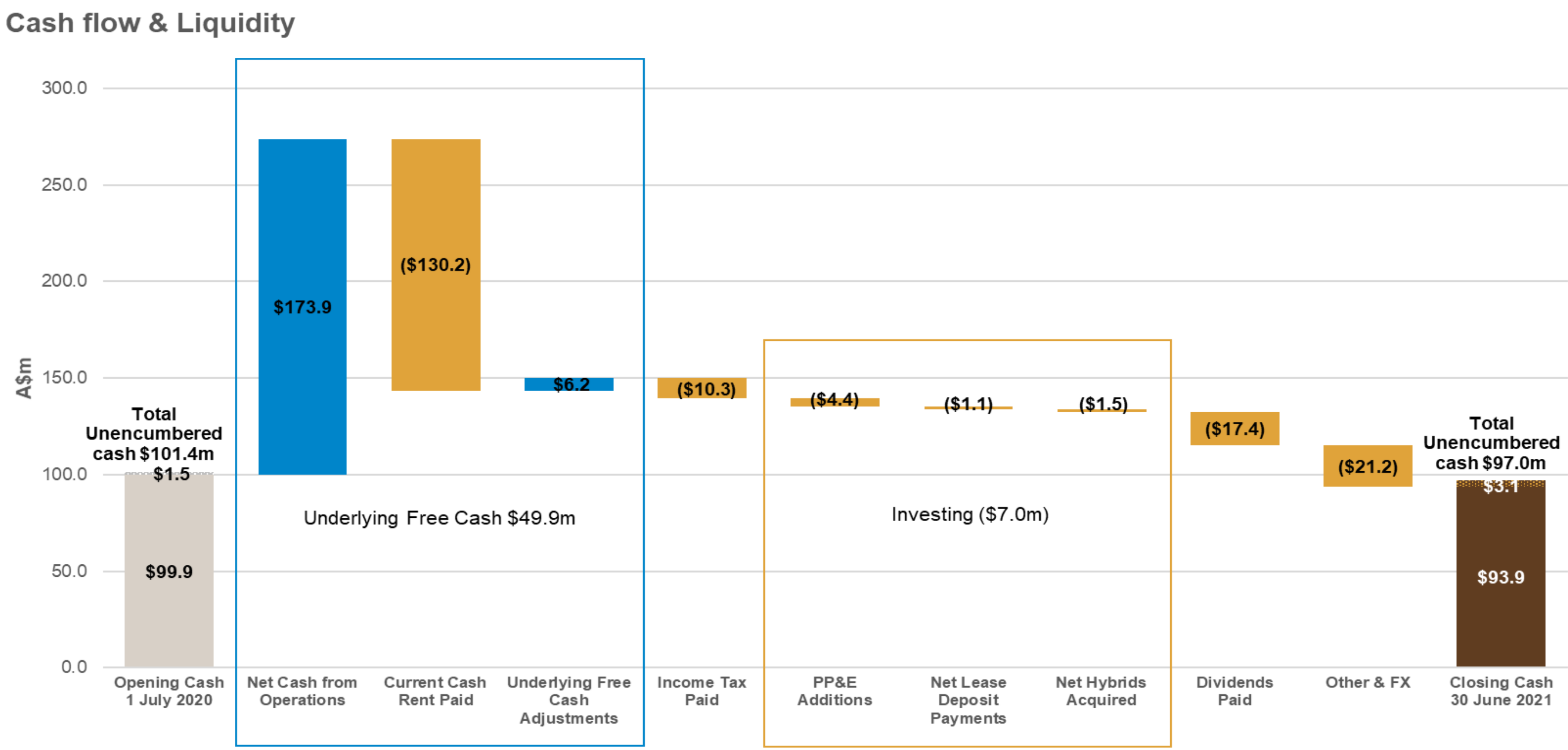
Reconciliation of Net Operating Cash Flows to Free Cash and Underlying Free Cash:

	FY21	FY20
		$m
Net Operating Cash Flows	**151.2**	**182.3**
Add:		
Tax paid	10.3	9.4
Less:		
Lease liability Cash Rent[10] for related period paid in related period	117.8	111.2
Cash Rent timing differences[11]	1.1	8.8
Free Cash	**42.6**	**71.7**
Add:		
Deconsolidation[12] payments and restructure costs	2.9	3.4
Cash Rent relating to FY20 previously unpaid (paid in FY21)	8.7	-
Less:		
Unpaid Cash Rent relating to reported period	4.3	8.9
Underlying Free Cash[13]	**49.9**	**66.1**

Free Cash of $42.6m, down 41% compared to FY20. Underlying Free Cash of $49.9m, down 25% compared to FY20.

[10] *The interest component of Cash Rent of $12.3m (FY20: $18.7m) is included in the Net Operating Cash Flows of $151.2m (FY20: $182.3m)*
[11] *Is Cash Rent relating to future periods paid in current period less Cash Rent relating to current period paid in previous period*
[12] *Is $2.9m (FY20: $1.4m) paid in relation to the USA deconsolidation accounted for in FY20.*
[13] *FY21 Underlying Free Cash has not been adjusted for the $2.4m (FY20: $1.1m) 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



We produced Underlying Free Cash in FY21 of $49.9m, paid tax of $10.3m and incurred capital expenditure of $4.4m (down $14.8m from $19.2m in FY20) representing primarily maintenance capex and one new floor in Manila. We paid $1.1m in net lease deposits, invested an additional $1.5m in hybrid securities and paid $17.4m in dividends in FY21.
Other cash outflows of $21.3m include $6.2m of Underlying Free Cash adjustments (refer reconciliation on page 5), $8.4m of Cash Rent relating to future years, $8.0m downward effects of exchange rate changes offset by incentives received from landlords of $1.4m.

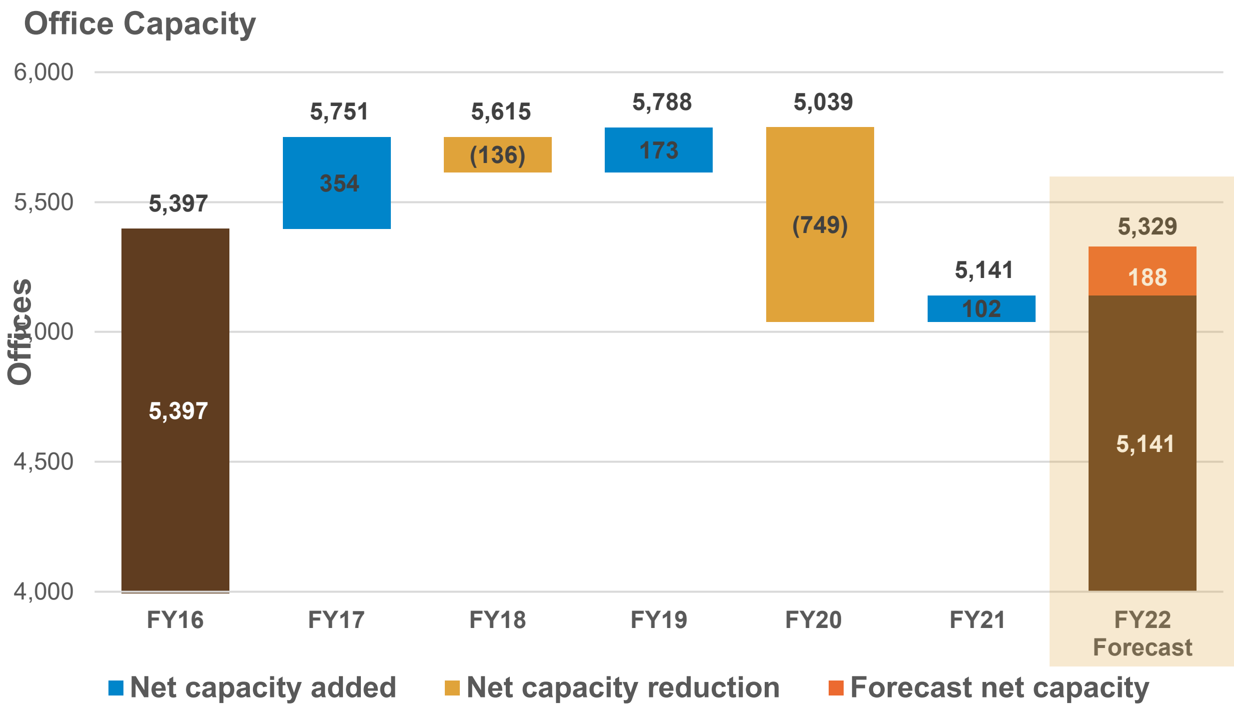
Overall cash decreased by $4.4m from $101.4m at 30 June 2020 to $97.0m at 30 June 2021.

Office Capacity

In FY21 we opened one floor in Manila and closed two floors, one in Al Khobar and one in New York City. Net capacity increased by 102 offices to 5,141 and FY22 capacity is forecast to increase by 188 offices to 5,329 stemming from new floor openings in Macquarie Park, Parramatta, Riyadh and Tokyo offset by closures in Hong Kong, Manila and Parramatta.

Mature floor occupancy was 73% and all floor occupancy was 72% at 30 June 2021 (30 June 2020: both 69%).

Mature floor occupancy at 31 July 2021 was 72% and all floor occupancy was 71%.



Our global footprint encompasses 125 floors, in 43 cities across 21 countries.

Coworking

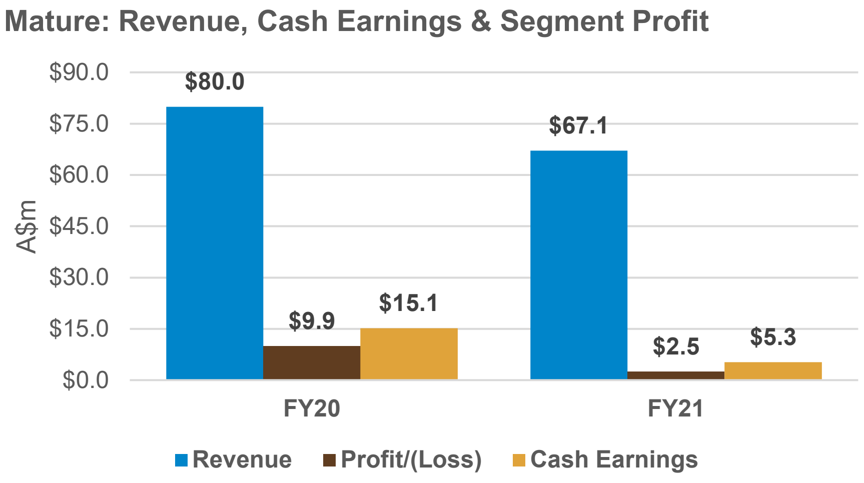
Recent growth in the flexible workspace industry has been underpinned by the expansion of coworking spaces. While the COVID-19 pandemic had a significant impact on coworking initially, our investment pre-COVID in refurbishing reception areas has played a substantial part in our ability to hold serviced office occupancy above 70%.

The restructuring of coworking and virtual office has allowed us to operate globally and ensure adherence to social distancing requirements. In the last two months coworking uptake has increased significantly in areas that are not either in state of emergency or in lockdown. We are also seeing higher coworking enquiries where vaccination rates are above 60%.

There is no doubt coworking is an important part of not only our offering but also the industry and that our investment in reshaping our portfolio for coworking will realise a return on investment in the longer term.

Operating Summary by Region

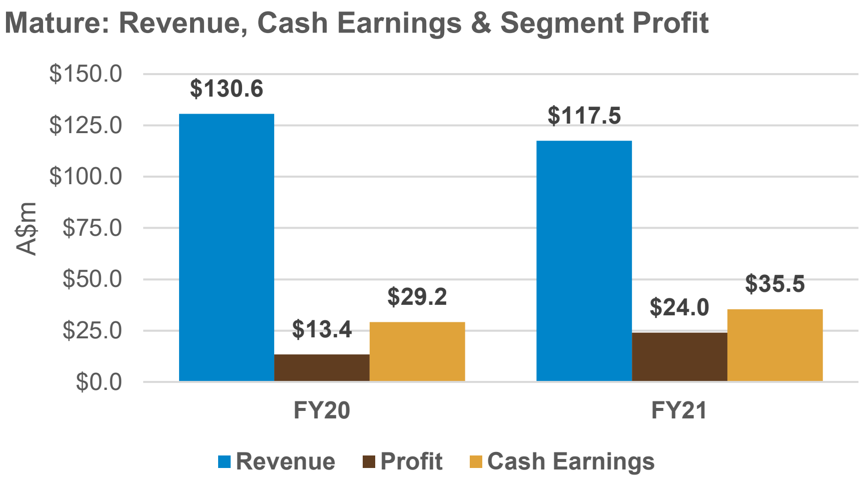
ANZ & South East Asia[14]



FY21 Mature Revenue and Segment Profit were down 16% and 75% respectively with operations having been substantially impacted by COVID-19. However, the region was cash flow positive producing Mature Cash Earnings of $5.3m, down $9.8m compared to FY20.

The FY21 non-cash asset impairment for the region was $1.9m and is not included in the Mature Segment Profit. The region impaired $0.9m of assets in Malaysia, $1.6m of assets in the Philippines and reversed previously impaired assets in Singapore of $0.6m.

North Asia



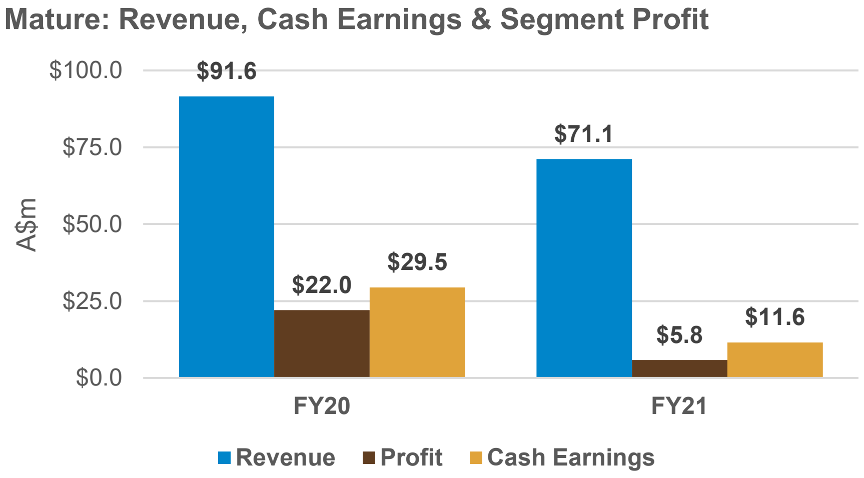
Despite the impact of COVID-19 North Asia as a whole produced a solid result with the drag on profit attributed to China (including Hong Kong). Mature Revenue was down 10% from $130.6m to $117.5m. In line with Mature Segment Profit, Mature Cash Earnings increased 21% in FY21 compared to FY20.

China recorded a $0.5m non-cash impairment of assets in FY21 which is not included in the Mature Segment Profit.

[14] *Mature: Revenue, Segment Profit and Cash Earnings include $1.1m JobKeeper subsidy (FY20: $0.5m) relating to Australian operations.*

Operating Summary by Region – continued

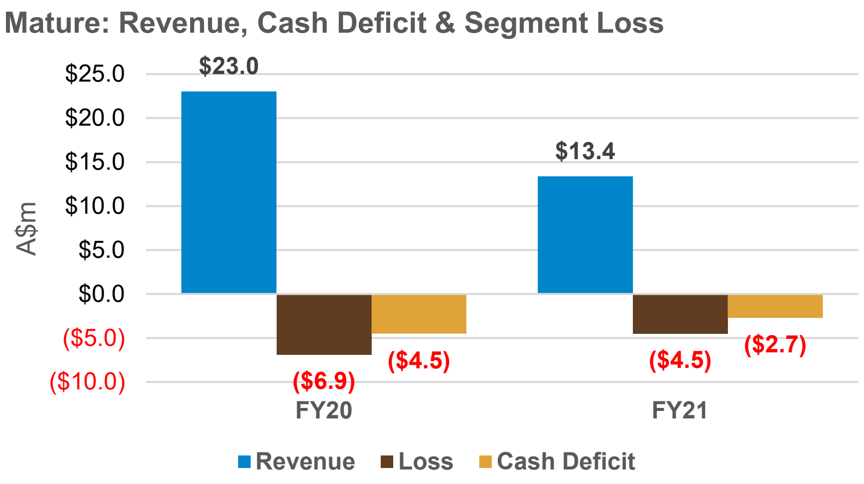
Europe & Middle East



EME was substantially impacted by COVID-19. Mature Revenue and Mature Cash Earnings were down 22% and 61% respectively in FY21 compared to FY20. Mature Segment Profit was down $16.2m in FY21 compared to FY20 however the region remained cash flow positive.

The FY21 non-cash asset impairment reversal for the region was $1.0m and is not included in the Mature Segment Profit. EME impaired $0.5m of assets in France, $0.1m in Kuwait and reversed previously impaired assets in UAE of $1.6m.

USA



As a result of the restructure in FY20 the smaller USA footprint concentrated in three cities on the east coast and Houston in Texas, means the USA has had less of an impact on the global performance. The USA's vaccine rollout has accelerated the country to some sense of post-COVID normality, particularly in the last quarter of FY21. The USA recovery path is long but we feel the current size of our operations are better able to withstand near-term uncertainty.

Mature Revenue of $13.4m was down 42% however Mature Cash Deficit was $2.7m in FY21 compared to $4.5m in FY20. The region reported a Mature Segment Loss of $4.5m, a 35% improvement on FY20.

Financial Summary

FY21 revenue and other income[15] was down 22% to $275.7m (FY20: $352.9m). The Australian dollar strengthened through FY21, particularly in the second half of the financial year. FY21 Mature revenue decreased 10% compared to FY20 on constant currency basis.

FY21 Statutory NPBT was $28.5m, up $12.9m or 83% from FY20 NPBT of $15.6m. FY21 Statutory NPAT was $22.1m, up $15.2m or 219% from FY20 NPAT of $6.9m.

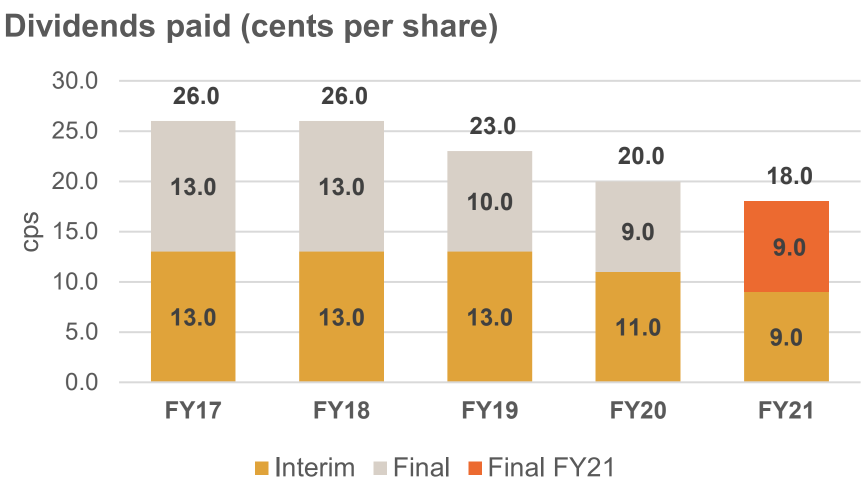
FY21 Underlying NPBT was $30.0m before $1.5m of net non-cash impairment of assets, down 20% on FY20 Underlying NPBT of $37.5m (before $2.5m of restricted earnings and restructure costs and $19.4m of deconsolidation losses).

At 30 June 2021 Net Tangible Assets per share is down to $1.93 per share from $2.14 per share at 30 June 2020 principally owing to the Australian dollar strength and associated $24.5m downward revaluations on the balance sheet.

Cash balances as at 30 June 2021 remained healthy at $97.0m, down $4.4m from $101.4m at 30 June 2020 driven substantially by a strong Australian dollar and associated $8.0m downward revaluation on cash balances.

Other financial assets at 30 June 2021 includes mark-to-market investments in bank hybrid variable rate securities of $10.8m (30 June 2020: $9.2m).

Dividends



The Directors have declared a final dividend of 9.0 cps, unfranked, payable on 7 October 2021.

This brings total dividends payable in relation to FY21 to 18.0 cps, unfranked (FY20 dividends: 20.0 cps).

FY22 dividends are uncertain however, we would 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] *Excluding $2.4m (FY20: $1.1m) JobKeeper subsidy, FY21 revenue and other income is down 22% on FY20; JobKeeper is disclosed in the Financial Report as revenue.*

Outlook

While it remains unclear how long the path to a post-COVID world is, we remain optimistic. The roll out of the vaccine across markets in which we operate, as well as impacts of fiscal stimulus, are supporting economic activity, with both business and consumer confidence 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.

Given our view and subject to no worsening near-term COVID-impacts combined with increasing vaccination programs, in FY22 Mature NPBIT[16] guidance is between $33.0m and $36.0m.

In line with this guidance and performance, in FY22 we expect to produce more than $50.0m in Underlying Free Cash. In those circumstances, we would expect to continue to make dividend payments consistent with FY21 dividends and our long-term history and commitment to shareholders.

In order to achieve our guidance and cash flow forecasts we remain focused on controlling operating expenditure, maintaining strong liquidity and encouraging team members and clients to be vaccinated. Furthermore we are prepared for recovery in each market in which we operate and in some markets we have identified further opportunities for growth.

COVID-19 continues to significantly impact the way we live and work for the foreseeable future. We still are of the view that when we emerge from COVID-19, we envisage that flexible workspaces will be more important than ever, so we will continue to tailor our offering to serve those ever-evolving trends.

Despite the COVID-19 challenges, we remain optimistic due to our unique positioning, worldwide reach, experienced global team, technology platforms, longstanding track record and cash generation.

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] *NPBIT is net profit 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

and its controlled entities

2021 Statutory Accounts

For the 12 months ended

30 June 2021

Contents

Corporate Governance

The Board of Directors of Servcorp Limited (Servcorp or the Company) has responsibility for the long term financial health and prosperity of Servcorp. The Directors are responsible to the shareholders for the performance of the Company and the Consolidated Entity and to ensure that it is properly managed.

The Board is committed to the principles underpinning the ASX Corporate Governance Council Principles and Recommendations. The Board is continually working to improve Servcorp's governance policies and practices, where such practices will bring benefits or efficiencies to Servcorp.

Details of Servcorp's compliance are set out below, and in the ASX principles compliance statement on Servcorp's website; servcorp.com.au. The information in this statement is current as at 26 August 2021 and has been approved by the Board.

ROLE OF THE BOARD

The central role of the Board is to set Servcorp's strategic direction and to oversee Servcorp's management and business activities.

Responsibility for management of Servcorp's business activities is delegated to the CEO and management.

The Board's primary responsibilities are:

- Demonstrating leadership;
- the protection and enhancement of long term shareholder value;
- ensuring Servcorp has appropriate corporate governance structures in place;
- Defining Servcorp's purpose and setting strategic direction;
- Approving Servcorp's statement of values and code of conduct to underpin the desired culture within Servcorp;
- monitoring Servcorp's performance and overseeing management in its implementation of the strategic direction and instilling Servcorp's values;;
- appointing the Chief Executive Officer and evaluating his performance and remuneration;
- Overseeing the integrity of the entity's accounting and corporate reporting systems, including the external audit;
- monitoring business performance and results, including whenever required, challenging management and holding theme to account;
- identifying areas of significant risk and setting the risk appetite within which the Board expects management to operate, and satisfying itself that Servcorp has in place an appropriate risk management framework (for both financial and non-financial risks), including monitoring and reporting mechanisms to manage those risks;
- establishing appropriate standards of ethical behaviour and a culture of corporate and social responsibility;
- approving senior executive remuneration policies, and satisfying itself those remuneration policies align with the entity's purpose, values, strategic objectives and risk appetite;
- ratifying the appointment of the Chief Operating Officer, Chief Financial Officer and the Company Secretary, and ensuring appropriate pre-appointment checks have been undertaken
- monitoring compliance with continuous disclosure policy in accordance with the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange;
- monitoring that Servcorp acts lawfully and responsibly;
- reporting to shareholders;
- addressing all matters in relation to issued securities of the Company including the declaration of dividends;
- ensuring the Board is, and remains, appropriately skilled to meet the changing needs of Servcorp.

The Board Charter is available on Servcorp's website; servcorp.com.au

COMPOSITION OF THE BOARD

The size and composition of the Board is determined by the Board, subject to the limits set out in the Company's Constitution which requires a minimum of three Directors and a maximum of twelve Directors.

The Board comprises four Directors (one executive and three non-executive). All three non-executive Directors are considered to be independent.

The have been no change to the Board since the last annual report..

The Chairman of the Board, The Hon. Mark Vaile, is an independent non-executive Director.

The non-executive Directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The skills, experience and expertise of each Director in office at the date of this annual report are set out on pages 7 and 8 of this annual report. The Board will continue to be made up of a majority of independent non-executive Directors. The performance of non-executive Directors was reviewed during the year.

The names of the Directors of the Company in office at the date of this annual report are set out in the table below.

DIRECTORS' INDEPENDENCE

It is important that the Board is able to operate independently of executive management.

The non-executive Directors are considered by the Board to be independent of management. Independence is assessed by determining whether the Director is free of any business interest or other relationship which could materially interfere with the exercise of their unfettered and independent judgement and their ability to act in the best interests of Servcorp.

NAMES OF DIRECTORS IN OFFICE AT THE DATE OF THIS ANNUAL REPORT

DIRECTOR	FIRST APPOINTED	NON-EXECUTIVE	INDEPENDENT	RETIRING AT 2021 AGM	SEEKING RE-ELECTION
A G Moufarrige	24 August 1999	No	No	No	N/A
M Vaile	27 June 2011	Yes	Yes	No	N/A
W Graham	3 October 2017	Yes	Yes	No	N/A
T McGrath	27 August 2019	Yes	Yes	Yes	Yes

ELECTION OF DIRECTORS

The Company's Constitution specifies that an election of Directors must take place each year. One-third of the Board (excluding the Managing Director and rounded down to the nearest whole number), and any other Director who has held office for three or more years since they were last elected, must retire from office at each annual general meeting. The Directors are eligible for re-election. Directors may be appointed by the Board during the year. Directors appointed by the Board must retire from office at the next annual general meeting.

All Director appointments or changes are dealt with by the Nomination Committee.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that would potentially conflict with those of Servcorp. Where the Board believes that an actual or potential significant conflict exists, the Director concerned, if appropriate, will not take part in any discussions or decision making process on the matter and will abstain from voting on the item being considered. Details of Director related entity transactions with the Company and the Consolidated Entity are set out in Note G3 to the Consolidated financial report.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice, at Servcorp's expense, to help them carry out their responsibilities. Prior approval of the Chairman is required, which will not be unreasonably withheld. A copy of any written advice received by the Director is made available to all other members of the Board.

ETHICAL STANDARDS

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Servcorp.

Codes of conduct, outlining the standards of personal and corporate behaviour to be observed, form part of Servcorp's management and team on-line resources.

DIRECTOR AND OFFICER DEALINGS IN COMPANY SHARES

Servcorp policy prohibits Directors, officers and senior executives from dealing in Company shares or exercising options:

- in the six weeks prior to the announcement to the ASX of the Company's half-year and full-year results; or
- whilst in possession of non-public price sensitive information.

Directors must discuss proposed purchases or sales of shares in the Company with the Chairman before proceeding. If the Chairman proposes to purchase or sell shares in the Company, he must receive approval from the next most senior non-executive Director before proceeding. Directors must also notify the Company Secretary when they buy or sell shares in the Company. This is reported to the Board.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the ASX, each Director has entered into an agreement with the Company that requires disclosure to the Company of all information needed for it to comply with the obligation to notify the ASX of Directors' holdings and interests in its securities.

The Company's Securities Trading Policy is available on Servcorp's website; servcorp.com.au

AUDITOR INDEPENDENCE

The Company's auditor KPMG was appointed at the annual general meeting of the Company on 5 November 2020.

KPMG rotate their audit engagement partner every five years.

KPMG have established policies and procedures designed to ensure their independence, and provide the Audit and Risk Committee with an annual confirmation as to their independence.

DIVERSITY

Servcorp has a culture that both embraces and achieves diversity in its global operations.

Servcorp is culturally diverse in its employment practices and has a global culture of employing the best qualified available talent for any position regardless of gender, age, race or religion. Servcorp benefits from the diversity of its team members and has training programs to assist with developing their skills and with career advancement. Servcorp has a practice of traveling team members to work in its global locations, giving them exposure to and understanding of various differing cultures and marketplaces.

Servcorp has a high participation of women across all employment levels. The proportion of women employees in the whole organisation, senior executive positions and on the Board is set out in the following table.

FULL TIME EMPLOYEES	TOTAL NO.	WOMEN %	MEN %
Consolidated entity	630	81%	19%
Senior executive	18	50%	50%
Board	4	25%	75%

"Senior executive" are general managers, senior managers and head office executives who report directly to the CEO.

Under the Workplace Gender Equality Act 2012 (WGE Act), any employer with 100 or more employees must submit an Annual Compliance Report detailing the composition of its workplace profile in Australia. Servcorp has lodged its WGE Report for 2021 with the WGE Agency; since inception of the WGEA reporting requirements, the Company and its Australian subsidiaries have been compliant with the WGE Act.

Shareholders may access the report on Servcorp's website; servcorp.com.au

CONTINUOUS DISCLOSURE

Servcorp is committed to ensuring that all shareholders and investors are provided with full and timely information and that all stakeholders have equal and timely access to material information concerning Servcorp. Procedures are in place to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The Company Secretary has been appointed as the person responsible for communications with the ASX.

COMMITTEES

The Board does not delegate major decisions to Committees. Committees are responsible for considering detailed issues and making recommendations to the Board. The Board has established three Committees to assist in the implementation of its corporate governance practices. Details of these Committees are set out on the following pages.

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee during the year were:

- Mr T McGrath (Chair)
- Mrs W Graham
- The Hon. M Vaile

All three current members are independent non-executive Directors.

The Chairman of the Audit and Risk Committee is independent and is not the Chairman of the Board.

The primary function of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to:

- ensuring the Company adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
- reviewing and monitoring the integrity of the Company's financial reports and statements;
- ensuring the Company maintains an effective risk management framework and internal control systems;
- monitoring the performance and independence of the external audit process and addressing issues arising from the audit process.

It is the Committee's responsibility to maintain free and open communication between the Committee and the external auditor and the management of Servcorp.

The external auditors attend all meetings of the Committee. The Chief Executive Officer, the Chief Financial Officer and other senior management attend Committee meetings by invitation.

The Audit and Risk Committee met four times during the year. The Committee meets with the external auditors without management being present before signing off its reports each half year. The Committee Chairman also meets with the auditors at regular intervals during the year.

The responsibilities of the Audit and Risk Committee, as stated in its charter, include:

- reviewing the financial reports and other financial information distributed externally;
- reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements;
- assisting management in improving the quality of the accounting function;
- monitoring the internal control framework and compliance structures and considering enhancements;
- overseeing the risk management framework;
- reviewing external audit reports to ensure that, where major deficiencies or breakdown in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- considering the appointment and fees of the external auditor;
- reviewing and approving the terms of engagement and fees of the external auditor at the start of each audit;
- considering and reviewing the scope of work, reports and activities of the external auditor;
- establishing appropriate policies in regard to the independence of the external auditor and assessing that independence;
- liaising with the external auditor to ensure that the statutory annual audit and half-yearly review are conducted in an effective manner;
- addressing with management any matters outstanding with the auditors, taxation authorities, corporate regulators, Australian Securities Exchange and financial institutions;
- monitoring the establishment of appropriate ethical standards.

The Audit and Risk Committee Charter is available on Servcorp's website; servcorp.com.au

NOMINATION COMMITTEE

The Nomination Committee members during the year were:

- The Hon. M Vaile (Chair)
- Mrs W Graham
- Mr T McGrath

The primary function of the Nomination Committee is to support and advise the Board in fulfilling its responsibility to shareholders in ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of Directors. Specifically, this will include establishing and reviewing the following matters for non-executive Directors on the Board and Board Committees:

- processes for identification of suitable candidates for an appointment or re-election to the Board, and selection procedures;
- necessary and desirable competencies and experience;
- processes to review Director contributions and the performance of the Board as a whole;
- succession plans;
- induction programs;
- assessment of the independence of Directors;
- gender diversity.

The Nomination Committee met two times during the year.

The Nomination Committee Charter is available on Servcorp's website; servcorp.com.au

REMUNERATION COMMITTEE

The Remuneration Committee members during the year were:

- Mrs W Graham (Chair)
- The Hon. M Vaile
- Mr T McGrath

The primary function of the Remuneration Committee is to assist the Board in adopting remuneration policy and practices that:

- supports the Board's overall strategy and objectives;
- attracts and retains key employees;
- links total remuneration to financial performance and the attainment of strategic objectives.

Specifically, this will include:

- making recommendations to the Board on appropriate remuneration, in relation to both the amount and its composition, for the Chief Executive Officer and senior executives who report to the Chief Executive Officer;
- developing and recommending to the Board short term and long term incentive programs;
- monitoring superannuation arrangements for the Company;
- reviewing recruitment, retention and termination strategies and procedures;
- ensuring the total remuneration policy and practices are designed with proper consideration of accounting, legal and regulatory requirements for both local and foreign jurisdictions;
- reviewing the Remuneration Report for the Company and ensuring that publicly disclosed information meets all legal requirements and is accurate.

The Remuneration Committee shall ensure the Company is committed to the principles of accountability and transparency and to ensuring that remuneration arrangements achieve a balance between shareholder and executive rewards.

The Remuneration Committee reviews the executive remuneration structures each year to ensure they continue to be appropriate. Details are included in the Remuneration Report on pages 17 to 28 of this annual report.

The Remuneration Committee met two times during the year. The Chief Executive Officer attends Committee meetings by invitation to assist the Committee in its deliberations.

The Remuneration Committee Charter is available on Servcorp's website; servcorp.com.au

Directors' Report

The Directors of Servcorp Limited ("the Company") present their report together with the Consolidated financial report of the "Consolidated Entity", being the Company and its controlled entities, for the financial year ended 30 June 2021.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

ALF MOUFARRIGE AO

Managing Director

Appointed August 1999

Chief Executive Officer

Alf is one of the global leaders in the serviced office industry, with over 40 years of experience. Alf is primarily responsible for Servcorp's expansion, profitability, cash generation and currency management.

Directorships of listed entities in the last three years:

- None.

THE HON. MARK VAILE AO

Chair

Independent Non-executive Director

FAICD

Appointed June 2011

Member of Audit and Risk Committee

Member of Remuneration Committee

Chair of Nomination Committee

Mark had a distinguished career as an Australian Federal Parliamentarian from 1993 to 2008. Ministerial Portfolios held by Mark during his five terms in Federal Parliament include Minister for Transport and Regional Development, Minister for Agriculture, Fisheries and Forestry, Minister for Trade, and Minister for Transport and Regional Services.

Mark also served as Deputy Prime Minister of Australia from July 2005 through to December 2007. He was instrumental in securing or initiating a range of free trade agreements between Australia and the United States, Singapore, Thailand, China, Malaysia and the ASEAN countries.

Since leaving the Federal Parliament in July 2008, Mark has embarked on a career in the private sector utilising his extensive experience across a number of portfolio areas. His current Directorships include StamfordLand Limited and Chair of Whitehaven Coal Limited. Mark is Chair of the Australian American Leadership Dialogue, and is Chair of Palisade Investment Partners Advisory Board. Mark was a Director/ Trustee of Hostplus Superfund Limited, until 30 June 2021.

Directorships of listed entities in the last three years:

- StamfordLand Corporation Ltd (SLC - listed on SGX) since August 2009;
- Virgin Australia Holdings Limited (VAH) from September 2008 to December 2018;
- Whitehaven Coal Limited (WHC) since May 2012 (Chair).

WALLIS GRAHAM

Independent Non-executive Director

GAICD

Appointed October 2017

Member of Audit and Risk Committee

Chair of Remuneration Committee

Member of Nomination Committee

Wallis has had over 20 years of experience in finance, including funds management, corporate finance, private equity, and investment banking. Her responsibilities have spanned multiple industries, including business services, and she has a strong understanding of emerging technologies and the digital landscape.

Wallis has involvement with many community and charitable organisations. She is currently a Director of Wenona School Limited, the Garvan Research Foundation, the Sydney Youth Orchestras, the Wenona Foundation and the John Brown Cook Foundation.

Directorships of listed entities in the last three years:

- None.

TONY MCGRATH

Independent Non-executive Director

BBus (Accounting and Finance) CA

Appointed August 2019

Chair of Audit and Risk Committee

Member of Remuneration Committee

Member of Nomination Committee

Tony has many years of experience in the Australian financial sector, specialising in corporate restructuring and governance advisory related matters. During his career, Tony has undertaken some of Australia's largest and most complex insolvencies and restructurings.

Tony's initial career was with KPMG where he led the Sydney restructuring team. In 2004 Tony founded McGrathNicol, a national restructuring and insolvency practice. Tony retired as a partner of McGrathNicol in 2018 and remains a consultant to the firm.

Tony has a range of experience with governance issues, advising boards and undertaking roles on audit committees. Over the last 6 years Tony has developed a range of specific board skills in undertaking non-executive roles in both the corporate and NFP sectors.

Directorships of listed entities in the last three years:

- None.

GREGORY PEARCE

Company Secretary

B Com, CA, FGIA, FCG (CS)

Appointed August 1999

Greg joined Servcorp in 1996 as Financial Controller and was appointed to his current role of Company Secretary during the Company's IPO in 1999. Prior to joining Servcorp, Greg spent 10 years working in the Information Technology business and the 11 years prior to that working in Audit and Business Services.

Greg is a member of Chartered Accountants Australia and New Zealand and is a Fellow of the Governance Institute of Australia.

DIRECTORS' MEETINGS HELD AND ATTENDANCES AT MEETINGS

The number of Directors' and Board Committee meetings held, and the number of meetings attended by each of the Directors of the Company during the financial year is set out in the following table. Only those Directors who are members of the relevant Committees have their attendance recorded. Other Directors do attend Committee meetings from time to time.

DIRECTOR	BOARD	AUDIT & RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Number of meetings held	**7**	**4**	**2**	**2**
NUMBER OF MEETINGS ATTENDED				
A G Moufarrige	7			
M Vaile	7	4	2	2
W Graham	7	4	2	2
T McGrath	7	4	2	2

The details of the function and membership of the Committees are presented in the Corporate Governance statement on pages 5 and 6.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the companies within the Consolidated Entity, as notified by the Directors to the Australian Securities Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is set out in the following table.

	ORDINARY SHARES IN SERVCORP LIMITED		
DIRECTOR	**DIRECT**	**INDIRECT**	**OPTIONS OVER ORDINARY SHARES**
M Vaile	-	35,050	-
A G Moufarrige	547,436	51,254,723	1,500,00
W Graham	-	-	-
T McGrath	-	54,427	-

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Consolidated Entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Consolidated financial report, or the fixed salary of a full-time employee of the Consolidated Entity or of a related entity) by reason of a contract made by the Consolidated Entity or a related entity with the Director or with a firm of which a Director is a member, or with an entity in which a Director has a substantial financial interest.

OPTIONS GRANTED

During the year, or since the end of the financial year, 2,831,250 Options over unissued ordinary shares of the Company were issued (2020: Nil).

Options granted to Directors or the five most highly remunerated officers of the Company as part of their remuneration are detailed in the Remuneration report on pages 24 and 25.

OPTIONS ON ISSUE

At the date of this report, unissued ordinary shares of the Company under option are:

Number of shares	2,783,750
Exercise price	$2.48
Expiry date	18 September 2025

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

OPTIONS EXPIRED

During the year, 207,500 Options over unissued shares expired or were cancelled (2020: 172,250).

During the year, 1,108,750 Options over unissued shares lapsed, as the EPS Performance of the Company did not meet the applicable Vesting Percentage (2020: Nil).

SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the year, or since the end of the financial year, the Company has not issued any shares as a result of the exercise of an option over unissued shares.

SHARE BUY-BACK

During the year, or since the end of the financial year, the Company has not bought back any shares.

On 18 March 2020, the Company announced it was establishing an on-market buy-back program to enable the Company to repurchase shares in itself from 2 April 2020 for a maximum period of 6 months. No shares were bought back. On 12 May 2020 the Company announced it had ceased the share buy-back.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The constitution of the Company provides that the Company must indemnify, on a full indemnity basis and to the full extent permitted by law, each current and former Director, alternate Director or executive officer against all losses or liabilities incurred in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act 2001.

The Company has agreed to indemnify the following current and former Directors of the Company, Mr A G Moufarrige, The Hon. M Vaile, Mrs W Graham, Mr T McGrath, Mr B Corlett, Mr R Holliday-Smith, Mr T Moufarrige and Mrs J King against any loss or liability that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty. The agreement stipulates that the Company will meet the full amount of any such liabilities to the extent permitted by law, including reasonable costs and expenses.

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company.

During the financial year the Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses insurance contracts, for current and former Directors, secretaries and officers of the Company and its controlled entities. The insurance policies prohibit disclosure of the nature of the liability insured against and the amount of the premiums.

CORPORATE GOVERNANCE

A statement of the Board's governance practices is set out on pages 2 to 6 of this annual report and on Servcorp's website, servcorp.com.au/en/about-us/corporate-governance/

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were the provision of Executive Serviced and Virtual Offices, Coworking and IT, Communications and Secretarial Services.

There were no significant changes in the nature of the activities of the Consolidated Entity during the year.

CONSOLIDATED RESULTS

Net profit after tax for the financial year was $22.12 million (2020: 6.93 million). Underlying net profit after tax was $23.60 million (2020: $30.60 million). Operating revenue was $275.66 million (2020: $352.87 million). Basic and diluted earnings per share was 22.8 cents (2020: 7.2 cents).

	2021 $'000	2020 $'000
Revenue & other income	**275,655**	**352,872**
Net profit before tax	**28,547**	**15,611**
Underlying net profit before tax (i)	**30,045**	**37,580**
Net profit after tax	**22,120**	**6,934**
Underlying free cash (ii)	**49,892**	**66,132**
Net operating cash flows	**151,238**	**182,266**
Cash & investment balances	**104,542**	**109,100**
Net assets	**201,104**	**220,961**
Earnings per share	**$0.228**	**$0.072**
Dividends per share	**$0.180**	**$0.200**

Notes:

i Underlying net profit before tax is the statutory net profit before tax adjusted for significant items that are one-off in nature and that do not reflect the underlying performance of the business. In the 2021 financial year, it excludes net non-cash impairment of assets of $1.5 million. In the 2020 financial year it excluded restructure costs and write-offs of $2.0 million, deconsolidation loss of $19.4 million and restricted losses of $0.5 million generated by a member of the Consolidated Entity operating in a politically restricted country with exchange controls.

ii. Underlying free cash is net operating cash flows before tax paid, less lease liability payments and lease liability payment timing differences, adjusted for significant items (before tax) which relate to the reported financial year however, because of timing, occurred in the preceding financial year. Further details are provided in the review of operations.

DIVIDENDS PAID AND DECLARED

Dividends totalling $17.43 million have been paid or declared by the Company in relation to the financial year ended 30 June 2021 (2020: $19.36 million). Information relating to dividends in respect of the prior and current financial year, including dividends paid or declared by the Company since the end of the previous year, is set out in the following table.

DIVIDEND		CENTS PER SHARE	TOTAL AMOUNT $'000	DATE OF PAYMENT	FRANKED %	TAX RATE FOR FRANKING CREDIT
In respect of the previous financial year: 2020						
Interim	Ordinary shares	11.00	10,650	2 April 2020	25%	30%
Final	Ordinary shares	9.00	8,714	1 October 2020	0%	30%
In respect of the current financial year: 2021						
Interim	Ordinary shares	**9.00**	**8,714**	**7 April 2021**	**0%**	**30%**
Final	Ordinary shares	**9.00**	**8,714**	**7 October 2021**	**0%**	**30%**

REVIEW OF OPERATIONS

Revenue and other income from ordinary activities for the twelve months ended 30 June 2021 was $275.66 million, down 22% from the twelve months ended 30 June 2020. The Australian dollar strengthened through the financial year, particularly in the second half. In constant currency terms, mature revenue decreased by 10% compared to the 2020 year.

Net profit before tax for the twelve months to 30 June 2021 was $28.55 million, up 83% from $15.61 million in the prior year.

Underlying net profit before tax, before net non-cash impairment of assets of $1.50 million, was $30.05 million, down 20% compared to the 2020 year (2020: $37.58 million before $2.5 million of restricted earnings, restructure costs and write-offs and $19.4 million of deconsolidation losses).

Net profit after tax for the twelve months to 30 June 2021 was $22.12 million, up from $6.93 million in the prior year.

Cash and investment balances were $104.54 million at 30 June 2021 (30 June 2020: $109.10 million).

The business generated strong net operating cash flows during the 2021 financial year of $151.24 million, down 17% compared to the 2020 financial year (2020: $182.27 million). The underlying free cash generated during the 2021 financial year was $49.89 million, after adding back tax paid of $10.29 million, aggregate lease liability payment timing differences of $3.30 million and deconsolidation payments of $2.89 million, and deducting lease liability payments of $117.83 million (2020: underlying free cash generated $66.13 million, after tax paid of $9.37 million, deconsolidation payments and restructure costs of $3.40 million, less aggregate lease liability payment timing differences of $17.7 million and lease liability payments of $111.20 million).

COVID-19

The impact of COVID-19 on the flexible workspace industry has been unprecedented. Servcorp's response to the existing global environment has been swift and we continue to manage through the pandemic by prioritising:

- A strong liquidity position; current cash balances in excess of $110.0 million and no external debt;
- Tightly controlled operating expenditure; cost reduction initiatives across our operations have lowered our operating cost base by 24% compared to the prior corresponding period;
- Strict capital expenditure allocation; all capital expenditure programs were temporarily suspended through the 2021 financial year. 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 2022 financial 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 seamless;
- Vaccination of team members; encouraging team members to be vaccinated by allowing adequate paid time off and, where necessary, paying for vaccinations.

The COVID-19 pandemic continues to make trading conditions difficult across every market in which we operate. Occupancy levels through the 2021 financial year have been relatively stable, mature floor occupancy finishing the year at 73%, While the COVID-19 pandemic had a significant impact on coworking initially, our investment pre-COVID in refurbishing reception areas has played a substantial part in our ability to hold serviced office occupancy above 70%.

There remains continued downward price pressure across our global footprint. Virtual office client numbers have almost recovered to pre-COVID levels. The restructuring of coworking and virtual office has allowed us to operate globally and ensure adherence to social distancing requirements. In the last two months, coworking uptake has increased significantly in areas that are not either in state of emergency or in lockdown. We are also seeing higher coworking enquiries where vaccination rates are above 60%.

Despite the COVID-19 challenges, we remain cautiously optimistic. The roll out of the vaccine across markets in which we operate, as well as impacts of fiscal stimulus, are supporting economic activity, with both business and consumer confidence slowly returning to pre-COVID levels in some markets. We are confident that when we emerge from the COVID-19 pandemic, the flexible workspace industry will be more important than ever before.

Servcorp is uniquely positioned, has a global reach, best-in-market technology platforms, a longstanding track record and strong cash generation ability to emerge post-COVID a stronger performer in the flexible workspace industry.

SERVCORP FOOTPRINT

In the 2021 financial year, net capacity increased by 102 offices. During the year, one floor was opened and two floors were closed.

During the 2021 financial year, we opened a new location at One Bonifacio High Street in Manila.

Occupancy of mature floors open at 30 June 2021 was 73% (30 June 2020: 69%). All floor occupancy was 71%.

As at 30 June 2021, Servcorp operated 125 floors in 43 cities across 21 countries.

FLEXIBLE WORKSPACE INDUSTRY

Recent growth in the flexible workspace industry has been underpinned by the expansion of coworking spaces. While the COVID-19 pandemic had a significant impact on coworking initially, our investment pre-COVID in refurbishing reception areas has played a substantial part in our ability to hold serviced office occupancy above 70%.

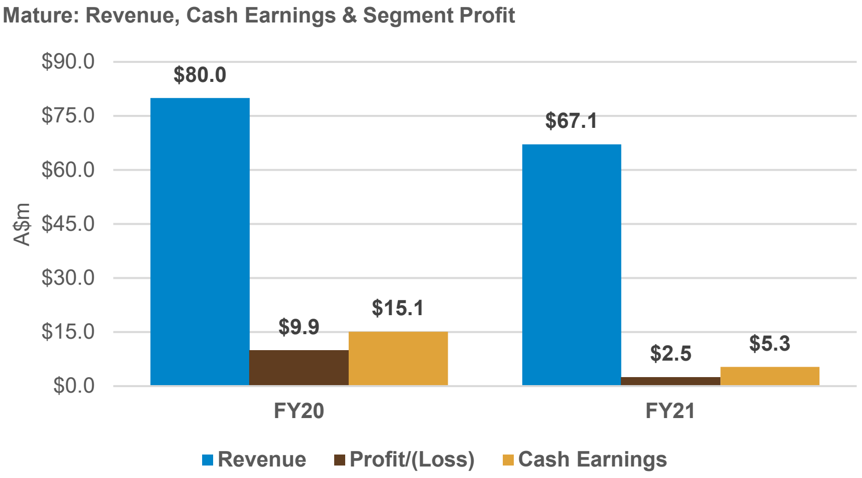
The restructuring of coworking and virtual office has allowed us to operate globally and ensure adherence to social distancing requirements. In the last two months coworking uptake has increased significantly in areas that are not either in state of emergency or in lockdown. We are also seeing higher coworking enquiries where vaccination rates are above 60%.

There is no doubt coworking is an important part of not only our offering but also the industry and that our investment in reshaping our portfolio for coworking will realise a return on investment in the longer term.

AUSTRALIA, NEW ZEALAND AND SOUTHEAST ASIA (ANZ/ SEA)

The 2021 financial year mature revenue and segment profit were down 16% and 75% respectively, with operations having been substantially impacted by COVID-19. The region was cash flow positive, producing mature cash earnings of $5.3 million, down $9.8 million compared to the 2020 financial year.

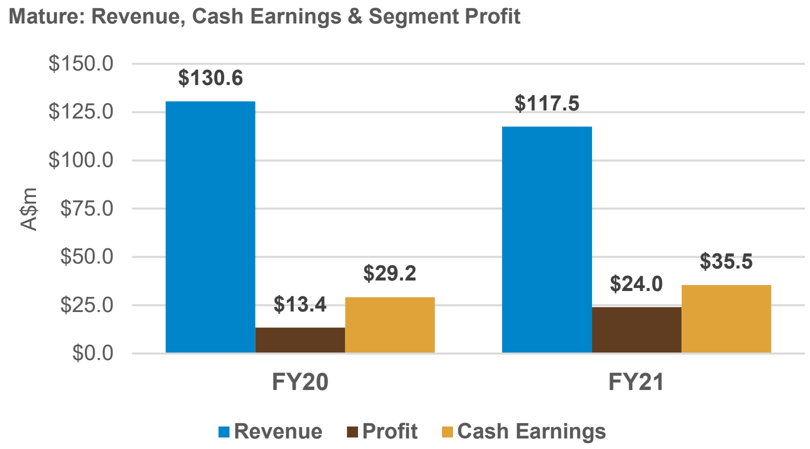
The 2021 financial year non-cash asset impairment for the region was $1.9 million, and is not included in the mature segment profit. The region impaired $0.9 million of assets in Malaysia, $1.6 million of assets in the Philippines and reversed previously impaired assets in Singapore of $0.6 million.



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 10% from $130.6 million to $117.5 million. In line with mature segment profit, mature cash earnings increased 21% in the 2021 financial year compared to the 2020 financial year.

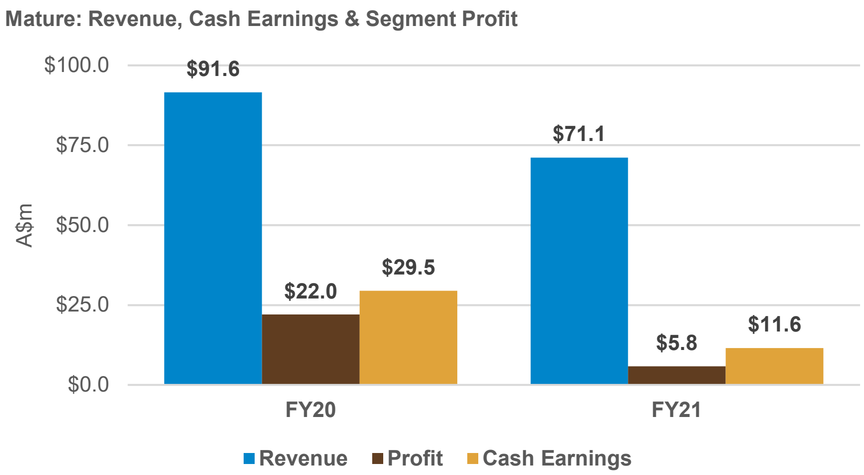
China recorded a $0.5 million non-cash impairment of assets in the 2021 financial year, which is not included in the mature segment profit.



EUROPE AND THE MIDDLE EAST (EME)

EME was substantially impacted by COVID-19. Mature revenue and mature cash earnings were down 22% and 61% respectively in the 2021 financial year compared to the 2020 financial year. Mature segment profit was down $16.2 million in the 2021 financial year compared to the 2020 financial year, however the region remained cash flow positive.

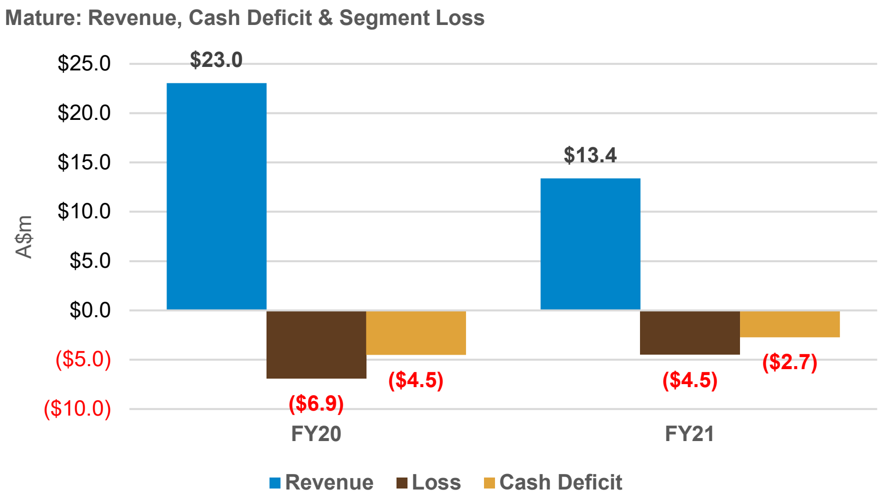
The 2021 financial year non-cash asset impairment reversal for the region was $1.0 million, and is not included in the mature segment profit. EME impaired $0.5 million of assets in France, $0.1 million in Kuwait and reversed previously impaired assets in UAE of $1.6 million.



USA

The restructure in the USA during the 2020 financial year produced a smaller USA footprint, concentrated in three cities on the east coast and Houston in Texas. This has resulted in the USA having less impact on the global performance. The USA's vaccine rollout has accelerated the country to some sense of post-COVID normality, particularly in the last quarter of the 2021 financial year. The USA recovery path is long but we feel the current size of our operations are better able to withstand near-term uncertainty.

Mature revenue of $13.4 million was down 42%, however mature cash deficit was $2.7 million in the 2021 financial year compared to $4.5 million in the 2020 financial year. The region reported a mature segment loss of $4.5 million, a 35% improvement on the 2020 financial year.



NEW LOCATIONS

New locations opened by the Consolidated Entity during the course of the financial year are set out in the following table.

CITY	LOCATION	OFFICES	OPENED
Manila	Level 24, One Bonifacio High Street	97	March 2021

EVENTS SUBSEQUENT TO BALANCE DATE

Dividend

On 26 August 2021 the Directors declared a unfranked final dividend of 9.00 cents per share, payable on 7 October 2021.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2021.

The Directors are not aware of any matter or circumstance, other than that referred to above or in the financial statements or notes thereto, that has arisen since the end of the year that has 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.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to pursue its policy of seeking to increase the profitability and market share of its major business sectors during the next financial year.

ENVIRONMENTAL MANAGEMENT

The Consolidated Entity's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

ROUNDING OFF

The Company 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.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain "non-audit services" in addition to their statutory duties.

The Board of Directors has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by, and did not compromise the auditor independence requirements of, the Corporations Act 2001 for the following reasons:

- Non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor of the Company, KPMG and its related practices for audit and non-audit services provided during the year are set out in Note G5 to the Consolidated financial report.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 29 and forms part of this report.

REMUNERATION REPORT

The Remuneration Report for the financial year ended 30 June 2021 is set out on pages 17 to 28 and forms part of this report.

Signed in accordance with a resolution of the Directors pursuant to section 298(2) of the Corporations Act 2001.

A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 26th day of August 2021

Remuneration Report

CONTENTS

INTRODUCTION

Servcorp is a geographically diverse business. Our global footprint provides leverage to exploit our brand, take advantage of new market opportunities and diversify our risk. It is acknowledged that the markets in which we operate are subject to changing economic factors and often these may be counter cyclical to the Australian market. For the financial year ended 30 June 2021, the percentage of offshore revenue as a proportion of total revenue was more than 84%.

Skilled, experienced local management in each jurisdiction, supported by Servcorp's market leading IT platform and proprietary product offerings, are critical to our continued success.

Since the COVID-19 crisis began, we have been faced with unprecedented challenges, and the Board would like to acknowledge our team members for their tremendous effort and perseverance through this difficult environment.

The Board's philosophy and approach to executive remuneration is to balance fair remuneration for skills and expertise with a risk and reward framework attuned to local market conditions, which supports the growth aspirations of Servcorp as a global business.

The Board undertook a comprehensive review of executive remuneration during the 2014 financial year. The key initiatives implemented following this review, supported by independent external advice, which continue to be applied include:

- an STI opportunity for executive KMP with the targets aligned to the Consolidated Entity's global and region earnings;
- a global gateway net profit before tax is imposed whereby any global STI is not paid unless a predetermined threshold is achieved;
- the deferral of STI was considered but not introduced, because it is an unfamiliar concept in many of the countries in which we operate and the costs of implementation outweigh the benefits;
- the Board has retained a limited ability to exercise discretion;
- the reintroduction of a long term incentive (LTI) scheme was considered but it was decided that the cost / benefit of offering equity in multiple taxation and securities law jurisdictions to individual executives was unnecessarily complex and the Board is satisfied that the Company's existing incentive and retention strategies are appropriate;
- selected Board and executive KMP remuneration were benchmarked to relevant local market comparisons to ensure the remuneration of these key positions meets external expectations. This remains an ongoing process;
- the Board meets with shareholders and proxy advisors as required in relation to these matters.

The response from shareholders to the comprehensive review were positive. The changes adopted in the 2014 financial year are reviewed annually.

The Board introduced two new executive remuneration components in the 2016 financial year:

- an additional STI opportunity was introduced to provide incentive for executive KMP to outperform their targets. Executive KMP with a region target will receive an extra STI amount if they outperform their region target by an amount, which will be set each year. Further, if the global target is exceeded by more than a set percentage executive KMP will receive an extra STI amount;
- in recognition of the need to have a deferred STI component, the Board issued Options to certain KMP. These were issued under the terms of the Servcorp Limited Executive Share Option Scheme.

In the 2021 financial year:

- the Board has not introduced any new executive remuneration components;
- in September 2020, the Board issued Options to the CEO, KMP and to other senior executives;
- in recognition of the profit expectations going forward, and impact of Covid-19, the Board has not increased the global gateway net profit before tax for the 2022 financial year.

The Company received a 31% "no vote" recorded against the Remuneration Report for the financial year ended 30 June 2020, representing a first strike. Following consultation, it is understood that the vote was predominately due to the Company paying STI amounts whilst receiving a Government subsidy in Australia. As stated above, the consolidated entity is a geographically diverse business, and the Board considers it necessary to recognise performance may differ across these various regions. Receipt of subsidies to support one region should not preclude the reward of executives that outperform in another region, especially given unprecedented challenges across all markets. The Board does acknowledge that a more specific explanation of the reasoning would have been of assistance.

The Board takes shareholder concerns seriously, and will continue to welcome feedback from shareholders and proxy advisors on Servcorp's remuneration practices or on the communication of remuneration matters in the Remuneration Report for the financial year ended 30 June 2021 and beyond. This includes a focus on addressing areas of concern and increasing transparency.

The Board believes Servcorp's approach to non-executive Director and executive KMP remuneration is balanced, fair and equitable and designed to achieve an alignment of interests between executive reward and shareholder expectations and wealth.

This Remuneration Report sets out, in accordance with the relevant Corporations Act 2001 (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for KMP of Servcorp during the financial year ended 30 June 2021.

KEY MANAGEMENT PERSONNEL

Key management personnel have authority and responsibility for planning, directing and controlling the activities of Servcorp and comprise the non-executive Directors, and executive KMP (being the Executive Directors and other senior executives named in this report). Details of the KMP during the year are provided in the following table.

NAME	TITLE	CHANGE IN 2021
Non-executive Directors		
The Hon. Mark Vaile	Chairman Member, Audit & Risk Committee Member, Remuneration Committee Chair, Nomination Committee	Full year | No change
Wallis Graham	Director Member, Audit & Risk Committee Chair, Remuneration Committee Member, Nomination Committee	Full year | No change
Tony McGrath	Director Chair, Audit & Risk Committee Member, Remuneration Committee Member, Nomination Committee	Full year | No change
Executive Director		
Alf Moufarrige	Chief Executive Officer	Full year | No change
Other executive KMP		
Anton Clowes	Chief Financial Officer	Full year | No change
David Godchaux	CEO Middle East, Europe & India	Full year | No change
Liane Gorman	General Manager Australia & New Zealand	Full year | No change
John Henderson	Chief Operating Officer	Full year | Commenced as a KMP effective 1 July 2020
Colleen Susini	General Manager USA	Full year | Commenced effective 14 April 2020
Olga Vlietstra	General Manager Japan	Full year | No change

REMUNERATION GOVERNANCE

This section explains the role of the Board and the Remuneration Committee, and use of remuneration consultants when making remuneration decisions in respect of non-executive Directors and executive KMP.

Role of the Board and the Remuneration Committee

The Board is responsible for Servcorp's global remuneration strategy and policy. Consistent with this responsibility, the Board has established the Remuneration Committee, which comprises solely non-executive Directors, all being independent.

The role of the Remuneration Committee is set out in its Charter, which is reviewed annually. In summary, the Remuneration Committee's role includes:

- ensure that the appropriate procedures exist to assess the remuneration levels of the Chairman, other non-executive Directors, executive Directors, direct reports to the CEO, Board Committees and the Board as a whole;
- ensure that Servcorp meets the requirements of ASX Corporate Governance Principles and Recommendations, and other relevant guidelines;
- ensure that Servcorp adopts, monitors and applies appropriate remuneration policies and procedures;
- ensure that reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal and accounting standard requirements;
- develop, maintain and monitor appropriate talent management programs including succession planning, recruitment, development; and retention and termination policies and procedures for senior management; and
- develop, maintain and monitor appropriate superannuation and other relevant pension benefit arrangements for Servcorp as required by law.

Further information on the Remuneration Committee's role, responsibilities and membership are contained in the Corporate Governance section on page 6.

Use of remuneration consultants

During the 2021 and the 2020 financial years, no remuneration consultant made a remuneration recommendation in relation to any of the executive KMP.

NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed by the Board. The Board ensures non-executive Directors' fees and payments are appropriate and in line with the market. Non-executive Directors are not employed under a contract and do not receive share options or other equity based remuneration.

Directors' fees

Non-executive Directors' fees are determined by the Board within an aggregate Directors' fees limit approved by shareholders.

The fees limit currently stands at $500,000 per annum inclusive of payments for superannuation. This limit was approved at the 2011 annual general meeting.

The most recent review of Directors' fees was effective 1 July 2013. Directors' fees had not increased since 1 January 2010. Effective 1 July 2013, Non-executive Directors' fees were set as:

- Chair - $175,000 per annum including superannuation;
- Non-executive - $100,000 per annum including superannuation;
- Chair of the Audit and Risk Committee - an additional $10,000 per annum including superannuation.

Additional fees are not paid for membership of Board committees other than as referred to in the previous paragraph.

In response to the COVID-19 pandemic, from 1 April 2020 to 31July 2020, all non-executive Directors agreed to a 20% reduction of Directors' fees.

Retirement allowances for Directors

Non-executive Directors are not entitled to retirement allowances.

Details of remuneration

Details of the nature and amount of each element of the remuneration of each non-executive Director of Servcorp Limited for the year ended 30 June 2021 are set out in the table on page 26.

Minimum shareholding requirement

Servcorp does not have a minimum shareholding requirement for non-executive Directors. It is noted, however, that two non-executive Director are shareholders of the Company.

EXECUTIVE REMUNERATION

Remuneration philosophy and principles

The Board recognises that the Consolidated Entity's performance is dependent on the quality and contribution of its employees, particularly the executive KMP. To achieve its financial and operating objectives, Servcorp must be able to attract, retain and motivate appropriately qualified and skilled executives.

The objective of the executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of Servcorp's strategic objectives particularly its short, medium and long term earnings.

Executive remuneration is balanced between fixed and incentive pay. In determining the appropriate balance, regular reviews are undertaken that involve cross-referencing position descriptions to reliable accessible remuneration data in the markets in which Servcorp operates.

Servcorp's executive remuneration policy and principles are designed to ensure that the Consolidated Entity:

- provides competitive rewards that attract, retain and motivate our key executives;
- encourages loyalty and commitment to Servcorp;
- builds a structure for growth and includes appropriate succession planning;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive in the markets in which it operates;
- complies with applicable legal requirements and appropriate standards of governance.

Remuneration structure and elements

The executive KMP remuneration and reward framework at Servcorp currently has three components:

- fixed remuneration;
- short term incentives; and
- options.

The combination of these comprises the executive KMP total targeted remuneration opportunity.

Fixed remuneration

Fixed remuneration is reviewed each year and adjusted to changes in job role, promotion, market practice, internal relativities and performance. Remuneration for the 2021 financial year and changes from 2020 are set out in the table on pages 27 and 28.

Short term incentives

Short term incentives (STI) are awarded, in cash, based on achievement against targets set at the beginning of each financial year. The basis of the STI scheme was established for the 2014 financial year and has been applied consistently in subsequent financial years. Alf Moufarrige, the CEO, founder and major shareholder, has elected not to participate in the STI scheme.

Under the STI scheme, an STI dollar value is set for each executive KMP, which represents the target STI that can be awarded for achieving target for the relevant year. The target STI opportunity for the 2021 financial year ranged between $40,000 and $160,000. The target STI opportunity as a percentage of fixed remuneration ranged between 20% and 41% with the average being 21%. The target STI opportunity range and percentage of fixed remuneration will be similar for the 2022 financial year.

STI targets are set in advance each year and are challenging. The STI targets for the 2021 financial year were determined based on a matrix of Consolidated Entity net profit before tax (global STI target) and region operating profit (region STI target), where appropriate. To ensure STI targets are challenging, the global STI target and all region STI targets, in the 2021 financial year, remained at pre-COVID levels.

Five executive KMP have a direct responsibility for a region, and therefore their total STI potential was allocated between their region STI target and the global STI target. The region STI allocation for four executive KMP was 50% of their total potential STI, and for one executive KMP their region STI allocation was 62%.

A gateway consolidated net profit before tax is set each year, and must be achieved before any global STI payout is made. It is intended that a similar approach to STI will be applied for the 2022 financial year. Despite the impact of COVID-19, the gateway consolidated net profit before tax remained unchanged for the 2021 financial year, and has been retained for the 2022 financial year, as provided in the following table.

FINANCIAL YEAR ENDING 30 JUNE	2020 GATEWAY	2021 GATEWAY	2021 ACTUAL	2022 GATEWAY
Consolidated net profit before tax ($ million)	38.0	38.0	28.5	38.0

Global STI will be calculated as follows:

- if consolidated net profit before tax meets the global gateway - 50% of the global STI opportunity;
- if consolidated net profit before tax meets the global target - 100% of the global STI opportunity;
- if consolidated net profit before tax falls between the global gateway and target - the global STI paid will be calculated as a percentage between 50% and 100% of global STI opportunity on an incremental basis, in the same proportion as the net profit before tax is to gateway and target.

Region STI will only be paid if the region STI target is met. There will be no gateway.

There are also additional STI opportunities to provide incentive for executive KMP to out-perform their targets:

- executive KMP with a region target can receive an extra $50,000 for each $2.0 million by which they out-perform their region operating profit target. In addition, the Board has discretion to reward executive KMP who achieve 'super out-perform' region results with additional STI payments;
- if the global target is exceeded by more than $5.0 million, executive KMP will receive double their global STI opportunity. If consolidated net profit before tax falls between the global target and global out-perform, the global STI paid will be calculated as a percentage between 100% and 200% of global STI opportunity on an incremental basis, in the same proportion as the net profit before tax is to target and out-perform;
- The total additional STI opportunity if all executive KMP outperform their region and global target is $579,000.

Long term equity incentives

The Board, after detailed consideration, has decided not to offer long term equity incentives (LTI) to any executive KMP. The reason for this decision is that:

- Servcorp has a small number of executive KMP in many geographic locations and the cost and complexity of offering equity to these executive KMP outweighs the benefit to shareholders, in the Board's opinion;
- Servcorp has a very strong culture, and most executive KMP are long serving employees. The Board does not consider offering an LTI is necessary or desired for executive KMP to achieve the Company's long term strategic objectives.

Deferred short term incentives

As stated above, an LTI component is not considered best practice for Servcorp. The Board, following due consideration, has however decided to introduce a deferred STI component for executive KMP. The most effective method to achieve this was considered to be the utilisation of the Servcorp Limited Executive Share Option Scheme (ESOS). From time to time, the Board will grant Options to senior executives to encourage and reward superior business performance.

Options were granted during the 2021 financial year. The previous grants were in the 2019 and 2016 financial years. A summary of the terms of the Options are as follows:

Grant date	31 March 2016	25 February 2019	27 August 2020	27 August 2020
Issue date	2 May 2016	22 March 2019	18 September 2020	4 November 2020
Exercise price	$7.00 per Option	$3.01 per Option	$2.48 per Option	$2.48 per Option
Vesting conditions	EPS performance hurdle of 15% growth in the financial year of issue Continuous service until 2 May 2019	EPS performance hurdle of 15% pa cumulative growth between the 2018 and 2020 financial years Continuous service until 22 March 2022	EPS performance hurdle of 15% pa cumulative growth between the 2020 and 2022 financial years Continuous service until 18 September 2023	EPS performance hurdle of 15% pa cumulative growth between the 2020 and 2022 financial years Continuous service until 18 September 2023
Vesting date	2 May 2019	22 March 2022	18 September 2023	18 September 2023
Exercise period	Two years from vesting date to expiry date	Two years from vesting date to expiry date	Two years from vesting date to expiry date	Two years from vesting date to expiry date
Expiry date	2 May 2021	22 March 2024	18 September 2025	18 September 2025
Option value	$0.9589	$0.7756	$0.5825	$0.5368
Status	Expired	Lapsed (i)	Not vested	Not vested

i. Effective 25 August 2020, the Options issued on 22 March 2019 lapsed, as the EPS Performance of the Company did not meet the applicable Vesting Percentage.

EMPLOYMENT AGREEMENTS

There are no fixed term employment agreements in place for any executive KMP.

Termination benefits

There are no termination of employment agreements in place for executive KMP. Any termination benefit paid to executive KMP would be limited to 12 months remuneration as required by law and in most cases would be determined based on statutory minimum requirements, years of service and the nature of the termination.

Clawback

Servcorp has no policy on clawback but will ensure compliance with any legal or ASX requirements in this regard. There have been no circumstances where clawback would have applied.

Minimum shareholding requirements

Servcorp does not have a minimum shareholding requirement for executive KMP.

RELATIONSHIP BETWEEN CONSOLIDATED ENTITY PERFORMANCE, EXECUTIVE KMP REMUNERATION AND SHAREHOLDER WEALTH

The relationship between Consolidated Entity performance and executive KMP remuneration is important to ensure that there is a clear and appropriate correlation and alignment of interests between shareholders and executive KMP.

Key financial indicators

Servcorp's principal activities and financial performance are explained in detail in the Review of Operations section of the Directors' Report on pages 11 to 15.

A summary of Servcorp's financial performance over the last five years is provided in the following table.

	FINANCIAL YEAR ENDED 30 JUNE				
MEASURE	**2017**	**2018**	**2019**	**2020**	**2021**
Total revenue ($million)	330	312	337	352	**276**
Net profit before tax ($million)	48.2	32.1	12.5	15.6	**28.5**
Net profit after tax ($million)	40.7	10.1	5.4	6.9	**22.1**
Basic earnings per share (cents)	41.4	10.2	5.6	7.2	**22.8**
Dividend per share (cents)	26.0	26.0	23.0	20.0	**18.0**
Share price as at 30 June ($)	$5.70	$4.16	$3.51	$2.32	**$3.50**
Offices	5,751	5,615	5,788	5,039	**5,141**
Number of locations	138	135	137	112	**111**

The financial years leading up to and including 2017 had achieved significant increases in profitability. The 2018 and 2019 financial years were challenging, with net profit after tax impacted by one-off, non-cash adjustments to income tax in 2018, and charges for non-recurring restructure costs and write-offs, the impairment of leasehold improvements and goodwill and the exclusion of restricted earnings in 2019. Despite the large non-cash impairments impacting on profits for the 2019 financial year, revenues for 2019 were at a record level and Directors' were encouraged by a strong second half profit.

The first three quarters of the 2020 financial year continued the improvement shown in the second half of the 2019 financial year. The Company's strong performance was evident across all key metrics including occupancy, operating margins, net profit after tax and free cash, with record revenues recorded, despite a very challenging competitive environment. COVID-19 impacted on trading conditions in the last quarter, however the Company still recorded a strong underlying performance; revenue and other income was up 5%, underlying net profit before tax was up 17% and underlying free cash was up 3%.

The 2021 financial year performance reflects the challenging COVID-19 trading conditions and global economic environment. In particular, there is downward price pressure across our global footprint, effecting revenue. We have also experienced notable variation in performance across regions, as the severity of lockdowns and other restrictions have differed across geographies. Minimal impact from non-underlying items has seen net profit after tax, and associated earnings per share (EPS), return to higher levels, with EPS up 216% on 2020.

Through all years, cash flows have remained strong, allowing interim and final dividends to continue to be paid to our shareholders.

Servcorp's share price had decreased due to the reduced profits from 2017 to 2019. The improved performance in the second half of the 2019 financial year and first half of the 2020 financial year had been reflected in a steady increase in share price during the first three quarters of the 2020 financial year, however the uncertainties created by COVID-19 again significantly affected the share market, and this had an impact on Servcorp's share price at 30 June 2020. Servcorp's share price has again been steadily increasing, and at 30 June 2021 closed at $3.50, up from $2.32 at 30 June 2020.

We are confident that Servcorp will emerge from the COVID-19 crisis in a financially sound position and will return to higher profit levels, which will result in a satisfactory total shareholder return (TSR) performance over the coming years.

Servcorp's remuneration of executive KMP has taken into account the pressures on Consolidated Entity performance. Executive KMP base salaries have stayed the same during the 2020 and 2021 financial years, and during the challenges of the fourth quarter of 2020 most executive KMP agreed to a 20% reduction in base salary. Despite the anticipated impact of COVID-19, STI targets have been set at challenging, pre-COVID levels; accordingly, with the decreased earnings in the 2020 and 2021 financial years, global net profit before tax targets were not achieved, and corresponding STIs not paid. Similarly, the reduced EPS in 2019 and 2020 meant that Options issued in March 2019 did not vest, and were cancelled.

In 2021, one region outperformed its target, and the Board considers it necessary to recognise this outstanding performance, against tremendous headwinds. In the Board's opinion, this executive KMP achieved 'super out-perform' profits, resulting in a payment in excess of their target opportunity. In addition, the CFO who has global responsibility, was awarded part of his STI, largely in recognition of meeting specific targets with respect to cost management during the COVID-19 pandemic. The variable pay opportunity paid out to executive KMP represents 39.9% of the maximum opportunity. The individual 'at risk' rewards paid in the 2021 financial year to executive KMP and the percentage of their maximum opportunity is provided in the following table.

EXECUTIVE KMP	REGION	STI AWARDED $	% OF TARGET OPPORTUNITY	OPTIONS AWARDED NO.	VALUE OF OPTIONS AWARDED
Alf Moufarrige	Head Office	N/A	N/A	1,500,000	$805,200
Anton Clowes	Head Office	25,000	29.8%	75,000	$43,688
David Godchaux	Europe, Middle East & India	-	0.0%	75,000	$43,688
Liane Gorman	Australia & New Zealand	-	0.0%	100,000	$58,250
John Henderson	Australia, NZ & South East Asia	-	0.0%	100,000	$58,250
Colleen Susini	USA	-	0.0%	50,000	$29,125
Olga Vlietstra	Japan	240,000	150.0%	200,000	$116,500

Servcorp has a very strong culture focusing on sales and generation of shareholder wealth. Our executive KMP include a balance of long-serving employees together with new executive talent, who reflect Servcorp’s investment in the future. All executive KMP are aware of the need to perform. Each executive is involved in the target setting for the business and accepts the challenging targets set.

If our forward net profit before tax targets are met, then shareholders, in the opinion of the Board, will be satisfied with the Consolidated Entity’s performance and executive KMP will receive the maximum remuneration opportunity.

If executive KMP fail to meet their targets, the 'at risk' component of executive KMP remuneration will be heavily discounted. In this way the alignment of Consolidated Entity performance and executive KMP remuneration will be in direct correlation and be unambiguous.

EMPLOYEE SHARE SCHEME AND OTHER EQUITY INCENTIVE INFORMATION

As mentioned earlier in this report, the Board introduced a deferred STI component in the 2016 financial year. This was achieved by issuing Options under the Servcorp Limited Executive Share Option Scheme (ESOS).

The ESOS was introduced in 1999 and was first approved by shareholders on 19 October 1999 and subject to various amendments until November 2008. The ESOS was amended by the Board on 24 March 2016 to update it to comply with current legislation.

In the 2016 financial year, the Directors granted 255,000 Options to executive KMP. These Options expired in May 2021.

In the 2019 financial year, the Directors granted 1,281,000 Options under the ESOS to senior executives, 475,000 to executive KMP. Options were issued to KMP taking into account performance and length of service, as recommended by the CEO and adopted by the Remuneration Committee and the Board. These Options lapsed in August 2020, as the EPS Performance of the Company did not meet the applicable Vesting Percentage.

In the 2021 financial year, the Directors granted 2,831,250 Options under the ESOS to senior executives, including 1,500,000 to the CEO and 600,000 to other executive KMP. Options were issued to KMP taking into account performance and length of service, as recommended by the CEO and adopted by the Remuneration Committee and the Board.

Details of Options granted, on issue and lapsed are provided in the Directors' Report on page 10. Details of Options granted to executive KMP are provided in the table on the following page.

Other than the Options issued as detailed above, at the date of this report there are no shares, rights, options or other equity incentives held by executive KMP and subject to vesting restrictions.

Future offers under the ESOS or an alternative employee share scheme may be considered by the Board in the future.

OPTIONHOLDER	GRANT YEAR	HELD AT 1 JULY 2020 NO.	GRANTED NO.	FAIR VALUE OF GRANT $	LAPSED / EXPIRED NO.	VESTED NO.	HELD AT 30 JUNE 2021 NO.
Alf Moufarrige	2021	-	1,500,000	$805,200	-	-	1,500,000
Anton Clowes	2021	-	75,000	$43,688	-	-	75,000
	2019	75,000	-	-	(75,000)	-	-
David Godchaux	2021	-	75,000	$43,688	-	-	75,000
	2019	75,000	-	-	(75,000)	-	-
Liane Gorman	2021	-	100,000	$58,250	-	-	100,000
	2019	100,000	-	-	(100,000)	-	-
	2016	50,000	-	-	(50,000)	-	-
John Henderson	2021	-	100,000	$58,250	-	-	100,000
Colleen Susini	2021	-	50,000	$29,125	-	-	50,000
Olga Vlietstra	2021	-	200,000	$116,500	-	-	200,000
	2019	200,000	-	-	(200,000)	-	-
	2016	70,000	-	-	(70,000)	-	-

SPECIAL RETENTION INCENTIVE

During the 2017 financial year, the Board identified that the retention of Ms Olga Vlietstra as General Manager in Japan was critical to the success of this key region, which contributes significantly to the profit of the Consolidated Entity.

The Board decided to offer Ms Vlietstra a special retention incentive, subject to service conditions. Ms Vlietstra was provided with an option to purchase from Servcorp an apartment currently owned in Tokyo.

In July 2020, the Board resolved to extend the expiry date of the incentive for an additional two years, on the condition that Ms Vlietstra remain in continuous service for an additional two years. A summary of the terms of the option are as follows:

Service condition	Ms Vlietstra must remain employed in continuous service in Japan until 30 June 2022
Reward if service condition is met	Option to purchase Servcorp's Tokyo apartment at its market value at time of offer, adjusted for inflation
Vesting date	1 July 2019
Market value	JPY373,000,000
Exercise period	Four years, from vesting date to expiry date
Expiry date	30 June 2023

NON-EXECUTIVE DIRECTOR REMUNERATION

Amount in AUD		Short term benefits	Post-employment benefits	Total
Name & title	Year	Fees	Superannuation benefits	
M Vaile	**2021**	**157,154**	**14,930**	**172,084**
Non-Executive Director	2020	129,947	12,345	142,292
W Graham	**2021**	**89,803**	**8,531**	**98,334**
Non-Executive Director	2020	86,759	8,242	95,001
T McGrath (iii)	**2021**	**97,413**	**9,254**	**106,667**
Non-Executive Director	2020	72,943	6,930	79,873
B Corlett (iv)				
Non-Executive Director	2020	59,932	5,694	65,626
R Holliday-Smith (v)				
Non-Executive Director	2020	82,040	7,793	89,833
Aggregate	**2021**	**344,370**	**32,715**	**377,085**
	2020	431,621	41,004	472,625

Notes:

i. Directors' and officers' indemnity insurance has not been included in the above figures since it is impractical to determine an appropriate allocation basis.

ii. Non-executive Directors do not participate in any short term or long term incentive schemes.

iii. T McGrath was appointed as a non-executive Director effective 27 August 2019.

iv. B Corlett ceased as non-executive Director effective 13 November 2019.

v. R Holliday-Smith ceased as non-executive Director 30 April 2020.

vi. In response to the COVID-19 pandemic, from 1 April 2020 to 31 July 2020, all non-executive Directors agreed to a 20% reduction of Director fees. The lower fees disclosed in 2020 reflects this reduction. There has been no increase in the base fees for 2021.

KEY MANAGEMENT PERSONNEL REMUNERATION

Amount in AUD		Short term benefits				Post-employment	Other long term benefits	Term-ination benefits	Share based payments	Total	% of performance related remuneration
Name & title	Year	Salary	Cash STI (ii,iii)	Non-monetary benefits	Other short term benefits	Super-annuation benefits	Long service leave		Options (iv)		
A G Moufarrige (i,v)	**2021**	**444,456**	**-**	**30,644**	**-**	**28,500**	**-**	**-**	**183,629**	**687,229**	**36.5%**
CEO	2020	424,794	-	25,501	-	24,938	-	-	-	475,233	0.0%
A Clowes (i)	**2021**	**309,500**	**25,000**	**-**	**-**	**29,403**	**-**	**-**	**11,411**	**375,314**	**28.2%**
CFO	2020	282,150	30,000	-	-	28,215	-	-	14,322	354,687	31.7%
D Godchaux (ix)	**2021**	**473,682**	**-**	**22,413**	**-**	**27,166**	**-**	**-**	**11,411**	**534,672**	**27.0%**
GM EMEI	2020	490,468	150,000	22,395	-	29,759	-	-	9,548	702,170	20.2%
L Gorman (i)	**2021**	**380,000**	**-**	**-**	**-**	**36,100**	**-**	**-**	**15,214**	**431,314**	**27.7%**
GM AUNZ	2020	356,000	70,000	-	-	35,625	-	-	19,097	480,722	40.6%
J Henderson (vi)	**2021**	**441,667**	**-**	**-**	**-**	**41,958**	**-**	**-**	**15,214**	**498,839**	**34.2%**
COO											
C Susini (vii,ix)	**2021**	**399,042**	**-**	**12,460**	**66,507**	**13,966**	**-**	**-**	**7,607**	**499,582**	**11.2%**
GM USA	2020	94,380	-	2,268	-	-	-	-	-	96,648	0.0%
O Vlietstra (ix)	**2021**	**685,128**	**240,000**	**14,255**	**-**	**-**	**-**	**-**	**30,428**	**969,811**	**27.2%**
GM Japan	2020	771,647	338,112	21,635	-	-	-	-	38,193	1,169,587	30.0%
C Robinson (viii)											
Senior VP USA	2020	295,256	-	49,507	-	-	-	75,890	-	420,653	0.0%
Aggregate	**2021**	**3,133,475**	**265,000**	**79,772**	**66,507**	**177,093**	**-**	**-**	**274,914**	**3,996,761**	**27.7%**
	2020	2,714,695	588,112	121,306	-	118,537	-	75,890	81,160	3,699,700	20.5%

Notes:

i. In response to the COVID-19 pandemic, from 1 April 2020 to 30 June 2020, most executive KMP agreed to a 20% reduction in base salary. The CEO agreed to a 50% reduction in base salary. The lower base salary disclosed in 2020 reflects this reduction.

ii. Amounts disclosed as short term cash STI in the 2021 year represent STI paid in August 2021 based on 2021 financial year global and region targets.

iii. Amounts disclosed as short term cash STI in the 2020 year represent STI paid in August 2020 based on 2020 financial year global and region targets.

iv. Amounts disclosed as share based payments in the 2021 year relate to Options issued on 18 September 2020. Details are set out on pages 22 and 25 of this annual report.

v. The salary of A G Moufarrige includes a component paid in Yen, and the amount disclosed above will vary based on the foreign currency exchange rates.

vi. J Henderson commenced employment with Servcorp effective 1 June 2020, and as a KMP effective 1 July 2020.

vii. C Susini commenced employment with Servcorp effective 14 April 2020. C Susini received a one-off cash payment, at the end of her first year, as agreed in her employment contract, which is disclosed in other short term benefits.

viii. C Robinson ceased employment with Servcorp effective 9 April 2020.

ix D Godchaux, C Susini and O Vlietstra are paid in Dirham, US Dollars and Yen respectively. The amounts disclosed in AUD above will vary based on fluctuations in foreign currency exchange rates. For all three KMP, their base salary in their respective local currencies has been unchanged during the last two years; the difference disclosed is due to the foreign currency fluctuation.

KEY MANAGEMENT PERSONNEL REMUNERATION

		Short term incentive grants			
Name & title	Year	STI paid in cash %	STI Accrued and not yet due %	STI forfeited %	Maximum future value of vested STI $
A G Moufarrige	**2021**	**-**	**-**	**-**	**-**
CEO	2020	-	-	-	-
A Clowes	**2021**	**29.8%**	**0.0%**	**70.2%**	**-**
CFO	2020	35.7%	0.0%	64.3%	-
D Godchaux	**2021**	**0.0%**	**0.0%**	**100.0%**	**-**
GM EMEI	2020	150.0%	0.0%	50.0%	-
L Gorman	**2021**	**0.0%**	**0.0%**	**100.0%**	**-**
GM AUNZ	2020	50.0%	0.0%	50.0%	-
J Henderson	**2021**	**0.0%**	**0.0%**	**100.0%**	**-**
C Susini	**2021**	**-**	**0.0%**	**100.0%**	**-**
GM USA	2020	-	-	-	-
O Vlietstra (x)	**2021**	**150.0%**	**0.0%**	**50.0%**	**-**
GM Japan	2020	169.1%	0.0%	50.0%	-
C Robinson					
Senior VP USA	2020	0.0%	0.0%	100.0%	-
Aggregate	**2021**	**39.9%**	**0.0%**	**84.2%**	**-**
	2020	112.2%	0.0%	52.3%	-

Notes:

x. O Vlietstra forfeited her global STI opportunity, which equated to 50% of her potential total STI target opportunity. O Vlietstra achieved ‘super out-perform’ profits for her region and as a result achieved greater than 100% of her region STI opportunity.

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 audit of Servcorp Limited for the financial year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Kim Lawry
Partner

Sydney
26 August 2021

Servcorp
Consolidated Financial Statements
For the year ended 30 June 2021

CONTENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Note	**2021 $'000**	2020 $'000
Revenue	B3	**269,659**	349,116
Other revenue & income	B3	**5,996**	3,756
		275,655	352,872
Service expenses		**(60,901)**	(81,435)
Marketing expenses		**(16,867)**	(20,670)
Occupancy expenses (i)		**(36,968)**	(45,107)
Amortisation of right of use asset (i)		**(99,591)**	(121,262)
Finance costs attributable to lease liability		**(12,400)**	(18,698)
Administrative expenses		**(24,137)**	(29,895)
Share of gains of joint venture		**281**	383
Loss from deconsolidation of subsidiaries	B2	**-**	(19,429)
Net foreign exchange gain (realised & unrealised)		**4,537**	1,555
Fair value gains/(loss) on derivatives (ii)		**(1,024)**	(723)
Net impairment of property, plant & equipment and right of use assets	C5, C6	**(1,498)**	-
Other gains/(losses) (iii)		**1,460**	(1,980)
Total expenses		**(247,108)**	(337,261)
Profit before income tax expense	B1	**28,547**	15,611
Income tax expense	B6	**(6,427)**	(8,677)
Profit for the year		**22,120**	6,934
Other comprehensive income			
Translation of foreign operations (item may be reclassified subsequently to profit or loss)		**(24,479)**	11,208
Other comprehensive income for the year (net of tax)		**(24,479)**	11,208
Total comprehensive income for the year		**(2,359)**	18,142
Earnings per security			
Basic EPS	B7	**$0.23**	$0.07
Diluted EPS	B7	**$0.23**	$0.07

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.

Note:

i The comparative 30 June 2020 amortisation of right of use asset totaling $121.3 million was reclassified from occupancy expenses.

ii. The comparative 30 June 2020 fair value loss on derivatives totaling $0.7 million was reclassified from other gains/ (losses).

iii. The comparative 30 June 2020 borrowing expenses totaling $1.0 thousand was reclassified to Other gains/ (losses).

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	**2021 $'000**	2020 $'000
Current assets			
Cash and cash equivalents	C1	**93,783**	99,887
Trade and other receivables	C2	**24,032**	31,090
Other financial assets	C3	**12,495**	10,736
Current tax assets	B6	**2,985**	2,179
Prepayments and other assets	C4	**4,809**	7,185
Total current assets		**138,104**	151,077
Non-current assets			
Other financial assets	C3	**42,260**	45,666
Property, plant and equipment (i)	C5	**96,500**	121,315
Right of use asset (i)	C6	**295,863**	355,047
Deferred tax assets	B6	**38,294**	37,047
Goodwill	C7	**13,775**	13,775
Total non-current assets		**486,692**	572,850
Total assets		**624,796**	723,927
Current liabilities			
Trade and other payables	C8	**35,397**	44,755
Other financial liabilities	C9	**28,545**	32,744
Lease liabilities	C10	**88,031**	104,398
Provisions	C11	**9,747**	9,963
Total current liabilities		**161,720**	191,860
Non-current liabilities			
Lease liabilities	C10	**260,709**	309,954
Provisions	C11	**1,263**	1,122
Deferred tax liabilities	B6	**-**	30
Total non-current liabilities		**261,972**	311,106
Total liabilities		**423,692**	502,966
Net assets		**201,104**	220,961
Equity			
Contributed equity	E2	**151,594**	151,594
Reserves		**(16,227)**	8,323
Retained earnings		**65,737**	61,044
Total equity attributable to equity holders of the parent		**201,104**	220,961

The Consolidated statement of financial position is to be read in conjunction with the notes to the Consolidated financial statements.

Note:

i The comparative 30 June 2020 right of use asset totaling $355.1 million was reclassified from property, plant and equipment.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Issued Capital $'000	Share Buy-Back Reserve $'000	Foreign Currency Translation Reserve $'000	Employee Equity Settled Benefits Reserve $'000	Retained Earnings $'000	Total $'000
Balance 1 July 2019	**151,594**	**(4,733)**	**1,406**	**242**	**74,442**	**222,951**
Profit for the period	-	-	-	-	6,934	6,934
Translation of foreign operations (net of tax)	-	-	11,208	-	-	11,208
Total comprehensive income for the period	**-**	**-**	**11,208**	**-**	**6,934**	**18,142**
Share-based payments	-	-	-	200	-	200
Payment of dividends	-	-	-	-	(20,332)	(20,332)
Balance 30 June 2020	**151,594**	**(4,733)**	**12,614**	**442**	**61,044**	**220,961**
Balance 1 July 2020	151,594	(4,733)	12,614	442	61,044	220,961
Profit for the period	-	-	-	-	22,120	22,120
Translation of foreign operations (net of tax) (i)	-	-	(24,479)	-	-	(24,479)
Total comprehensive income for the period	**-**	**-**	**(24,479)**	**-**	**22,120**	**(2,359)**
Share-based payments	-	-	-	(70)	-	(70)
Payment of dividends	-	-	-	-	(17,428)	(17,428)
Balance 30 June 2021	**151,594**	**(4,733)**	**(11,865)**	**372**	**65,736**	**201,104**

The Consolidated statement of changes in equity is to be read in conjunction with the notes to the Consolidated financial statements.

Note:

i. The Australian dollar significantly strengthened during the reporting period to 30 June 2021.

	Note	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Receipts from customers		**301,459**	384,279
Payments to suppliers and employees		**(125,585)**	(174,155)
Franchise fees received		**117**	158
Tax paid		**(10,293)**	(9,365)
Interest and other items of similar nature received		**764**	1,402
Payments for deconsolidation of subsidiaries		**(2,894)**	(1,355)
Interest and other costs of finance paid		**(12,330)**	(18,698)
Net operating cash inflows	G4	**151,238**	182,266
Cash flows from investing activities			
Payments for variable rate bonds		**(2,017)**	(1,504)
Payments for property, plant and equipment		**(4,401)**	(19,233)
(Payments) / refunds for landlord lease deposits (i)		**(1,177)**	2,771
Proceeds from sale of variable rate bonds		**560**	-
Net investing cash outflows		**(7,035)**	(17,966)
Cash flows from financing activities			
Dividends paid		**(17,427)**	(20,332)
Repayment of lease liabilities relating to current period occupancy		**(117,829)**	(111,199)
Repayment of lease liabilities relating to future occupancy periods		**(8,426)**	(7,345)
Proceeds from surrender of leases		**-**	4,959
Landlord capital incentives received		**1,402**	967
Net financing cash outflows		**(142,280)**	(132,950)
Net increase/ (decrease) in cash and cash equivalents		**1,923**	31,350
Cash and cash equivalents at the beginning of the financial year		**99,887**	65,091
Effects of exchange rate changes on cash transactions in foreign currencies		**(8,027)**	3,446
Cash and cash equivalents at the end of the year	C1	**93,783**	99,887

The Consolidated statement of cash flows is to be read in conjunction with the notes to the Consolidated financial statements.

Note:

i. The comparative refunds and landlord lease deposits have been netted off.

A BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

For the purposes of preparing the consolidated financial statements, Servcorp Limited (the Company) and its subsidiaries (the Consolidated Entity) is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

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

BASIS OF PREPARATION

The financial report has been prepared on the basis of historical cost, except for financial instruments that are measured at their fair value as explained in Note A.j. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

The Company 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.

GOING CONCERN

These Consolidated Financial Statements are prepared on the going concern basis. The impact of COVID-19 pandemic has resulted in unprecedented restrictions to economic activity including limiting office access and travel bans being imposed by various governments. There has been a fall in demand and intake of serviced offices with uncertainty surrounding the timing of rebound which has impacted the Consolidated Entity's operations.

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 $23.6 million at balance date.

Whilst the economic impacts of COVID-19 pandemic are uncertain and evolving, 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 in relation to the Consolidated Entity have been considered:

- Cash and cash equivalents total $93.8 million;
- Positive cash from operations of $151.2 million (2020: $182.3 million);
- Net current liabilities are impacted by the current portion of lease liabilities of $88.0 million which is forecast to be funded out of operating cash flows, while the related right of use asset is classified as non-current asset in full;
- No external debt and capital expenditure programs have been suspended;
- Net Equity of $201.1 million as at balance sheet date;
- Continuing steps were taken on a number of resiliency protocols, including, salary cuts, curbing all discretionary spending and maintaining a strong focus on cost control;
- Globally there have been various support measures including government relief (e.g. Jobkeeper) which the Consolidated Entity has qualified for and will continued to monitor. The total of these Jobkeeper payments received by the Consolidated Entity for the year ended 30 June 2021 was $2.4 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 as and when they fall due.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Consolidated Entity has adopted other amended standards and interpretations which have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods.

The other amendments are listed below:

Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2020

The following standard had a material effect in the current financial period totalling $3.3 million:

COVID-19 Related Rent Concessions (Amendment to IFRS 16)	1 June 2020

ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following new or amended standards and interpretations that are mandatory for the financial year ending 30 June 2021 (and future years) are not expected to have a material impact on the Consolidated Entity financial statements, unless otherwise stated:

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Consolidated Entity.

The Consolidated Entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

As a consequence of the COVID-19 pandemic significant judgement has been exercised in determining key assumptions for impairment testing and their sensitivity to change.

If the recoverable amount of a right-of-use asset is less than its carrying value, an impairment charge is recognised in the profit or loss, and the carry value of asset written-down to its recoverable amount. Should the recoverable amount increase in future periods the carrying value may be adjusted to the lower of the recoverable value or the amortised cost of the asset had it not been impaired. Please refer to note C6 for further details.

Expected credit loss provision

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk the Consolidated Entity compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment (continued)

The COVID-19 pandemic unfortunately presents an unprecedented crisis to many of the Consolidated Entity's customers who may struggle to navigate through these challenges without external support. Considering the disruptions globally, the Consolidated Entity reviewed the recoverability of its debtor profile and is satisfied with the expected credit-loss for the financial year ending 30 June 2021. The impact of COVID-19 and the likelihood of recoverability of such outstanding balances payable to the Consolidated Entity is relatively low compared to the overall debtor profile as the Consolidated Entity has not historically incurred significant credit losses and continues to maintain significant customer deposits as additional security in the rare event of non-performance of customer contracts.

In particular, AASB 9 requires the Consolidated Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Consolidated Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also allows a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Lease term and incremental borrowing rates

The Consolidated Entity leases various offices and properties around the world. Lease terms are determined as the non-cancellable term of the lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Rental contracts are typically made for fixed periods of ranging between 2 to 15 years but may have extension options. Rental contract length are also determined by local standards, for example, Asian leases are typically 3 years. The Consolidated Entity applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Consolidated Entity reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The Consolidated Entity estimates the incremental borrowing rates applicable to each lease by assessing the financial position of the entity to which the lease is signed. There is judgement in applying the credit rating applicable to the entity in relation to the remaining lease term.

Executive share option scheme

To calculate the expense for equity-settled share-based payments, the fair value of the equity instruments at grant date has to be estimated. The fair value is determined using the Black Scholes option pricing model. Key judgements and assumptions include exercise price, vesting and performance criteria, security price at grant date, volatility, distribution yield and risk-free interest rate. These judgements and assumptions relating to fair value measurement may impact the expense taken to profit or loss and reserves. Refer to note E4 and the Remuneration Report.

a. Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power, rights to variable returns and the ability to use its power to affect the amount of the returns. Consistent accounting policies are employed in the preparation and presentation of the Consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess in the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the Statement of profit or loss and other comprehensive income in the period of acquisition.

The Consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control, and until such time as the Company ceases to control an entity. In preparing the Consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising are eliminated in full.

b. Goodwill

Goodwill arising on acquisition is recognised as an asset and initially recognised at cost, representing the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised, but is tested for impairment at each reporting date and whenever there is an indication that goodwill may be impaired. Any impairment of goodwill is recognised immediately in the Statement of profit or loss and other comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Consolidated Entity's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment of the Consolidated Entity. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Please refer to Note C7 for further details.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets of the CGUs pro-rata on the basis of the carrying amount of each asset in the CGU (or group of CGUs). On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

c. Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of the impairment loss is recognised in the Statement of profit or loss and other comprehensive income immediately.

d. Revenue recognition

Rental and services revenue

Rental revenue from leases with customers in the capacity as lessor, is accounted for in accordance with AASB 16 on a straight line basis according to contractual terms. The Consolidated Entity adopted AASB 16 for the first time on 1 July 2019.

Services revenue, communications revenue and franchise fees are accounted for according to AASB 15 *Revenue from Contracts with Customers* ('AASB 15').

Service revenue comprises revenue earned from telephone, communications, service and franchise fees net of the amount of goods and services tax from the provision of services to entities outside the Consolidated Entity. Services revenue are typically invoiced in advance and are recognised in the period in which the services are provided. The services provided under contract are provided over time as the customer simultaneously receives and consumes the benefit of the service. The contract liability associated with consideration received in advanced has been presented as deferred contract liabilities in the trade and other payables balance on the statement of financial position.

e. Other income/ expense

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Disposal of assets

The profit and loss on disposal of assets is brought to account when the significant risks and rewards of ownership are passed to a party external to the Consolidated Entity.

Government grants

Government grants are not recognised until there is reasonable assurance that the Consolidated Entity will comply with the conditions attaching to them and that the grants will be received. They are separately recognised as other income.

f. Foreign currency transactions

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Foreign currency monetary items at reporting date are translated at the exchange rates existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit and loss in the period in which they arise except exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation. Such exchange differences are recognised in the foreign currency translation reserve and in the profit and loss on disposal of the net investment.

When a foreign operation is deconsolidated or borrowings that form part of the net investment are repaid, the cumulative exchange differences are recognised in the Consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

Translation of controlled foreign entities

The individual financial statements of each controlled foreign entity are presented in its functional currency, being the currency of the primary economic environment in which the entity operates. For the purpose of the Consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the Consolidated financial statements.

The assets and liabilities of overseas operations are translated at the rates of exchange ruling at the balance sheet date.

Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The balance of the foreign currency translation reserve relating to an overseas operation that is disposed of is recognised in the profit and loss in the period of disposal.

g. Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, and amortisation of ancillary costs using the effective interest rate method in connection with the arrangement of borrowings. Borrowing costs are expensed to the Statement of profit or loss and other comprehensive income as incurred.

h. Taxation

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. Income tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arises from the initial recognition of assets and liabilities, other than as a result of a business combination, which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches and associates except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets and liabilities giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised in equity.

h. Taxation (Contiued)

Tax losses and uncertain tax matters

Deferred tax assets for the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised. This is assessed at each reporting date. Further information is set out in Note B6.

The Consolidated Entity operates across many tax jurisdictions. Application of tax law can be complex and requires judgement to assess risk and estimate outcomes. Judgements are required about the application of income tax legislation and its interaction with income tax accounting principles. There are no material uncertain tax positions that we are aware of as at the date of this report.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Servcorp Limited is the head entity in the tax consolidated group. Tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer' within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company. Under this method, each entity is subject to tax as part of the tax consolidated group.

Due to the existence of a tax funding arrangement between entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company, and each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the parent entity, and the other members of the tax consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Statement of financial position. Cash flows are included in the Statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows

i. Receivables

Trade debtors to be settled within 30 days are carried at amounts due. AASB 9 impairment requirements use forward-looking information when determining expected credit losses. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Under AASB 9 the expected loss model under the new standard does not require a trigger event before the recognition of an impairment provisions.

Refer to note A.l. Financial assets below for the expected credit loss policy.

j. Derivative financial instruments

The Consolidated Entity enters into derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Further details of derivative financial instruments are disclosed in Note D3 to the Consolidated financial report.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in the profit or loss.

k. Share based payments

The Board may grant options to eligible executives in accordance with the Servcorp Executive Share Option Scheme. These equity-settled-share-based payments are non-market based and have earnings per share performance hurdles for the vesting of options.

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

At each reporting date, the Company revises its estimate of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the equity-settled employee benefits reserve.

l. Financial assets

All recognised financial assets that are within the scope of AASB 9 are required to be initially recognised at fair value and subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

l. Financial assets (Continued)

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note D4.

Other financial assets are classified into the following specified categories:

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Loans and receivables' and carried at amortised cost as the assets are held to collect contractual cash flows. The Group recognises a loss allowance for expected credit losses on trade receivables, loans and other receivables that are measured at amortised cost and, where applicable, contract assets. Changes in those expected credit losses at each reporting date reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Impairment of financial assets

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that will exactly discount estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

m. Property, plant and equipment

Acquisition

Items of property, plant and equipment acquired are capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives. Rent incurred in bringing floors to a state of operational readiness is capitalised to leasehold improvements and depreciated over the useful life of the asset.

Costs incurred on property, plant and equipment, which does not meet the criteria for capitalisation are expensed as incurred.

Property, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation, less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight line method over their estimated useful lives. Leasehold improvements are depreciated over the useful life of the asset using the straight line method.

The estimated useful lives used for each class of asset are as follows:

Buildings	40 years
Leasehold improvements	Useful life of the asset
Office furniture and fittings	7.7 years
Office equipment	3-4 years
Software	3.7 years
Motor vehicles	6.7 years

Depreciation rates and methods are reviewed annually and, where changed, are accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

Assets are depreciated from the date of acquisition or from the time an asset is completed and ready for use.

The estimation of the useful lives and residual values of leasehold improvement assets has been based on historical experience and lease terms (for leasehold improvements). In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives and residual values are made when considered necessary.

Useful lives of property, plant and equipment

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at each reporting period.

n. Leases

The Consolidated Entity adopted AASB 16 for the first time on 1 July 2019.

At inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

n. Leases (Continued)

The Consolidated Entity's principal activities are the provision of Executive Serviced and Virtual Offices, Coworking and IT, Communications and Secretarial Services. The Consolidated Entity enters into sub-lease arrangements for its properties and, classify and account for these leases as operating sublease agreements under AASB 16.

The Consolidated Entity as lessee

The Consolidated Entity assesses whether a contract is or contains a lease, at inception of the contract. For lease arrangements in which the Consolidated Entity is a lessee, a right-of-use asset and a corresponding liability is recognised at the date at which the leased asset is available for use by the Consolidated Entity.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Consolidated Entity's estimate of the amount expected to be payable under a residual value guarantee, or if the Consolidated Entity changes its assessment of whether it will exercise a purchase, extension or termination option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

- Fixed payments, less any lease incentives receivables;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercised price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the term reflects the lessee exercising that option.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Consolidated Entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying assets is available for use), measured at cost.

The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities.

Whenever the Consolidated Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* ('AASB 137'). To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the lease term of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Consolidated Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives and any initial direct costs incurred by the lessee
- An estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset.

Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Right-of-use assets are subject to impairment in accordance with AASB 136 *Impairment of Assets ('AASB 136')*. Any identified impairment loss is accounted for in line with our accounting policy for 'Property, plant and equipment'.

COVID-19

The Consolidated Entity as lessee

The Consolidated Entity is currently party to a lease portfolio of 118 leases as lessee. As a result of the COVID-19 pandemic, the Consolidated Entity negotiated a range of concessions and modifications to lease terms with the lessors. The resultant outcome of concessions and varied lease terms fall in two categories:

- Reduced rentals for a period of time ranging from 1 to 12 months and no amendments to any other contractual terms of the lease (Rent Reductions); and
- Reduced rentals for a period of time ranging from 1 to 36 months, but with several other changes to terms negotiated resulting in substantive modifications to the original lease agreement (Modifications).

The COVID-19 pandemic has resulted in amendments to accounting standards to provide lessees with a practical expedient not to assess whether COVID-19 related rent concessions are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The practical expedient utilised by the Consolidated Entity only applies to rent concessions as a consequence of COVID-19 that meet all of the following conditions:

n. Leases (Continued)

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022;
- There is no substantive change to other terms and conditions.

The Consolidated Entity applied the practical expedient to the lease agreements where Rent Reductions were negotiated and accounted for the forgiveness or waiver of lease payments as a variable lease payment. The Consolidated Entity has therefore derecognised that part of the lease liability that has been extinguished by the forgiveness of lease payments with a corresponding credit in profit or loss, presented in occupancy expense, the timing of which will depend on the facts and circumstances.

In May 2020, amendments to AASB 16 was issued "*COVID-19 Related Rent Concessions (the 2020 amendments). The 2020 amendments* introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

The practical expedient introduced in the *2020 amendments* only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021. The practical expedient has been extended by 12 months and permits lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

Multiple lease term amendments (referred to Modifications as described above) have been accounted for as a lease modification to the existing lease by remeasuring the lease liability using a revised discount rate with the corresponding change in lease liability reflected against the right of use asset.

The Consolidated Entity as lessor

Due to the short-term nature of lease agreements where the Consolidated Entity is the lessor, no modifications to contractual lease terms were negotiated with tenants as a result of the impact of COVID-19.

Make good provisions

At each reporting date, management reviews the portfolio of make good obligations based on the estimated cost of the likelihood of incurring these costs. The provision for lease make good represents the present value of the estimated costs to make good the premises leased by the Consolidated Entity at the end of the respective lease terms.

o. Payables

Liabilities are recognised for amounts payable in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade accounts payable are normally settled within 60 days.

p. Employee benefits

Wages, salaries and annual leave

The provision for employee benefits in respect of wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long service leave

The provision for employee benefits in respect of long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to the reporting date.

Provisions for employee benefits which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at the reporting date which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee benefits, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

Contributions to Australian superannuation funds

The Company and other Australian controlled entities contribute to defined contribution superannuation plans. Contributions are charged to the Statement of profit or loss and other comprehensive income as they are incurred.

q. Earnings per security (EPS)

Basic earnings per security

Basic EPS is calculated by dividing the net profit attributable to members of the Consolidated Entity for the reporting period by the weighted average number of ordinary shares of the Company.

Diluted earnings per security

Diluted EPS is calculated by adjusting the basic EPS earnings by the effect of conversion to ordinary shares of the associated dilutive potential ordinary shares. The notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted are not included.

The diluted EPS weighted average number of shares includes the number of shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary shares. There is no impact on diluted EPS resulting from shares under option.

r. Debt and equity instruments

Details of reserves included in Statement of Changes in Equity

Fair value through share buy-back reserve. This reserve records fair value changes at each reporting date on instruments classified at fair value through other comprehensive income.

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

s. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less.

t. Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated

Statement of financial position at cost and adjusted thereafter to recognise the Consolidated Entity's share of profit or loss and other comprehensive income of the joint venture.

An investment in a joint venture is accounted for using the equity method of accounting from the date on which the investee becomes a joint venture.

The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Consolidated Entity's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB136 to the extent that the recoverable amount of the investment substantially increases.

u. Comparative information

Where applicable under AASB 101 Presentation of Financial Statements, comparative information has been reclassified or restated where there has been a retrospective restatement, or reclassification of items in the financial statements in order to comply with current period disclosure requirements.

Comparative figures, where applicable, have been adjusted to conform to changes in presentation for the current financial year.

B RESULTS FOR THE YEAR

This section explains the results and performance of the Consolidated Entity, including segmental analysis and detailed breakdowns.

B1 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's chief operating decision makers.

Servcorp 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 materials as directed by the Chief Operating Decision Maker. The segment manager motivates and rewards team members who meet or exceed 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').

B1 SEGMENT INFORMATION (CONTINUED)

The Consolidated Entity initially adopted AASB 16 at 1 July 2019, using the modified retrospective approach. The right of use assets and lease liability recognised from this application are now monitored centrally at the Consolidated Entity level by the Consolidated Entity's chief operating decision makers.

The Consolidated Entity's reportable operating segments 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 year ended 30 June 2021, the Consolidated Entity's Virtual Office revenue and Serviced Office revenue were $80.1 million and $189.6 million respectively (2020: $96.9 million and $252.2 million, respectively).

	Lease revenue	Contract revenue[1]	Total revenue	Lease revenue	Contract revenue[1]	Total revenue	Segment profit/ (loss)	
	2021	**2021**	**2021**	2020	2020	2020	**2021**	2020
	$'000	**$'000**	**$'000**	$'000	$'000	$'000	**$'000**	$'000
Continuing operations								
Australia, New Zealand & Southeast Asia	**50,834**	**14,344**	**65,178**	60,987	18,499	79,486	**(316)**	9,274
USA	**11,047**	**2,334**	**13,381**	17,717	5,319	23,036	**(4,541)**	(6,888)
Europe & Middle East	**48,728**	**21,412**	**70,140**	65,132	26,470	91,602	**4,545**	21,652
North Asia	**90,861**	**28,275**	**119,136**	99,031	31,881	130,912	**22,188**	12,127
Other	**796**	**527**	**1,323**	1,647	794	2,441	**(1,910)**	256
	202,266	**66,892**	**269,158**	244,514	82,963	327,477	**19,966**	36,421
Closed floors (i)								
Australia, New Zealand & Southeast Asia	**3**	**15**	**18**	2,532	777	3,309	**74**	1,864
USA	**180**	**55**	**235**	9,705	1,263	10,968	**2,300**	(6,309)
Europe & Middle East	**83**	**53**	**136**	1,719	619	2,338	**(266)**	(650)
North Asia	**(6)**	**1**	**(5)**	3,774	1,092	4,866	**(14)**	2,781
	260	**124**	**384**	17,730	3,751	21,481	**2,094**	(2,314)
Franchise Fee income	**-**	**117**	**117**	-	158	158	**117**	158
Consolidated total	**202,526**	**67,133**	**269,659**	262,244	86,872	349,116	**22,177**	34,265
Interest revenue	**-**	**696**	**696**	-	1,343	1,343	**696**	1,343
Foreign exchange gains	**-**	**-**	**-**	-	-	-	**4,537**	1,555
Centralised unrecovered head office overheads	**-**	**-**	**-**	-	-	-	**(3,338)**	(13)
Share of profit of joint venture	**-**	**-**	**-**	-	-	-	**281**	383
Gain/ (loss) on asset disposal	**-**	**-**	**-**	-	-	-	**437**	(2,740)
COVID-19 payments received from governments (iv)	**-**	**4,299**	**4,299**	-	1,073	1,073	**4,299**	1,073
Impairment of ROU assets (ii)	**-**	**-**	**-**	-	-	-	**(3,648)**	-
Impairment reversal of leasehold improvements (ii)	**-**	**-**	**-**	-	-	-	**2,150**	-
Loss from deconsolidation (iii)	**-**	**-**	**-**	-	-	-	**-**	(19,429)
Unallocated	**-**	**1,001**	**1,001**	-	1,340	1,340	**956**	(826)
Profit before tax	**-**	**-**	**-**	-	-	-	**28,547**	15,611
Income tax expense	**-**	**-**	**-**	-	-	-	**(6,427)**	(8,677)
Consolidated segment revenue and profit for the period	**202,526**	**73,129**	**275,655**	262,244	90,628	352,872	**22,120**	6,934

[1] Contract revenue refers to AASB 15.

B1 SEGMENT INFORMATION (CONTINUED)

Notes:

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

ii Refer to Note C5 for details on the net impairment of the ROU asset and leasehold improvements.

iii. The Consolidated Entity lost control of an entity in a politically restricted country and 7 entities in the USA and lost the power to govern the financial and operating policies of these entities on 31 May 2020 and 26 June 2020 respectively. Therefore, the Consolidated Entity deconsolidated these entities from the Consolidated financial statements from that date. Refer to note B2.

iv. The comparative 30 June 2020 COVID-19 payments received from governments has been reclassified from Australia, New Zealand and South East Asia continuing operations.

	30 June 2021			30 June 2020		
	Segment assets $'000	**Segment liabilities $'000**	**Net assets $'000**	Segment assets $ '000	Segment liabilities $'000	Net assets $'000
Continuing operations						
Australia, New Zealand & Southeast Asia	**227,043**	**71,481**	**155,562**	180,038	79,482	100,556
USA	**(8,794)**	**90,967**	**(99,761)**	64,893	148,548	(83,655)
Europe & Middle East	**172,801**	**74,854**	**97,947**	184,121	80,695	103,426
North Asia	**234,476**	**186,372**	**48,104**	295,564	194,232	101,332
Other	**(730)**	**18**	**(748)**	(689)	9	(698)
	624,796	**423,692**	**201,104**	723,927	502,966	220,961

B2 DECONSOLIDATION OF SUBSIDIARIES DUE TO LOSS OF CONTROL

During the year ended 30 June 2021 the Consolidated Entity did not gain or lose control of entities.

On 31 May 2020 the Consolidated Entity lost control of an entity in a politically restricted country and deconsolidated. Limitations from the imposition of sanctions have placed restrictions on the Consolidated Entity's ability to operate and effective 31 May 2020 the landlord is now operating the location. Servcorp Limited as the ultimate parent entity lost control when the landlord assumed control of the operational activities and bank accounts including making all management decisions.

On 26 June 2020, the Consolidated Entity lost control of 7 USA entities and these entities were deconsolidated. The USA in general has performed poorly and several attempts to remedy the operation have failed. Following negotiations with landlords and in context of the COVID-19 pandemic, a decision was made to close twelve USA locations. The USA locations closed include Atlanta (2), Boston (1), Dallas (2), Los Angeles (2), Miami (1), Philadelphia (1), San Francisco (2) and Washington DC (1). The closure method selected was an Assignment for the Benefit of Creditors. Under this approach, an independent assignee was selected and is charged with liquidating the companies' assets for the benefit of creditors. The process consists of asset sales followed by wind-down of each entity in accordance with state law, supervised by a state court process.

The Consolidated Entity recognised a total loss on deconsolidation of $19.4 million for an entity in a politically restricted country and the 7 entities in the USA. The loss represents the carrying value of net assets included in the consolidated financial statements in respect of these entities at the date of deconsolidation.

Details of the loss of control of the subsidiaries:

	2021 $'000	**2020 $'000**
Total consideration	-	-
Carrying amount of net assets	-	(19,429)
Loss before income tax	-	(19,429)
Income tax expense	-	-
Loss on loss of control of subsidiaries after income tax	-	(19,429)

B2 DECONSOLIDATION OF SUBSIDIARIES DUE TO LOSS OF CONTROL (CONTINUED)

Net assets of the entities at the time of loss of control were as follows:

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	-	131
Other current assets	-	4,150
Total current assets	-	4,281
Property Plant and Equipment	-	9,266
Other assets	-	24,090
Total non-current assets	-	33,356
Total assets	-	37,637
Payables	-	(49,988)
Current tax liability	-	(630)
Other current liabilities	-	(6,001)
Total current liabilities	-	(56,619)
Non-current liabilities	-	(16,591)
Total liabilities	-	(73,210)
Net liabilities	-	(35,573)

Impact of loss on deconsolidation in Statement of profit or loss and other comprehensive income:		
Write-off of net liabilities	-	35,573
Intercompany receivable write-off in relation to deconsolidated subsidiaries and costs of deconsolidation	-	(55,002)
Loss before income tax	-	(19,429)
Income tax expense	-	-
Loss on loss of control of subsidiaries after income tax	-	(19,429)

B3 REVENUE & OTHER INCOME

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

	2021 $'000	2020 $'000
Revenue		
Lease revenue	**202,526**	262,245
Communications revenue	**30,427**	40,790
Service revenue	**36,589**	45,923
Franchise fee income	**117**	158
Total revenue	**269,659**	349,116
Other income		
Interest income – bank deposits	**696**	1,343
Australian COVID-19 government grants	**2,514**	1,073
Foreign COVID-19 government grants	**1,784**	-
Other income	**1,002**	1,340
Total other income	**5,996**	3,756

B4 EXPENSES

Expenses and outgoings

Expenses and outgoings include rates and taxes and are recognised on an accruals basis.

	2021 $'000	2020 $'000
Profit before income tax was arrived at after charging/ (crediting) the following from/(to) continuing operations:		
Amortisation of right of use assets	**99,591**	121,262
Depreciation of property, plant and equipment	**25,447**	31,211
(Gain)/ loss on disposal of property, plant & equipment	**(391)**	2,659
(Gain)/ loss on disposal of financial assets	**(46)**	81
Decrease in fair value of financial assets classified as fair value through the profit & loss	**1,024**	723
Bad debts expense	**2,150**	2,529
Restructure costs (i)	**-**	2,035
Loss on deconsolidation (ii)	**-**	19,429
Impairment of ROU assets (iii)	**3,648**	-
Impairment reversal of leasehold improvements (iii)	**(2,150)**	-

Notes:

i Key personnel redundancy costs.

ii The Consolidated Entity recognised a loss on deconsolidation of $5.1 million and $14.3 million for the entity in the politically restricted country and the USA, respectively. The loss represents the difference between the carrying value and fair value of the remaining interest as of the transaction date.

iii. Refer to Note C5 and C6 for further details of impairment.

B5 EVENTS OCCURRING AFTER THE END OF THE YEAR

No events have occurred since the end of the year which have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the Consolidated Entity's state of affairs in future years.

COVID-19

The Consolidated Entity continues to closely monitor the unprecedented global pandemic and its impact on the global economy. The expected duration and magnitude of this pandemic and its potential impacts on the economy and financial markets is unclear. Should the impact of the virus be severe or prolonged, it is expected to have an impact on the performance and position of the Consolidated Entity. The Consolidated Entity is actively managing the impacts and risks arising from the pandemic on its people and operations.

Dividend

On 26th August 2021 the Directors declared a final dividend of 9.00 cents per share unfranked, payable on 7th October 2021.

B6 INCOME TAX

All of the Consolidated Entity's tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period.

Income tax analysis

Reconciliation to effective tax rate	2021 $'000	2020 $'000
Profit before income tax	**28,547**	15,611
Income tax expense calculated at 30%	**8,564**	4,683
Deductible local taxes	**(649)**	(612)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(684)**	(23)
Other non-deductible/(assessable) items	**(3,792)**	(1,916)
Income tax under/(over) provision in prior years	**115**	(551)
Unused tax losses and tax offsets not recognised as deferred tax assets (i)	**2,873**	7,096
Income tax expense	**6,427**	8,677

Notes:

i During the financial year ended 30 June 2021 $2.2 million (2020: $5.9 million) of unused tax losses and offsets related to USA operations, with the balance related to other jurisdictions.

Income tax recognised in the income statement	2021 $'000	2020 $'000
Tax expenses comprises:		
Current tax expense	**9,404**	9,033
Under/ (over) provision in prior years – current tax	**205**	(482)
Over provision in prior years – deferred tax	**(89)**	(69)
Deferred tax income relating to the origination and reversal of temporary differences and previously unrecognised tax losses	**(3,093)**	195
Income tax expense	**6,427**	8,677

Current tax assets and liabilities	2021 $'000	2020 $'000
Current tax assets		
Tax refunds receivable	**2,985**	2,179

B6 INCOME TAX (CONTINUED)

Movement in deferred tax balances.

2021	Balance at 1 July $'000	Recognised in profit or loss $'000	Balance at 30 June $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
Accruals not currently deductible	6,581	(969)	5,612	7,521	(1,909)
Doubtful debts	229	1,166	1,395	1,395	-
Depreciable and amortisable assets	11,429	(262)	11,167	9,819	1,348
Tax losses	3,303	2,178	5,481	5,481	-
Foreign exchange	(258)	18	(240)	(64)	(174)
Deferred rent incentive	(8)	7	(1)	(1)	-
Lease asset and liability	14,926	(1,016)	13,910	84,732	(70,823)
Other	815	155	970	1,220	(251)
Tax assets (liabilities) before set-off	37,017	1,277	38,294	110,103	(71,809)
Set-off of tax	-	-	-	(71,809)	-
Net tax assets (liabilities)	37,017	1,277	38,294	38,294	-

2020	Balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in Equity $'000	Other $'000	Balance at 30 June	Deferred tax assets $'000	Deferred tax liabilities $'000
Accruals not currently deductible	4,738	3,293	-	(1,450)	6,581	8,625	(2,045)
Doubtful debts	299	(70)	-	-	229	229	-
Depreciable and amortisable assets	10,852	(529)	-	1,106	11,429	10,323	1,106
Tax losses	3,710	(421)	-	14	3,303	3,289	14
Foreign exchange	232	(320)	-	(170)	(258)	(60)	(196)
Deferred rent incentive	5,344	(5,378)	-	26	(8)	-	(8)
Lease asset and liability	-	2,687	10,870	1,369	14,926	102,734	(87,808)
Other	1,079	(766)	-	502	815	1,070	(256)
Tax assets (liabilities) before set-off	26,254	(1,504)	10,870	1,397	37,017	126,210	(89,193)
Set-off of tax	-	-	-	-	-	(89,163)	-
Net tax assets (liabilities)	26,254	(1,504)	10,870	1,397	37,017	37,047	(30)

The following deferred tax assets have not been brought to account:

	2021 $'000	2020 $'000
Temporary differences	16	16
Tax losses – capital	2,086	2,086
Tax losses – revenue	22,390	20,182
	24,492	22,284

B7 EARNINGS PER SECURITY

Basic earnings per security (EPS) is calculated by dividing:

- the profit attributable to securityholders; by
- the weighted average number of ordinary securities (WANOS) outstanding during the year.

Diluted EPS adjusts the WANOS to take into account dilutive potential ordinary securities from security-based payments.

	2021 $'000	2020 $'000
Profit attributable to securityholders used to calculate basic and diluted EPS	**22,120**	6,934
WANOS used in calculating basic EPS	**96,818**	96,818
WANOS used in calculating diluted EPS	**96,818**	96,818

C ASSETS AND LIABILITIES

C1 CASH & CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash	**69,145**	66,956
Bank short term deposits (i)	**24,638**	32,931
	93,783	99,887

Notes:

i. Bank short term deposits mature within an average of 77 days (2020: 114 days) and are considered cash and cash equivalents on the basis of being short term and subject to an insignificant risk of change in value. These deposits and the interest-earning portion of the cash balance earn interest at a weighted average rate of 0.53% (2020: 0.91%).

C2 TRADE & OTHER RECEIVABLES

	2021 $'000	2020 $'000
Current		
At amortised cost		
Trade receivables	**27,507**	30,672
Less: Impairment of trade receivables (i)	**(5,035)**	(1,499)
Other debtors	**1,560**	1,917
	24,032	31,090

All of the Consolidated Entity's trade receivables relate to customers purchasing workplace solutions and associated services and no individual customer has a material balance owing as a trade receivable. The Consolidated Entity applies the simplified approach to trade receivables and recognises expected credit losses based on the lifetime expected losses. Provisions for receivables are established based on both expected credit losses and information available that the Group will not be able to collect all amounts due according to the original terms of the receivables. The average credit period allowed on rendering of services is 7 days. The Consolidated Entity recognises a loss allowance for expected credit losses on trade receivables and other receivables that are measured at amortised cost and, where applicable, contract assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The Consolidated Entity has applied the expected credit loss model to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the assets. Receivables are assessed for impairment at each reporting date and as at 30 June 2021 the Directors believe no further provisions are required.

Note:

i. The Consolidated Entity's impairment of trade receivables includes an ECL allowance for the financial year ending 30 June 2021 totaling $5.0 million (2020: $1.5 million).

	2021 $'000	2020 $'000
Expected credit loss		
Balance 1 July	**(1,499)**	(1,038)
Amounts written off	**2,145**	(2,529)
Net measurement of loss allowance	**(5,681)**	2,068
Balance 30 June	**(5,035)**	(1,499)

Trade receivables – days past due	Current $,000	<30 days $,000	31 – 60 days $,000	> 61 days $,000	Total $,000
2021					
Trade receivables	**11,356**	**10,048**	**1,483**	**4,620**	**27,507**
Expected credit loss rate	**9%**	**9%**	**24%**	**59%**	
2020					
Trade receivables	**11,553**	**11,206**	**1,657**	**6,256**	**30,672**
Expected credit loss rate	**0%**	**0%**	**1%**	**24%**	

The Consolidated Entity calculated expected credit losses based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset. Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any loss allowance. All receivables with maturities greater than 12 months after balance data are classified as non-current. The increased provisions during the year ended 30 June 2021 represents Management's judgement based on information available at the time on the impact of COVID-19 and the recoverability of its debtors. The movement of $1.1 million (2020: $0.5 million) was recognised through the Consolidated statement of profit or loss and other comprehensive income during the period.

The COVID-19 pandemic presents an unprecedented crisis to many of the Consolidated Entity's customers who may struggle to navigate through these challenges without external support. Considering the disruptions globally, the Consolidated Entity reviewed the recoverability of its debtor profile and is satisfied with the expected credit-loss for the financial year ending 30 June 2021. The impact of COVID-19 and the likelihood of recoverability of such outstanding balances payable to the Consolidated Entity is relatively low compared to the overall debtor profile as the Consolidated Entity has not historically incurred significant credit losses and continues to maintain significant customer deposits as additional security in the rare event of non-performance of customer contracts.

C3 OTHER FINANCIAL ASSETS

	2021 $'000	2020 $'000
Current		
At fair value through profit or loss		
Investment in bank hybrid variable rate securities (i)	**10,759**	9,213
At amortised cost		
Lease deposits	**1,736**	1,523
	12,495	10,736
Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	**1,216**	276
At amortised cost		
Lease deposits (ii)	**40,027**	44,366
Other	**1,017**	1,024
	42,260	45,666

Note:

i Australia has $7.6 million in securities which is encumbered (2020: $7.7 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.

C4 PREPAYMENTS & OTHER ASSETS

	2021 $'000	2020 $'000
Current		
Prepayments	**2,725**	2,759
Refundable deposits (i)	**1,979**	1,305
Other	**105**	3,121
	4,809	7,185

Note:

i The comparative 30 June 2020 refundable deposits totaling $1.3 million was reclassified from Other.

C5 PROPERTY, PLANT & EQUIPMENT

2021	Freehold land & buildings $'000	Leasehold improvements $'000	Office furniture & fittings $'000	Office equipment & software $'000	WIP $'000	Total $'000
Balance at 1 July 2020	8,157	81,090	15,408	15,274	1,386	121,315
Additions	-	4,225	213	451	815	**5,704**
Disposals at net book value	-	(33)	(45)	(49)	-	**(127)**
Depreciation expense	(135)	(15,609)	(3,105)	(6,598)	-	**(25,447)**
Impairment reversal (i)	-	2,150		-	-	**2,150**
Net foreign exchange differences at net book value	(834)	(4,818)	(1,257)	(186)	-	**(7,095)**
Net book value as at 30 June 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)**

2020	Freehold land & buildings $'000	Leasehold improvements $'000	Office furniture & fittings $'000	Office equipment & software $'000	WIP $'000	Total $'000
Balance at 1 July 2019	8,112	101,083	17,627	16,154	2,578	145,554
Additions	-	8,148	2,947	6,933	(1,146)	**16,882**
Disposals at net book value	-	(7,801)	(1,081)	(700)	-	**(9,582)**
Depreciation expense	(149)	(19,859)	(4,238)	(6,965)	-	**(31,211)**
Net foreign exchange differences at net book value	194	(481)	153	(148)	(47)	**(328)**
Net book value as at 30 June 2020	**8,157**	**81,090**	**15,408**	**15,274**	**1,385**	**121,315**
Cost	**9,061**	**215,431**	**41,716**	**63,059**	**1,385**	**330,652**
Accumulated depreciation	**(903)**	**(134,341)**	**(26,308)**	**(47,785)**	**-**	**(209,337)**

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 C6 for further details of impairment testing.

C6 Right of use assets

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

	2021 $'000	2020 $'000
Opening balance	**355,047**	389,955
Additions	**76,032**	105,198
Terminations	**(11,740)**	(24,238)
Amortisation charge for the period	**(99,591)**	(121,262)
Impairment charge	**(3,648)**	-
Net foreign currency exchange differences at net book value	**(20,237)**	5,394
Net book value	**295,863**	355,047

Right of use assets and leasehold improvements are assessed for indicators of impairment under AASB 136. Where impairment indicators exist, the "Cash Generating Unit" (CGU) is tested for impairment. This test has respective assets grouped into CGUs to determine its "Value in Use" (ViU). The ViU assessment is conducted using a discounted cash flow methodology requiring the Directors to estimate the discounted future cash flows expected to arise from the respective CGU. When applying the ViU approach to calculate the recoverable amount for each CGU, we deduct the carrying amount of the lease liability both from the CGU's carrying amount and from its ViU. During the year ended 30 June 2021, this assessment led to the recognition of impairment in 5 CGUs: Kuala Lumpur, Shanghai, Kuwait city, Paris and Manila and the Consolidated Entity recorded a net impairment of $3.6 million in respect of right of use assets. The impairment assessment also led to the reversal of the Abu Dhabi and Singapore CGU leasehold improvements totalling $2.2 million.

The prolonged effects of COVID-19, including new and extended preventative measures in most of the Consolidated Entity's markets, is expected to impact the business in the financial year 2022. As a result of these measures, Consolidated Entity carried out a comprehensive review for potential impairments across the whole portfolio at a cash-generating units (CGUs) level.

The impairment review formed part of the Consolidated Entity's rationalisation process undertaken throughout the year due to the impact of COVID-19.

Impairment tests for right-of-use assets are performed on a CGU basis when impairment triggers arise. CGUs are defined as individual cities, being the smallest identifiable group of assets that generate cash flows that are largely independent of other groups of assets. The Consolidated Entity assesses whether there is an indication that a CGU may be impaired, including persistent operating losses, net cash outflows and poor performance against forecasts. During the year, and as a direct result of the challenging economic circumstances arising from COVID-19, this gave rise to impairment tests in relation to various cities where impairment indicators were identified. The recoverable amounts of right of use assets are based on the higher of fair value less costs to sell and ViU. The Consolidated Entity considered both fair value less costs to dispose and ViU in the impairment testing on a city by city level. Value in use calculations are based on cash flow projections and discount rates that are developed using market participant based assumptions for items of right of use assets. The pre-tax WACC used in the Consolidated Entity's calculations range between 4.9% and 11.0% (2020: 11.0%). Impairment charges are recognised within the consolidated income statement.

C7 GOODWILL

Allocation of goodwill to cash-generating units

Each of the following countries is a stand-alone cash-generating unit:

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 cash-generating unit in which goodwill arose. Not every cash-generating unit has goodwill allocated to it.

The carrying amounts of goodwill relating to each group of cash-generating unit as at 30 June 2021 were as follows:

	2021 $'000	2020 $'000
Japan	**9,161**	9,161
Australia	**2,636**	2,636
New Zealand	**785**	785
Singapore	**706**	706
Thailand	**326**	326
China	**161**	161
	13,775	13,775

The Consolidated Entity tested goodwill for impairment as at 30 June 2021. The recoverable amount of a CGU or group of CGUs to which goodwill is allocated is determined based on the greater of its value in use and its fair value less costs of disposal. Fair value is determined as being the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. If relevant, this fair value assessment less costs of disposal is conducted by the Directors based on their extensive knowledge of the industry including the current market conditions prevailing. The value in use (ViU) assessment is conducted using a discounted cash flow methodology requiring the Directors to estimate the discounted future cash flows expected to arise from the cash generating units. When applying the ViU approach to calculate the recoverable amount for each CGU, we incorporate the use of projected financial information and a discount rate that are developed using market participant based assumptions. The cash-flow projections are based on five-year financial forecasts developed by management that include revenue projections, capital spending trends, and investment in working capital to support anticipated revenue growth. The selected discount rate considers the risk and nature of the respective reporting unit's cash flows and the rates of return market participants would require to invest their capital in our reporting units. Our methodology for determining recoverable amounts remained consistent for the periods presented.

The following key assumptions have been used in calculating the ViU for each country:

• Future cash flows are based on forecasts prepared by management. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the ViU;

• These forecasts exclude the impact of acquisitive growth expected to take place in future periods;

• Management considers these forecasts to be a reasonable projection of margins. Cash flows beyond 30 June 2021 have been extrapolated using a Nil growth rate which management believes is a reasonable long-term growth rate for any of the markets in which we operate. A Nil terminal value is included in the assessment, reflecting the Consolidated Entity's expectation that it will continue to operate in these markets and the long-term nature of the businesses; and

• The Consolidated Entity applies a country specific pre-tax discount rate to the pre-tax cash flows for each country. The country specific discount rate is based on the underlying weighted average cost of capital (WACC) for the Consolidated Entity. The WACC is then adjusted for each country to reflect the assessed market risk specific to that country.

The recoverable amount of goodwill relating to each group of cash-generating unit was determined based on ViU calculations, which use pre-tax cash flow projections, covering a five-year period and terminal growth rate of 0% (2020: 0%).

For the year ended 30 June 2021, the pre-tax discount rate applied to the above countries ranged from 3.5% -11.0% (2020: 7.6% - 9.1%).

Downside sensitivity analysis has been performed on the assumptions used in the model and concluded that there is risk of impairment as at 30 June 2021. The Consolidated Entity undertook a valuation at 30 June 2021 updated for COVID-19 impacts to the business. The valuation updates included assumptions regarding revenue, operating expenses, capital expenditure and interest rates. Furthermore, refer to the Going Concern note in section A 'Basis of Preparation' for an assessment of COVID-19 impacts.

The Consolidated Entity has considered the impairment testing undertaken and disclosures made in relation to the value of the Company's goodwill and has challenged the key assumptions made by management in their valuation methodology. The Consolidated Entity considers that an appropriately cautious approach has been used by management and is satisfied that no impairment of goodwill is required.

C8 TRADE & OTHER PAYABLES

	2021 $'000	2020 $'000
Current		
At amortised cost		
Trade creditors	**4,675**	3,894
Deferred contract liabilities	**19,228**	19,741
Other creditors and accruals	**11,494**	21,120
	35,397	44,755

C9 OTHER FINANCIAL LIABILITIES

	2021 $'000	2020 $'000
Current		
At amortised cost		
Security deposits	**28,545**	32,744
	28,545	32,744

C10 LEASE LIABILITIES

The Consolidated Entity holds 118 (2020: 118) leasing arrangements as lessee comprising leased offices as at year end 30 June 2021.These leases have been accounted for in line with AASB 16.

Refer to note C6 for a detailed breakdown of the right of use asset amount. Information about lease liabilities and variable lease payments incurred during the year presented below:

	2021 $'000	2020 $'000
Lease liabilities included in the statement of financial position		
Current	**88,031**	104,398
Non-current	**260,709**	309,954
	348,740	414,352
Amounts recognised in profit or loss		
Interest on lease liabilities	**12,400**	18,698
Short term lease expenses (i)	**5,895**	1,599
Amortisation on right of use assets	**99,951**	121,262
COVID-19 Rent Reductions	**(3,259)**	(762)
	114,987	140,797
Amounts recognised in the statement of cash flows		
Repayment of lease liabilities relating to current period occupancy (financing cashflows)	**(117,829)**	(111,199)
Repayment of lease liabilities relating to future occupancy periods (financing cashflows)	**(8,426)**	(7,345)
	(126,255)	(118,544)

Note:

i Short term lease expenses are leases with terms of less than 12 months.

	2021 $'000	2020 $'000
Future minimum lease payments		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**102,309**	113,997
One to five years	**240,231**	275,712
More than five years	**42,937**	60,943
Total undiscounted lease liabilities	**385,477**	450,652

C11 PROVISIONS

	2021 $'000	2020 $'000
Current		
Employee benefits (i)	**7,663**	7,653
Other	**2,084**	2,310
	9,747	9,963
Non-current		
Employee benefits	**1,263**	1,122
	1,263	1,122

Note:

i The current provision for employee benefits includes $7.1 million of annual leave and vested long service leave entitlements accrued (2020: $6.9 million).

D CAPITAL STRUCTURE & RISKS

This section outlines the market, credit and liquidity risks that the Consolidated Entity is exposed to and how it manages these risks. Capital comprises securityholders' equity and financing arrangements.

D1 CAPITAL MANAGEMENT

The Company's Audit and Risk Committee oversees the establishment of the capital and financial risk management system, which identifies, evaluates, classifies, monitors, qualifies and reports significant risks to the Board of Directors. All controlled entities in the Consolidated Entity apply this risk management system to manage their own risks.

The Company's objective when managing capital is to ensure that entities within the Consolidated Entity will be able to continue as a going concern while maximising the return to stakeholders.

The Company's overall strategy remains unchanged from the prior period. The capital structure of the Consolidated Entity consists of equity attributable to equity holders of the parent, company issued capital, reserves and retained earnings.

The Consolidated Entity operates globally, primarily through subsidiary companies established in the markets in which the Consolidated Entity operates. Operating cash flows are used to maintain and expand the Consolidated Entity, as well as to make routine outflows of tax and dividend payments.

D2 FINANCING FACILITIES & LIQUIDITY

The Consolidated Entity has access to financing facilities.

Bank guarantees have been issued to secure rental bonds over premises. A guarantee has also been established to secure an overdraft limit in the form of a term deposit. Details are in Note F2.

Bill acceptance, payroll and other facilities have been established to facilitate the encashment of cheques, and to accommodate direct entry payroll and direct entry supplier payments.

The Consolidated Entity has access to the following lines of credit:

	2021 $'000	2020 $'000
Total facilities available		
Bank guarantees	**27,000**	37,000
Bank overdrafts and loans	**465**	567
Bill acceptance/ payroll/ other facilities	**4,150**	4,150
	31,615	41,717
Facilities utilised at balance sheet date		
Bank guarantees	**21,568**	25,482
Bank overdrafts and loans	**65**	65
	21,633	25,547
Facilities not utilised at balance sheet date		
Bank guarantees	**5,432**	11,518
Bank overdrafts and loans	**400**	502
Bill acceptance/ payroll/ other facilities	**4,150**	4,150
	9,982	16,170

D3 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Consolidated Entity enters into forward foreign currency exchange contracts to economically hedge anticipated transactions.

a. Financial risk management objectives

The financial risks that result from the Consolidated Entity's activities are credit risk and market risk (interest rate risk and foreign exchange risk).

The Consolidated Entity's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Consolidated Entity.

The Consolidated Entity does not enter into or trade financial instruments for speculative purposes. The Consolidated Entity does not apply hedge accounting. The use of financial derivatives is governed by policies approved by the Board of Directors.

The Consolidated Entity's corporate treasury function reports to the Company's Audit and Risk Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

D3 FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk

The Consolidated Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Consolidated Entity enters into forward foreign currency exchange contracts to economically hedge anticipated transactions.

i. Foreign exchange risk

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Consolidated Entity's foreign exchange risk arises primarily from:

- risk of fluctuations in foreign exchange rates to the Australian dollar (the functional and presentation currency);
- firm commitments of receipts and payments settled in foreign currencies or with prices dependent on foreign currencies;
- investments in foreign operations; and
- loans and trading accounts to foreign operations.

Foreign currency assets and liabilities

For accounting purposes, net investment in foreign operations are revalued at the end of each reporting period with the movement reflected as a movement in the foreign currency translation reserve. Borrowings and forward exchange contracts not forming part of the net investment in foreign operations are revalued at the end of each reporting period with the fair value movement reflected in the Statement of profit or loss and other comprehensive income as exchange gains or losses.

Foreign currency sensitivity analysis

The following table summarises the material sensitivity of financial instruments held at balance date to movements in the exchange rate of the Australian dollar to foreign exchange rates, with all other variables held constant. The sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five-year period.

Sensitivity analysis – foreign exchange risk and interest rate risk

	Impact on profit		Impact on equity	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Pre-tax gain/ (loss)				
AUD/ USD +**7**% (2020: +4%)	**92**	(1,356)	**3,677**	574
AUD/ USD - **7**% (2020: -4%)	**(104)**	1,303	**(4,205)**	(618)
AUD/ JPY + **5**% (2020: +8%)	**(900)**	(1,107)	**1,269**	1,636
AUD/ JPY - **5**% (2020: -8%)	**3,571**	807	**(1,387)**	(1,913)
AUD/ EUR + **5**% (2020: +3%)	**139**	(11)	**227**	162
AUD/ EUR - **5**% (2020: -3%)	**152**	(1)	**(249)**	(173)
AUD/ RMB + **3**% (2020: +3%)	**(203)**	(181)	**48**	48
AUD/ RMB - **3**% (2020: -3%)	**215**	84	**(54)**	(54)
AUD/ SGD + **4**% (2020: +3%)	**(443)**	(402)	**-**	-
AUD/ SGD - **4**% (2020: -3%)	**477**	383	**-**	-

D3 FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (continued)

i. Foreign exchange risk (continued)

Forward foreign currency exchange contracts

The following table sets out the details of forward foreign currency exchange contracts in place as at 30 June 2021. These are level 2 fair value measurements derived from inputs as defined in Note D4.

	Average exchange rate		Foreign currency		Fair value	
	2021	2020	**2021 Million**	2020 Million	**2021 $'000**	2020 $'000
Outstanding contracts						
Sell JPY						
No later than one year	**72.53**	74.78	**650**	650	**1,171**	(102)
Later than one year and not later than five years	**81.43**	72.19	**200**	800	**46**	214
Sell EUR						
No later than one year	**-**	0.584	**-**	1	**-**	80

ii. Interest rate risk

Interest rate risk on cash or short term deposits is not considered to be a material risk due to the short-term nature of these financial instruments.

The following table summarises the sensitivity of the financial instruments held at balance date, following a movement to interest rates, with all other variables held constant. The sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates. Nil impact on equity.

	Impact on profit	
	2021 $'000	2020 $'000
Pre-tax gain/ (loss)		
AUD balances		
125 basis point increase	**290**	429
125 basis point decrease	**(68)**	(205)
Other balances		
125 basis point increase	**128**	77
125 basis point decrease	**(314)**	(53)

D3 FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (continued)

iii. Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of short, medium and long term funding. The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities.

The following table details the Consolidated Entity's expected maturity for its financial assets. The table below was drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned.

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
2021							
Non-interest bearing							
Receivables	24,032	-	-	-	-	**24,032**	
Lease deposits (i)	373	1,369	6,934	22,160	9,189	**40,025**	
Forward foreign currency exchange contracts	-	1,314	7,679	2,442	-	**11,435**	
Interest bearing							
Cash and cash equivalents	69,145	-	-	-	-	**69,145**	0.59
Bank short term deposits	6,165	8,265	5,824	-	-	**20,254**	0.53
Variable rate securities	10,759	-	-	-	-	**10,759**	3.67
	110,474	**10,948**	**20,437**	**24,602**	**9,189**	**175,650**	

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
2020							
Non-interest bearing							
Receivables	32,589	-	-	-	-	**32,589**	
Lease deposits (i)	290	905	10,979	21,071	11,359	**44,604**	
Forward foreign currency exchange contracts	-	1,278	1,711	18,499	-	**21,488**	
Interest bearing							
Cash and cash equivalents	66,956	-	-	-	-	**66,956**	0.64
Bank short term deposits	19,025	24,667	11	-	-	**43,703**	0.91
Variable rate securities	9,213	-	-	-	-	**9,213**	4.31
	128,073	**26,850**	**12,701**	**39,570**	**11,359**	**218,553**	

Note:

i Security deposits are received from customers when entering into a contract which reduces the credit risk. Security deposits held are disclosed in Note C9.

D3 FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (continued)

iii. Liquidity risk (continued)

The following table details the Consolidated Entity's remaining contractual maturity for its financial liabilities. The table is based on the earliest date on which undiscounted cash flows of financial liabilities are contractually to be paid. The table includes both principal and interest cash flows.

	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5 + years $'000	Total $'000	Weighted average effective interest rate %
2021							
Non-interest bearing							
Payables	4,675	11,494	-	-	-	**16,169**	
Security deposits	-	1,200	6,602	2,401	-	**10,203**	
Forward foreign currency exchange contracts	-	-	28,545	-	-	**28,545**	
Interest bearing							
Lease liability	**10,791**	**27,180**	**65,605**	**238,391**	**43,510**	**385,477**	**3.33**
	15,466	**39,874**	**100,752**	**240,792**	**43,510**	**440,394**	

	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5 + years $'000	Total $'000	Weighted average effective interest rate %
2020							
Non-interest bearing							
Payables	3,894	19,382	-	-	-	**23,276**	
Security deposits	-	-	32,744	-	-	**32,744**	
Forward foreign currency exchange contracts	-	1,628	1,342	18,119	-	**21,089**	
Interest bearing							
Lease liability	10,337	30,035	72,081	248,298	-	**360,751**	4.06
	14,231	**51,045**	**106,167**	**266,417**	**-**	**437,860**	

c. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of any counterparties having similar characteristics. Security deposits are received from customers when entering into a contract which reduces the credit risk. Security deposits held are disclosed in Note C9.

Credit risk on cash and short-term fixed deposits is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies. These liquid funds are managed centrally by the Company's senior management on a daily basis.

D4 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Servcorp measures various financial assets and liabilities at fair value which, in some 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).

Servcorp 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 is grouped into Levels 1 to 3 based on the degree to which fair value is observable:

				2021				2020
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank hybrid variable rate securities	10,759	-	-	**10,759**	9,213	-	-	9,213
Forward foreign currency exchange contracts	-	1,216	-	**1,216**	-	276	-	276
	10,759	**1,216**	**-**	**11,975**	9,213	276	-	9,489

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

	Fair value as at **30 June 2021** **$'000**	Fair value as at 30 June 2020 $'000	Fair value hierarchy	Valuation technique(s) & key input(s)
Financial assets				
Bank hybrid variable rate securities	**10,759**	9,213	1	Quoted prices in an active market
Forward foreign currency exchange contracts	**1,216**	276	2	Future cash flows are estimated based on observable forward exchange rates

E EQUITY

This section includes details of distributions, securityholders' equity and reserves. It represents how the Consolidated Entity raised equity from its securityholders (equity) in order to finance activities both now and in the future.

E1 DISTRIBUTIONS

Ordinary distributions paid/ payable and distribution per security:

		Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Recognised amounts						
2021						
Final	Fully paid ordinary shares	**9.00**	**8,714**	**1 Oct 2020**	**30%**	**0%**
Interim	Fully paid ordinary shares	**9.00**	**8,714**	**7 Apr 2021**	**30%**	**0%**
2020						
Final	Fully paid ordinary shares	10.00	9,682	2 Oct 2019	30%	60%
Interim	Fully paid ordinary shares	11.00	10,650	2 Apr 2020	30%	25%
Unrecognised amounts						
Since the end of the financial year, the directors have declared the following dividend:						
Final	Fully paid ordinary shares	9.00	8,714	7 Oct 2021	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.

	2021 $'000	2020 $'000
Dividend franking account		
30% franking credit available (i)	**142**	95

Note:

i The comparative 30 June 2020 franking account balance has been restated to exclude the payment of income tax provided for in the financial statements for the financial year ended 30 June 2020.

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

- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date;

The tax rate at which paid dividends have been franked at 30 June 2021 is 30% (2020: 30%). Dividends declared and unpaid will be franked at the rate of 30% as at 30 June 2021 (2020: 30%).

E2 CONTRIBUTED EQUITY

Movements in paid up equity

	2021		2020	
	No. securities **'000**	Securities **$'000**	No. securities '000	Securities $'000
Balance 1 July	**96,818**	**151,594**	96,818	151,594
Balance 30 June	**96,818**	**151,594**	96,818	151,594

E3 RESERVES

Foreign currency translation reserve (FCTR)

Servcorp has controlled entities operating in 21 countries and its presentation currency is Australian dollars. The assets and liabilities are translated to Australian dollars using the exchange rate at year end; income and expenses are translated using an average exchange rate for the year. On translation of foreign operations, exchange differences are recognised in other comprehensive income and the FCTR.

	2021 $'000	2020 $'000
Balance 1 July	**12,614**	1,406
Exchange difference on translation of foreign operations	**(24,479)**	11,208
Balance 30 June	**(11,865)**	12,614

E4 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 Option Scheme. Amounts are transferred out of the reserve and into share capital when the rights 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.

For the year ended 30 June 2021 the following options were granted:

Participants	No. of option holders	No. of options granted	No. of options cancelled	No. of options on issue
CEO	**1**	**1,500,000**	**-**	**1,500,000**
KMP	**6**	**600,000**	**-**	**600,000**
Senior Executives & managers	**38**	**731,250**	**47,500**	**683,750**
	45	**2,831,250**	**47,500**	**2,783,750**

	Balance 1 July	Issued	Vested	Forfeited	Balance 30 June
Total Options FY21	**1,268,750**	**2,831,250**	**-**	**(1,316,250)**	**2,783,750**
Total Options FY20	1,441,000	-	-	(172,250)	1,268,750

Inputs used to determine fair value at grant date	
Share price at grant date	$2.29 - $2.39
Exercise price	$2.48
Expected volatility	54.78% - 54.87%
Expected life	1,779 - 1,825 days
Expected dividends	7.53%
Risk free interest rate	0.26% - 0.36%
Fair value at grant date	$0.5368 - $0.5825

E4 EQUITY SETTLED EMPLOYEE BENEFITS RESERVE (Continued)

On 18 September 2020, 1,331,250 unquoted options over unissued ordinary shares in Servcorp Limited were issued to Key Management Personnel, senior executives and managers; this included 600,000 options granted to six KMP. On 5 November 2020, having obtained securityholders approval for the issue, 1,500,000 unquoted options over unissued ordinary shares in Servcorp Limited were issued to the Chief Executive Officer. The options expire 18 September 2025 with vesting conditions of cumulative EPS of 15% p.a. for the financial years ending 30 June 2021 and 30 June 2022, and continual service until 18 September 2023 (vesting date). The exercise period is two years from vesting date to expiry date. The fair value of 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 25 August 2020 1,108,750 unquoted options over unissued ordinary shares in Servcorp Limited, expiring on 22 March 2024, lapsed and were cancelled. The options granted were part of the Executive Share Option Scheme. The options lapsed as the EPS performance of the Company did not meet the applicable vesting percentage.

On 3 May 2021 160,000 options over unissued ordinary shares in Servcorp Limited, expiring 2 May 2021 were cancelled.

On 22 June 2021 47,500 options over unissued ordinary shares in Servcorp Limited were cancelled due to the option holder ceasing to be an employee of Servcorp Limited.

The movements in the employee equity settled benefits reserve are as follows:

	2021 $'000	2020 $'000
Balance 1 July	**442**	242
Total expense taken to reserve	**(70)**	200
Balance 30 June	**372**	442

F ORGANISATIONAL STRUCTURE

This section explains how the Consolidated Entity is structured and disclosures for the parent entity.

F1 ORGANISATIONAL STRUCTURE

Subsidiary entities

The consolidated financial statements of Servcorp incorporate the assets, liabilities and results of all controlled entities. Controlled entities are all entities over which the Consolidated Entity has power to direct the activities of the entity and an exposure to and ability to influence its variable returns from its involvement with the entity.

An entity, including a structured entity, is considered a subsidiary of when we determine that the Company has control over the entity. Control exists when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Consolidated Entity assess power by examining existing rights that give the Company the current ability to direct the relevant activities of the entity. The effect of all transactions between entities in the Consolidated Entity have been eliminated on consolidation.

Controlled entities are fully consolidated from the date control is obtained until the date that control ceases. Inter-entity transactions and balances are eliminated.

Name of entity	Country of incorporation	Ownership interest 2021	Ownership interest 2020
Parent entity			
Servcorp Limited	Australia		
Controlled entities			
Servcorp Australian Holdings Pty Ltd	Australia	**100**	100
Servcorp Offshore Holdings Pty Ltd	Australia	**100**	100
Servcorp Exchange Square Pty Ltd	Australia	**100**	100
Servcorp Air Office Pty Ltd	Australia	**100**	100
Servcorp (North Ryde) Pty Ltd	Australia	**100**	100
Servcorp Smart Office Pty Ltd	Australia	**100**	100
Servcorp Smart Homes Pty Ltd	Australia	**100**	100
Servcorp Business Service (Beijing) Pty Ltd	Australia	**100**	100
Servcorp Virtual Pty Ltd	Australia	**100**	100
Servcorp Holdings Pty Ltd	Australia	**100**	100
Servcorp Administration Pty Ltd	Australia	**100**	100
Servcorp Adelaide Pty Ltd	Australia	**100**	100
Servcorp Barangaroo Pty Ltd	Australia	**100**	100
Servcorp Brisbane Pty Ltd	Australia	**100**	100
Servcorp Workspaces Pty Ltd	Australia	**100**	100
Servcorp Gateway Pty Ltd	Australia	**100**	100
Servcorp Chifley 29 Pty Ltd	Australia	**100**	100
Servcorp Communications Pty Ltd	Australia	**100**	100
Servcorp IT Pty Ltd	Australia	**100**	100
Servcorp Melbourne Virtual Pty Ltd	Australia	**100**	100
Servcorp MLC Centre Pty Ltd	Australia	**100**	100
Servcorp Melbourne 27 Pty Ltd	Australia	**100**	100
Servcorp Sydney Virtual Pty Ltd	Australia	**100**	100
Servcorp William Street Pty Ltd	Australia	**100**	100
Servcorp Melbourne 18 Pty Ltd	Australia	**100**	100
Servcorp Perth Pty Ltd	Australia	**100**	100
Servcorp Brisbane Riverside Pty Ltd	Australia	**100**	100
Servcorp Market Street Pty Ltd	Australia	**100**	100
Office Squared Pty Ltd	Australia	**100**	100

F1 ORGANISATIONAL STRUCTURE (CONTINUED)

Subsidiary entities (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2021	Ownership interest 2020
Servcorp WA Pty Ltd	Australia	**100**	100
Servcorp Parramatta Pty Ltd	Australia	**100**	100
Servcorp Sydney 56 Pty Ltd	Australia	**100**	100
Servcorp Norwest Pty Ltd	Australia	**100**	100
Servcorp Level 12 Pty Ltd	Australia	**100**	100
Servcorp Western Australia Pty Ltd	Australia	**100**	100
Office Squared (Nexus) Pty Ltd	Australia	**100**	100
Servcorp SA 30 Pty Ltd	Australia	**100**	100
Servcorp City Square Pty Ltd	Australia	**100**	100
Servcorp North Sydney 32 Pty Ltd	Australia	**100**	100
Servcorp Docklands Pty Ltd	Australia	**100**	100
Servcorp Sydney 22 Pty Ltd	Australia	**100**	100
Servcorp Hobart Pty Ltd	Australia	**100**	100
Servcorp Brisbane 400 Pty Ltd	Australia	**100**	100
Servcorp Southbank Pty Ltd	Australia	**100**	100
Office Squared (Atlas) Pty Ltd	Australia	**100**	100
Gnee Pty Ltd	Australia	**100**	100
Servcorp Enterprise Pty Ltd	Australia	**100**	100
Beechreef (New Zealand) Limited	New Zealand	**100**	100
Servcorp New Zealand Limited	New Zealand	**100**	100
Company Headquarters Limited	New Zealand	**100**	100
Servcorp Wellington Limited	New Zealand	**100**	100
Servcorp Queen Street Limited	New Zealand	**100**	100
Servcorp BFH W.L.L	Bahrain	**100**	100
Servcorp Brussels Sprl	Belgium	**100**	100
Servcorp Business Service (Shanghai) Co. Ltd	China	**100**	100
Servcorp Business Service (Beijing) Co., Ltd	China	**100**	100
Beijing Servcorp Sihui Business Service Co., Ltd.	China	**100**	100
Guangzhou Servcorp Business Service Co., Ltd.	China	**100**	100
Chengdu Servcorp (OAC) Business Service Co., Ltd	China	**100**	100
Hangzhou Servcorp Business Consulting Co. Ltd (deregistered 20 November 2020)	China	**-**	100
Servcorp Hong Kong Limited	China	**100**	100
Servcorp HK Central Limited	China	**100**	100
Shanghai Servcorp Business Service Co., Ltd	China	**100**	100
Servcorp Paris SARL	France	**100**	100
Servcorp Edouard VII SARL	France	**100**	100
Servcorp Berlin GmbH	Germany	**100**	100
Servcorp Japan KK	Japan	**100**	100
Servcorp Tokyo KK	Japan	**100**	100
Servcorp Shinagawa KK	Japan	**100**	100
Servcorp Co-working GK	Japan	**100**	100

F1 ORGANISATIONAL STRUCTURE (CONTINUED)

Subsidiary entities (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2021	Ownership interest 2020
Servcorp Phoenicia SAL	Lebanon	**100**	100
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	**100**	100
Office Squared Malaysia Sdn Bhd	Malaysia	**100**	100
SRV KL Sdn Bhd	Malaysia	**100**	100
SRV Central Sdn Bhd	Malaysia	**100**	100
Servcorp Manila, Inc.	Philippines	**100**	100
Servcorp Bonifacio, Inc.	Philippines	**100**	100
Jeddah Branch of Servcorp Square Pte Ltd	Saudi Arabia	**100**	100
Riyadh Branch of Servcorp Square Pte Ltd	Saudi Arabia	**100**	100
Al Khobar Branch of Servcorp Square Pte Ltd	Saudi Arabia	**100**	100
Servcorp Serviced Offices Pte. Ltd	Singapore	**100**	100
Servcorp Franchising Pte. Ltd	Singapore	**100**	100
Servcorp Battery Road Pte. Ltd	Singapore	**100**	100
Servcorp Marina Pte. Ltd	Singapore	**100**	100
Servcorp Singapore Holdings Pte. Ltd	Singapore	**100**	100
Servcorp Hottdesk Singapore Pte. Ltd	Singapore	**100**	100
Servcorp Metropolis Pte. Ltd	Singapore	**100**	100
Servcorp Square Pte. Ltd	Singapore	**100**	100
Servcorp SR Pte. Ltd	Singapore	**100**	100
Servcorp Co., Ltd	Thailand	**100**	100
Servcorp Thai Holdings Ltd	Thailand	**100**	100
Headquarters Co., Ltd	Thailand	**100**	100
Servcorp İş Merkezi İşletmeciliği Limited Şirketi	Turkey	**100**	100
Servcorp Level 54 DMCC	UAE	**100**	100
Servcorp EMEIA Holdings Ltd	UAE	**100**	100
Servcorp UK Limited	UK	**100**	100
Servcorp Leadenhall Limited	UK	**100**	100
Servcorp Mayfair Limited	UK	**100**	100
Servcorp Sunshine IP Limited	UK	**100**	100
Servcorp Europe Holdings Limited	UK	**100**	100
Servcorp US Holdings, Inc	USA	**100**	100
Servcorp America LLC	USA	**100**	100
Servcorp New York LLC	USA	**100**	100
Servcorp Washington LLC	USA	**100**	100
Servcorp Houston LLC	USA	**100**	100
Servcorp State Street LLC	USA	**100**	100
Servcorp Fulton Street LLC	USA	**100**	100
Servcorp West Lake LLC	USA	**100**	100
Servcorp Battery Park LLC	USA	**100**	100
Servcorp Madison LLC	USA	**100**	100
Servcorp Manhattan LLC (incorporated 3 July 2020)	USA	**100**	-

F1 ORGANISATIONAL STRUCTURE (CONTINUED)

The following subsidiaries are not wholly owned by the Consolidated Entity. However, the Consolidated Entity still controls these subsidiaries because it has power to direct the activities of the entity and an exposure to and ability to influence its variable returns from its involvement with the entity. These entities are fully consolidated from the date control is obtained until the date that control ceases. Inter-entity transactions and balances are eliminated. The table below sets out the Company's ownership interest:

Name of subsidiary	Principal place of business	2021 %	2020 %
Servcorp Aswad Real Estate Company WLL	Kuwait	**49**	49
Servcorp Qatar LLC	Qatar	**49**	49
Servcorp LLC	UAE	**49**	49
Servcorp Administration Services WLL	UAE	**49**	49

A Company in the Consolidated Entity exercises control over Servcorp Aswad Real Estate Company WLL, Servcorp Qatar LLC, Servcorp LLC and Servcorp Administration Services WLL despite owning 49% of the issued capital. Arrangements are in place that entitle the Company or its controlled entities to the benefits and risks of ownership notwithstanding that the majority shareholding may be vested in another party.

Name of joint venture	Principal place of business	2021 %	2020 %
Etihad Towers Service Offices LLC	UAE	**49**	49

A subsidiary in the Consolidated Entity entered into a joint venture with Emirates Consortium LLC. The joint venture is accounted for using the equity method in the Consolidated financial statements. The investment in the joint venture has been fully impaired.

F2 PARENT ENTITY

The financial information for the parent entity, Servcorp Limited, is prepared on the same basis as the Consolidated financial statements.

Parent entity	2021 $'000	2020 $'000
Current assets	**165,257**	113,415
Non-current assets	**40,746**	42,108
Total assets	**206,003**	155,523
Current liabilities	**28,237**	10,930
Total liabilities	**28,237**	10,930
Net assets	**177,766**	144,593
Equity		
Contributed equity	**151,594**	151,594
Share buy-back reserve	**(4,733)**	(4,733)
Retained earnings	**30,905**	(2,268)
Total equity	**177,766**	144,593
Profit/ (loss) and total comprehensive income for the year	**50,817**	(9,317)

As at 30 June 2021:

i Servcorp Limited guaranteed Company Headquarters Limited (a subsidiary) as part of a New Zealand lease.

ii In February 2021 Servcorp Limited reduced a Corporate Guarantee and Indemnity with the Australian and New Zealand Banking Group Limited, pursuant to which the bank agreed to make available to the Consolidated Entity from $37 million to $27 million interchangeable facility for general corporate purposes. The liability under the deed by and between the Australian and New Zealand companies is limited to $52 million. Refer to note D2 for details.

iii There were no contingent liabilities of the parent entity.

iv There were no commitments for the acquisition of property, plant and equipment by the parent entity.

G OTHER INFORMATION

This section provides additional required disclosures that are not covered in the previous sections.

Refer to the Remuneration Report for full details of Key Management Personnel.

G1 COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments – property, plant & equipment

	2021 $'000	2020 $'000
Committed but not provided for and payable:		
Not later than 1 year	**8,441**	85
Later than 1 year but not later than 5 years	**-**	-
Later than 5 years	**-**	-
	8,441	85

G2 KEY MANAGEMENT PERSONNEL

Details of key management personnel

The Directors of the Company at any time during or since the end of the financial year 30 June 2021 are:

Non-executive Directors		
The Hon. Mark Vaile	Chair and Non-Executive Director	Appointed June 2011
Wallis Graham	Non-Executive Director	Appointed October 2017
Tony McGrath	Non-Executive Director	Appointed August 2019

Executive Directors		
Alf Moufarrige AO	Chief Executive Officer	Appointed August 1999

Executives		
Anton Clowes	Chief Financial Officer	Appointed April 2016
Olga Vlietstra	General Manager - Japan	Appointed September 2004
David Godchaux	CEO, Middle East, Europe & India	Appointed June 2018
John Henderson	Chief Operating Officer	Appointed July 2020
Liane Gorman	General Manager – Australia & New Zealand	Appointed July 2010
Colleen Susini	General Manager - USA	Appointed April 2020

a. Compensation of key management personnel

The key management personnel of the Company are the Directors and Executives of the Consolidated Entity who have the authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. Key management personnel compensation is as follows.

	2021 $'000	2020 $'000
Long term and short term employee benefits	**3,889**	3,856
Post-employment benefits	**210**	160
Termination benefits	**-**	76
Share based payments	**275**	81
	4,374	4,173

Dividends totalling $17.4 million have been paid during the year (2020: $20.3 million), which include amounts paid to directors and other key management personnel.

b. Key management personnel related party transactions

Several key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted in conjunction with the Consolidated Entity in the reporting period or prior period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

For further details and information related to key management personnel remuneration, please refer to the Remuneration Report.

G3 RELATED PARTIES

From time to time Directors of the Company and its controlled entities, or their director-related entities, may purchase services from or provide services to the Consolidated Entity. These purchases or sales are on the same terms and conditions as those entered into by other employees, suppliers or customers of the Consolidated Entity and are trivial or domestic in nature.

All transactions with director-related entities are disclosed to the Board and reviewed to ensure they bring a benefit to the Consolidated Entity.

Related parties entered into the following transactions with the Consolidated Entity.

Mr. A G Moufarrige has an interest in and is a Director of Tekfon Pty Ltd (Tekfon). Servcorp has a lease on arm's length terms with Tekfon for the use of Tekfon's premises for storage. Servcorp utilises off-site storage facilities in many of its global locations, for storage of office furniture and retention of records. Tekfon's premises are in a suburb of Sydney, and have been utilised by Servcorp's Sydney locations and head office for storage since before the Consolidated Entity's IPO in 1999. Research confirms that the lease is at arm's length terms for similar facilities in the area. The Board, with Mr. A G Moufarrige absent, reviews the lease with Tekfon on an annual basis to ensure that the terms are at market rate or better.

A relative of Mr. A G Moufarrige has an interest in Enideb Pty Ltd (Enideb). Mr. A G Moufarrige has no interest in the affairs of Enideb. Enideb operates the Servcorp franchise in Canberra on arm's length terms. The Canberra franchise has been operating for more than 29 years, and the Canberra locations bring a benefit to Servcorp's operations. The Board reviews the terms of the franchise agreement on a regular basis to ensure that it is conducted on proper commercial terms, consistent with any other franchise operations.

Mr. A G Moufarrige has an interest in and is a Director of Sovori Pty Ltd (Sovori). Mr. A G Moufarrige has personal credit cards which, in the main, are used to pay for Servcorp expenses during his business travels. For convenience, these are paid by Servcorp whilst he travels and they are then reconciled upon his return and personal expenses are repaid, on a monthly basis, to Servcorp by Sovori. The Chairman has oversight over the reconciliations.

Servcorp has in excess of 21,000 clients globally. From time to time a client will be an entity which is defined as a Director related party, even though the Director has had no involvement in the decision to become a client of Servcorp. The following disclosures fall into this category.

Mrs. W Graham has an involvement with ECP Management, LP (formerly Energy Capital Partners), a US-based private equity firm. ECP is a client of Servcorp in Sydney. Mrs. W Graham did not have any involvement in negotiation of the arrangement with ECP, which are at arm's length terms.

Mr. T Moufarrige has an interest in Nualight AUSNZ Pty Ltd (Nualight) and Light Energy Australia Pty Ltd (LEA). Nualightis a client of Servcorp in Sydney, Melbourne and Wellington.

Mr. T Moufarrige and Mr M Moufarrige, have an interest in and are Directors of Ility Pty Ltd Ility Pty Ltd is a client of Servcorp in Sydney, New York and London. Services provided by Servcorp are at market terms and rates.

In addition to the above transactions with current related parties, former Directors entered into the following transactions in the prior year.

Mr. B Corlett was provided an office in Sydney for use as necessary in carrying out his duties as Chairman. Mr. B Corlett paid full market rate for any services he utilised.

A relative of Mr. B Corlett, had an interest in TDM Asset Management Pty Ltd. TDM Asset Management Pty Ltd was a client in New York. Mr. B Corlett had no interest in the affairs of TDM Asset Management Pty Ltd nor any involvement in the negotiation of the terms of the arrangement with TDM Asset Management Pty Ltd, which were at arm's length terms.

Mr. R Holliday-Smith, had an interest in and was the Chairman of ASX Limited. ASX Operations Pty Ltd, a subsidiary company of ASX Limited, was a client of Servcorp in London. Mr. R Holliday-Smith did not have any involvement in the negotiation of the terms of the arrangement with ASX Operations Pty Ltd, which were at arm's length terms.

Mr R. Holliday-Smith, had an interest in and is the Chairman of Cochlear Limited. Cochlear Limited was a client of Servcorp in Sydney, Guangzhou and Mumbai. Mr. R Holliday-Smith did not have any involvement in the negotiation of the terms of the arrangement with Cochlear Limited, which were at arm's length terms.

The terms and conditions of the transactions with Directors and their director-related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related parties on an arm's length basis.

G3 RELATED PARTIES (CONTINUED)

The value of the transactions during the year with Directors and their director-related entities were as follows:

Director	Director-related entity	Transaction	**2021 $**	2020 $
A G Moufarrige	Tekfon Pty Ltd	Premises rental	**95,472**	94,508
	Enideb Pty Ltd	Franchisee	**345,205**	480,868
	Sovori Pty Ltd	Reimbursements	**191,527**	210,182
W Graham	ECP Management, LP	Client	**3,483**	3,091
T Moufarrige	Nualight AUSNZ Pty Ltd and Light Energy Australia Pty Ltd	Client	**2,446**	3,334
T Moufarrige & M Moufarrige	Ility Pty Ltd	Client	**132,724**	35,569
B Corlett (i)	Bruce Corlett	Client	**-**	64,008
	TDM Asset Management Pty Ltd	Client	**-**	3,346
R Holliday-Smith (i)	ASX Operations Pty Ltd	Client	**-**	254,614
	Cochlear Ltd	Client	**-**	58,066

Note:

i Bruce Corlett and Rick Holliday-Smith resigned as Directors on 13 November 2019 and 30 April 2020, respectively.

Amounts receivable from and payable to Directors and their director-related entities at balance sheet date arising from these transactions were as follows:

Current receivable/ (payable)	**2021 $**	2020 $
Tekfon Pty Ltd	**(15,948)**	(7,920)
Enideb Pty Ltd	**(63,110)**	29,173
Light Energy Australia Pty Ltd	**-**	39
Ility Pty Ltd	**7,587**	5,284
TDM Asset Management Pty Ltd	**-**	314
ASX Operations Pty Ltd	**-**	22,312
Cochlear Ltd	**-**	49

G4 RECONCILIATION OF PROFIT TO OPERATING CASH FLOW

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and short term deposits at call.

	2021 $'000	2020 $'000
Profit for the year	**22,120**	6,934
Add/ (less) non-cash items:		
Movements in provisions	**74**	(2,456)
Depreciation of non-current assets	**25,447**	31,211
Share of profits of joint venture	**281**	383
Impairment of non-current assets	**(1,498)**	-
Gain/ (loss) on disposal of non-current assets	**391**	(2,659)
Net loss on deconsolidation of subsidiaries	**-**	19,429
Gain from financial assets	**46**	81
Amortisation of right of use assets	**100,785**	121,262
Increase in current tax asset	**(806)**	(771)
(Increase) in deferred tax balances	**(1,277)**	(11,131)
Unrealised foreign exchange gain	**9,791**	5,164
Change in net assets and liabilities		
Decrease in prepayments	**34**	10,171
Decrease in trade debtors and other receivables	**7,058**	15,330
Decrease/ (increase) in current assets	**2,349**	(1,656)
(Decrease) in deferred contract liabilities	**(513)**	(4,298)
(Decrease) in client security deposits	**(4,199)**	(2,281)
(Decrease) in accounts payable	**(8,845)**	(2,447)
Net cash inflows from operating activities	**151,238**	182,266

G5 AUDITORS' REMUNERATION

	2021 $
KPMG and related network firms	
Core audit fee:	
- Group	**636,700**
- Tier 1 and Tier 2 countries	**765,799**
Core audit fee	**1,402,499**
- Other countries – non - Tier 1 and 2 countries	**206,839**
- Other services – IT and assurance	**96,799**
Total global audit and non-audit fees	**1,706,137**

	2020 $
Deloitte and related network firms	
Core audit fee:	
- Group	604,507
- Rest of Group	1,035,493
	1,640,000
Other services	
- Tax	401,007
- ERP consulting services	33,000
	434,007
Total global audit and non-audit fees	**2,074,007**

The prior period comparative for the year ended 30 June 2020 was audited by Deloitte.

Directors' Declaration

The directors declare that:

(a) 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;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note A to the Consolidated financial report;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

(i) compliance with accounting standards; and

(ii) giving a true and fair view of the financial position and performance of the Consolidated Entity;

(d) 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 295(5) of the *Corporations Act 2001*.

On behalf of the Directors

A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 26th day of August 2021

KPMG

Independent Auditor's Report

To the shareholders of Servcorp Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Servcorp Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Consolidated Entity*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Accounting for leases; and
- Recoverability of right-of-use assets and leasehold improvements.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for leases (Right-of-use assets $296m and lease liability $349m)

Refer to Note C6 'Right of use assets' and C10 'Lease Liabilities' in the Financial Report

The key audit matter	How the matter was addressed in our audit
Accounting for leases is a key audit matter due to the: • significance of leases to the financial statements; and • large volume of individualised lease agreements which increase the complexity and judgement required by management in determining the right-of-use asset and lease liability balances. We focused our testing on the accounting for leases that were new, renewed and modified during the financial year. There was a specific focus on modified leases given the significantly higher proportion of modifications this year due to COVID-19 related rent re-negotiations. The Consolidated Entity, when calculating the right-of-use asset and lease liability balances, applied significant judgement to determine the effective date, expected lease term, incremental borrowing rate (IBR), and application of the rent review terms and rent relief periods. These were key features subject to our audit testing. We involved our senior audit team members in assessing this key audit matter, along with our debt advisory specialists.	Our procedures included: • Assessing the appropriateness of the Consolidated Entity's accounting policies against the requirements of the accounting standard (AASB 16 *Leases*) and our understanding of the business. • Assessing the completeness of the Consolidated Entity's leases by: – For each location published on the Servcorp global website, we checked for a corresponding lease at the location to the Consolidated Entity's lease listing. - Checking new or terminated leases noted in Board minutes were appropriately captured or disposed of in the Consolidated Entity's lease listing. • For new, renewed and modified leases, we: - Compared the key inputs used in the Consolidated Entity's lease calculation model including the effective date, expected lease term, fixed rent payments, rent review terms, rent relief period and renewal options, to underlying source documents including the current lease agreements. - Using the above key inputs and adopted incremental borrowing rate (IBR), we recalculated the lease balances including

	the right-of-use asset, lease liability, depreciation and interest expense. - Compared our re-calculated lease balances to the amounts recorded by the Consolidated Entity for the financial year and investigated any significant variances. • Working together with our debt advisory specialists, we independently assessed against accounting standard requirements Servcorp's methodology to determine the IBRs including reference rates and credit spreads applied. • We assessed the financial statement disclosures in the financial report using our understanding obtained from our testing, against the accounting standard requirements.

Recoverability of right-of-use assets ($296m) and leasehold improvements ($67m)

Refer to Note C5 'Property, plant and equipment' and C6 'Right of use assets' in the Financial Report

The key audit matter	How the matter was addressed in our audit
The recoverability of right-of-use assets and leasehold improvements is a key audit matter due to: • the significance of these assets to the financial statements; and • the continuing adverse impact of the COVID-19 pandemic on the business globally. We focused on the significant forward-looking assumptions the Consolidated Entity applied in its value-in-use (VIU) model, including: • Forecast pricing and occupancy growth rates – these assumptions are influenced by duration, renewal and terms of tenant contracts, demand from tenants, competitive market conditions and expectations of the impact of COVID-19 on each Cash Generating Unit (CGU); • Forecast operating cash flows – estimating projected cash flow forecasts is inherently subjective and susceptible to differences in outcome, in particular due to the ongoing challenging market conditions as a result of COVID-19; and	Our procedures included: • Together with our valuation specialists, we assessed the appropriateness of the VIU methodology applied by the Consolidated Entity to perform its impairment test against the requirements of the accounting standards (AASB 136 *Impairment of assets*). • We assessed the integrity of the VIU model used, including the accuracy of the underlying calculation formulas. • We assessed the accuracy of previous Consolidated Entity's forecasts to inform our evaluation of forecasts incorporated in the models. • We compared the forecast cash flows contained in the VIU model to forecasts presented to the Board. • We assessed the Consolidated Entity's indicators of impairment analysis for each cash generating unit (CGU) based on business performance.

• Discount rates - these are subjective in nature and vary according to the specific conditions and environment of the relevant CGU. We involve our valuations specialists with this assessment. The Consolidated Entity has a high number of individual CGUs during the year necessitating our consideration of the Consolidated Entity's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows. In addition to the above, the Consolidated Entity recorded a net impairment charge of $1.5m against the right-of-use assets and leasehold improvements, resulting from the continuing business disruption due to COVID-19. This further increased our audit effort in this key audit area.	• We challenged the Consolidated Entity's significant forecast cash flow and growth assumptions, such as pricing and occupancy rates, in light of expected continuation of challenging market conditions related to the COVID-19 pandemic. We used our knowledge of the Consolidated Entity, their past performance, business and customers, and our industry experience. • Working with our valuation specialists, we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to the Consolidated Entity and the industry it operates in. • We considered the sensitivity of the models by varying key assumptions, such as forecast pricing and occupancy growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • We considered the Consolidated Entity's determination of their CGUs based on our understanding of the operations of the Consolidated Entity's business, and how independent cash inflows were generated, against the requirements of the accounting standards. • We recalculated the impairment charge against the recorded amount disclosed. • We assessed the disclosures in the financial report using our understanding of the information obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Servcorp Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Consolidated Entity and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Consolidated Entity and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Servcorp Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 17 to 28 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Kim Lawry
Partner

Sydney
26 August 2021