

**SERVCORP LIMITED**  
**ABN 97 089 222 506**

**APPENDIX 4D**

**Interim Financial Report**  
**For the six months ended**  
**31 December 2022**

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the six months ended 31 December 2022, the 2022 Annual Report and public announcements made during the period in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

**Servcorp Limited**  
**ABN 97 089 222 506**  
**Interim Financial Report**  
**31 December 2022**

**Reporting Period**

Current period: 1 July 2022 to 31 December 2022  
 Previous corresponding period: 1 July 2021 to 31 December 2021

**Results for announcement to the market**

				<b>\$m</b>
Revenue and other income from ordinary activities	up	6%	to	145.4
Profit from ordinary activities after tax attributable to members	up	9%	to	17.4
Net profit for the period attributable to members	up	9%	to	17.4

<b>Dividends</b>	<b>Total amount \$m</b>	<b>Amount per security (cents per share)</b>	<b>Franked amount per security (cents per share)</b>
<i>Current period</i>			
Interim dividend declared	9.7	10.00c	none
<i>Previous corresponding period</i>			
Interim dividend paid	9.7	10.00c	none

Record date for determining entitlements to the dividend	2 March 2023
Dividend payment date	5 April 2023

The interim dividend is 100% conduit foreign income.

	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Net tangible asset backing</b>		
Net tangible asset backing per ordinary security	1.98	1.88

Additional 4D disclosures can be found in the Notes to the Servcorp Consolidated Interim Financial Report for the six months ended 31 December 2022 lodged with the ASX on 16 February 2023.

## Management Discussion & Analysis

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### FY23 Guidance

- Underlying<sup>1</sup> NPBIT between \$41.0m and \$43.0m – **ON TARGET**
- Underlying Free Cash of more than \$60.0m – **ON TARGET**

### 1H23 in Review

Servcorp is empowered by its strong balance sheet including the respectable cash reserves, global presence in gateway cities at premium locations, and the unique value proposition underpinned by market leading technology to pursue organic growth. Management reaffirms FY23 Underlying NPBIT guidance of between \$41.0m and \$43.0m, and Underlying Free Cash to exceed \$60.0m.

Notwithstanding, management acknowledges the softened market condition as macroeconomic factors continue to overshadow global economic climate, manifest in persistent inflation rates, contractionary monetary policies worldwide, ongoing supply chain disruption, and deteriorating geopolitical uncertainty. Business confidence and consumer confidence both slipped, leading to longer consideration periods and more hesitance for businesses and entrepreneurs to conclude on decisions that involve mid-to-long term commitments. Management continues the strategic focus on client retention and engagement along with IT development, to enable Servcorp to navigate through the challenging time.

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<sup>1</sup> "Underlying" is a non-statutory measure and is the primary reporting measure used by senior management & Board of Directors for the purpose of assessing the performance of the business.

**Servcorp Limited**  
**ABN 97 089 222 506**  
**Interim Financial Report**  
**31 December 2022**

## Headline

Disciplined execution of strategy and market leading portfolio quality capacitated outperformance in 1H23:

- Statutory NPBT up 9% to \$17.4m
- Statutory NPAT up 12% to \$14.9m
- Underlying Free Cash \$29.2m (up 13%<sup>2</sup>)
- Underlying revenue<sup>3</sup> up 10% on a constant currency basis<sup>4</sup>
- Mature revenue up 10% on a constant currency level<sup>5</sup>
- Underlying NPBIT<sup>6</sup> up 49% to \$20.3m (excluding the one-off income<sup>7</sup> in 1H22)
- EPS 15.4 cents, up 12% from 13.7 cents in 1H22
- NTA \$1.98 per share, up 5% on June 2022
- DPS 10.0 cents

## Financial Summary

	1H23	1H22
<b>\$'m</b>		
<b>Revenue</b>		
Revenue and other income from ordinary activities	145.4	137.7
Mature revenue on a constant currency basis	140.2	127.0
<b>Statutory Results</b>		
Statutory NPBT	17.4	16.0
<u>Less</u>		
Income tax expense	2.5	6.4
Statutory NPAT	14.9	9.6
<b>Underlying Results</b>		
Underlying NPBIT including one-off income	20.3	17.3
<u>Less</u>		
One-off income	-	3.7
Underlying NPBIT excluding one-off income	20.3	13.6
<b>Net cash inflow</b>		
Free Cash	31.4	27.4
Underlying Free Cash	29.2	25.8
<b>Other KPIs</b>		
Unencumbered cash (\$'m) <sup>8</sup>	115.6	107.6
NTA (\$) <sup>9</sup>	1.98	1.88
EPS (cents)	15.4	13.7
DPS (cents)	10.0	10.0

<sup>2</sup> Excluding the one-off income from 1H22

<sup>3</sup> Underlying revenue refers to operating revenue

<sup>4</sup> Excluding the one-off income from 1H22

<sup>5</sup> Excluding the one-off income from 1H22

<sup>6</sup> NPBIT refers to Net Profit Before non-cash Impairment of Assets and Tax

<sup>7</sup> One-off indemnity income from a lease restructure and government revenue subsidy, a total of \$3.7m received in 1H22

<sup>8</sup> Unencumbered cash as at 31 December 2022, comparing to that at 30 June 2022

<sup>9</sup> NTA as at 31 December 2022, comparing to that at 30 June 2022

### Financial Summary - continued

1H23 revenue and other income was \$145.4m, up 6% on pcp (1H22: \$137.7m). The Australian dollar strengthened in general against most major currencies through 1H23, resulting in a downward foreign exchange impact on operating revenue of \$2.3m. 1H23 Mature revenue increased 10% compared to 1H22 on a constant currency basis.

1H23 Statutory NPBT was \$17.4m, up \$1.5m or 9% from 1H22 NPBT of \$16.0m. 1H23 Statutory NPAT was \$14.9m, up \$1.6m or 12% from 1H22 NPAT of \$13.3m.

1H23 Underlying NPBIT was \$20.3m, up \$6.7m or 49% on 1H22 Underlying NPBIT of \$13.6m excluding the \$3.7m one-off income received in 1H22.

At 31 December 2022 Net Tangible Assets is up to \$1.98 per share from \$1.88 per share at 30 June 2022 despite the stronger Australian dollar, principally owing to the continued outperformance in North Asia, and steady recovery in ANZ & South East Asia.

Unencumbered cash balances at 31 December 2022 of \$115.6m, up \$8.0m from \$107.6m at 30 June 2022, despite the significantly higher capital expenditure and net acquisition of equity investments, up \$8.9m collectively to a total of \$13.3m, and a strong Australian dollar which resulted in \$4.5m downward revaluation on cash balances.

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## Operating performance

Reconciliation of Statutory and Underlying performance:

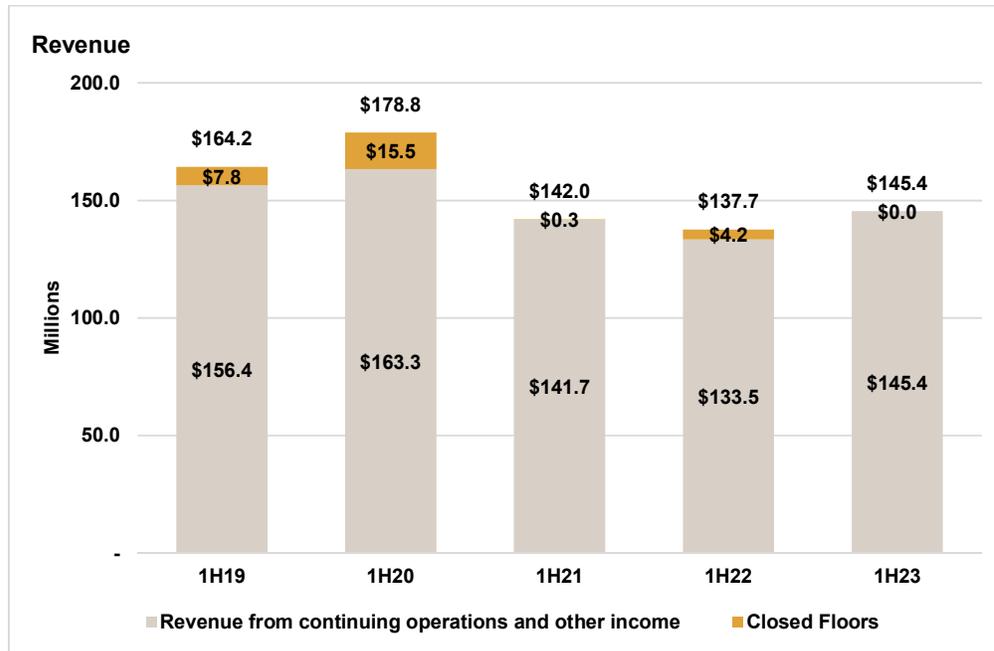
	1H23	1H22
	\$'m	
<b>Statutory NPBT</b>	<b>17.4</b>	<b>16.0</b>
<b><u>Add</u></b>		
Operating loss from new floors pre-maturity or from closed floors post-maturity	1.0	1.3
Impairment loss	1.8	-
<b>Underlying NPBIT including one-off income</b>	<b>20.3</b>	<b>17.3</b>
<b><u>Less</u></b>		
One-off income	-	(3.7)
<b>Underlying NPBIT excluding one-off income</b>	<b>20.3</b>	<b>13.6</b>
<b><u>Less</u></b>		
Interest & franchise income	(1.5)	(0.7)
Other non-operating items	(0.3)	(1.0)
<b>Underlying Operating Profit excluding one-off income</b>	<b>18.5</b>	<b>11.9</b>
<b><u>Add</u></b>		
Operating loss from new floors pre-maturity or from closed floors post-closure	(1.0)	(1.3)
One-off income	-	3.7
<b>Statutory Operating Profit</b>	<b>17.5</b>	<b>14.3</b>

## Resilient balance sheet

- Unencumbered cash balances at 31 December 2022 of \$115.6m, up \$8.0m on 30 June 2022, despite the material increase in capital expenditure year-on-year, attributed to a strong free cash production as revenue and profitability grows
- NTA of \$1.98 per share, up 5% on June 2022 (\$1.88 per share)
- Underlying Free Cash 144% of Underlying 1H23 NPBIT, providing a continuing buffer to navigate through the economic uncertainty worldwide, supporting further capital expenditure and dividends
- No external net debt
- 1H23 interim dividend of 10.0 cps, unfranked, 100% conduit foreign income

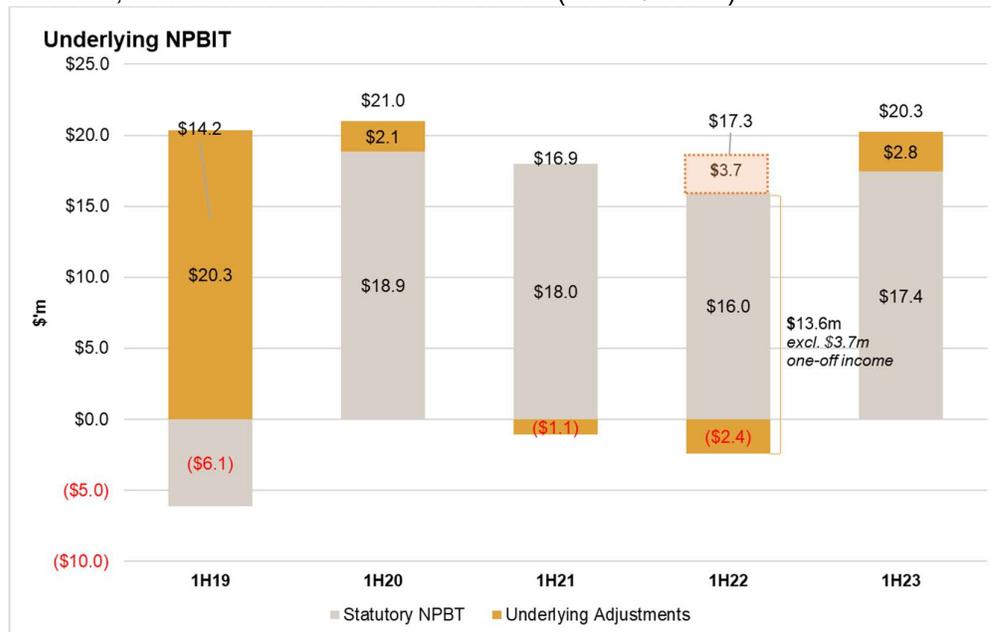
## 1H23 – Overview

1H23 revenue \$145.4m, up 6% on 1H22. Revenue from continuing operations<sup>10</sup> and other income \$145.4m, up 6% on 1H22 despite a stronger Australian dollar.



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1H23 Underlying NPBIT \$20.3m, up 49% on 1H22<sup>12</sup>. 1H23 Underlying NPBIT was underpinned by a solid performance in North Asia and Europe & Middle East (“EME”), and steady recovery in Australia, New Zealand and South East Asia (“ANZ & SEA”).



<sup>10</sup> Refer to the segment information note 3 in the FY23 Interim Financial Report

<sup>11</sup> Revenue from closed floors reported in 1H22 of \$0.8m was restated to be \$4.2m to reflect the floors closed in periods subsequent to 1H22, to ensure full comparability of year-on-year results

<sup>12</sup> Excluding the \$3.7m one-off income received in 1H22

**Servcorp Limited**  
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**Cash Flow**

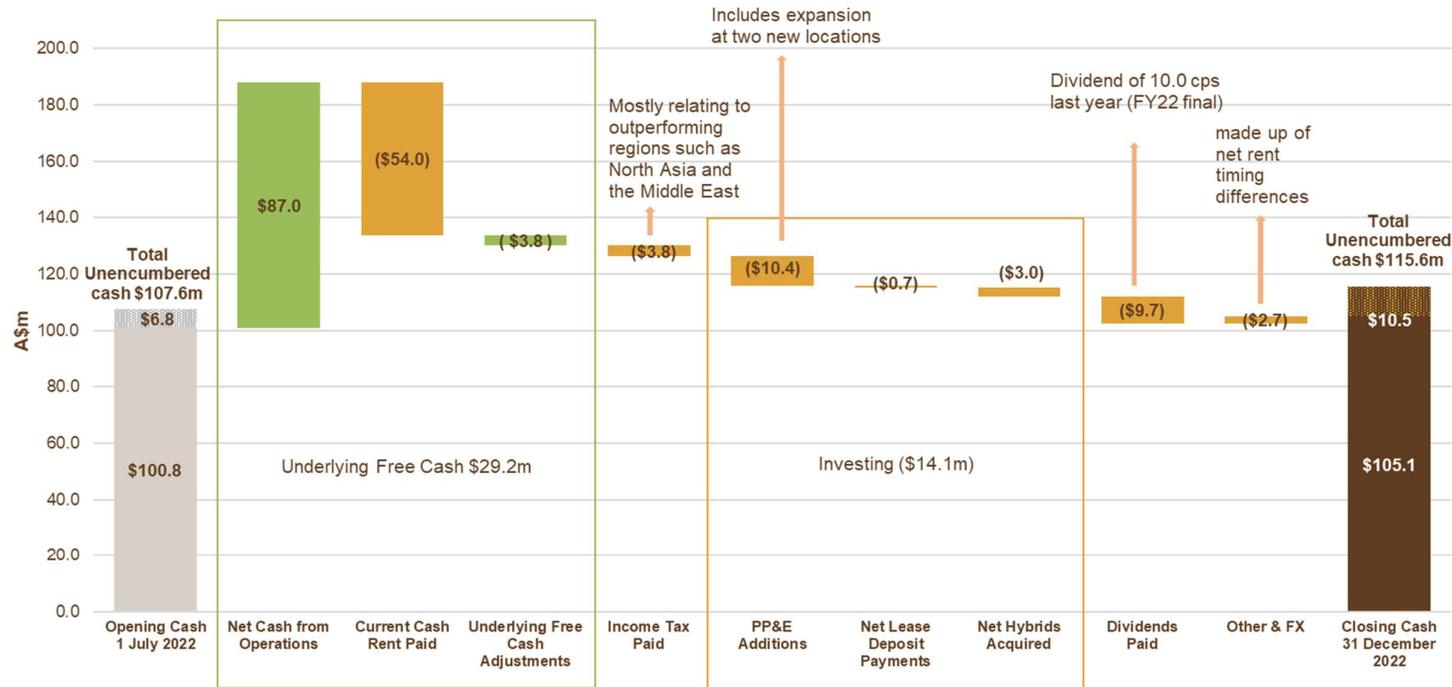
Reconciliation of Net Operating Cash Flows to Free Cash and Underlying Free Cash:

	1H23	1H22
		<b>\$'m</b>
<b>Net Operating Cash flow</b>	<b>78.0</b>	<b>79.9</b>
<i>Add:</i>		
Tax paid	3.8	6.2
<i>Less:</i>		
Lease liability Cash Rent for related period paid in related period	48.8	52.6
Cash Rent timing differences	1.5	2.4
<b>Free Cash including one-off income</b>	<b>31.4</b>	<b>31.1</b>
<i>Less:</i>		
Cash received from one-off income	-	3.7
<b>Free Cash excluding one-off income</b>	<b>31.4</b>	<b>27.4</b>
<i>Add:</i>		
Cash Rent previously withheld now paid	-	1.6
<i>Less:</i>		
Cash Rent relating to current period withheld	1.3	3.2
Other timing differences & write-off	0.9	-
<b>Underlying Free Cash excluding one-off income</b>	<b>29.2</b>	<b>25.8</b>
<i>Add:</i>		
Cash received from one-off income	-	3.7
<b>Underlying Free Cash including one-off income</b>	<b>29.2</b>	<b>29.5</b>

Free Cash of \$31.4m, up 1% compared to 1H22. Underlying Free Cash of \$29.2m, up 13% on 1H22 (excluding the \$3.7m one-off income received in 1H22).

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**Cash Flow - continued**



Servcorp produced Underlying Free Cash in 1H23 of \$29.2m, paid tax of \$3.8m and incurred capital expenditure of \$10.4m (up \$5.0m from \$5.4m in 1H22) representing the investment in the new floors opened in ANZ&SEA and North Asia. Servcorp paid \$0.7m in net lease deposits, invested an additional \$3.0m in hybrid securities and ordinary shares, and paid \$9.7m in dividends in FY22.

Other cash outflows of \$2.7m include \$3.8m of Underlying Free Cash adjustments (refer reconciliation on page 5), \$6.4m of Cash Rent relating to future years, \$5.3m downward effects of exchange rate changes.

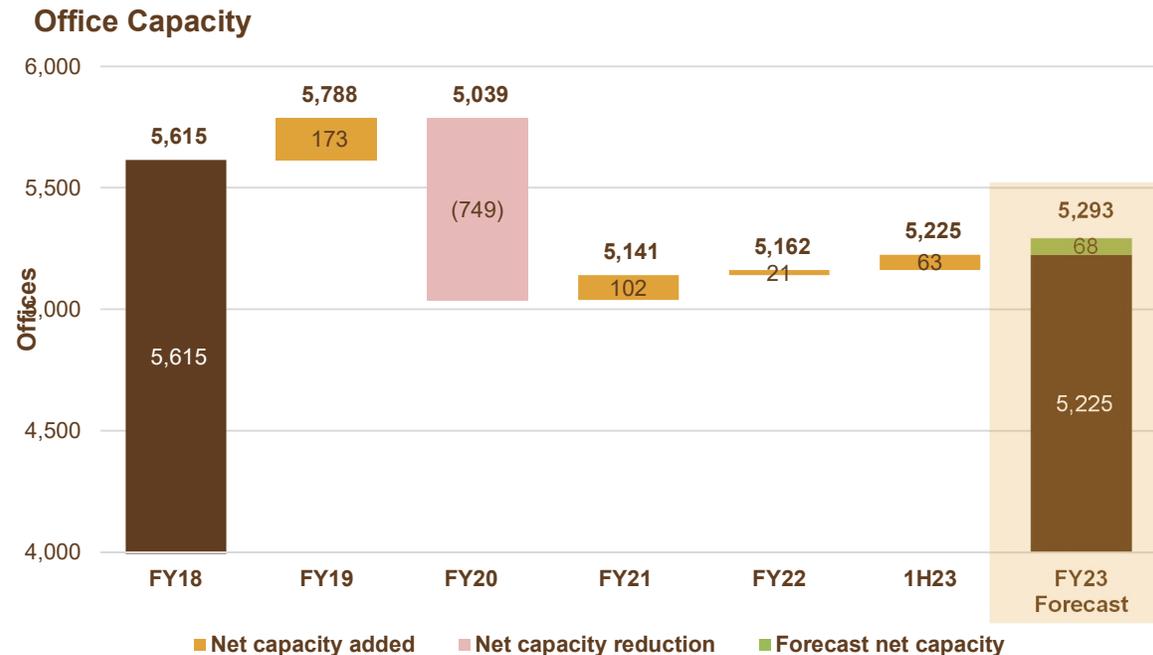
Overall cash increased by \$8.0m from \$107.6m at 30 June 2022 to \$115.6m at 31 December 2022.

## Office Capacity

Servcorp closed one floor in ANZ & SEA, and replaced it with a new floor at a more premium location in the same area, through which the capital is recycled to drive opportunities with higher expected return. In addition, one floor at a new building was opened in North Asia in late December 2022.

Net capacity increased by 63 offices to 5,225, and capacity for FY23 is forecast, based on the new leases signed or schedule to be signed in the coming weeks, to increase by 68 offices to 5,293.

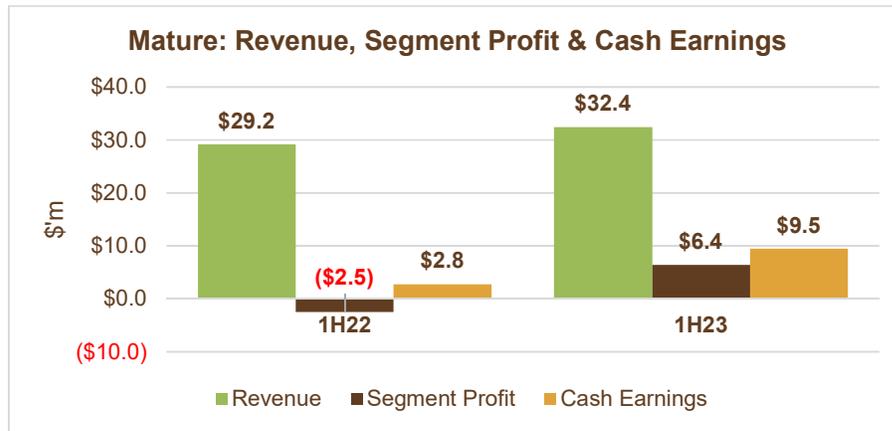
Mature floor occupancy was 74% and all floor occupancy was 73% at 31 December 2022 (73% and 72% respectively at 30 June 2022).



Our global footprint encompasses 130 floors, in 41 cities across 20 countries.

## Operating Summary by Region

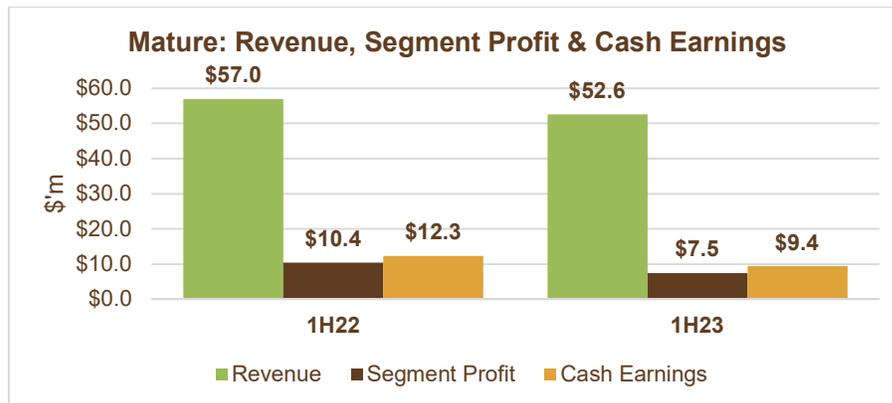
### ANZ & South East Asia



ANZ & SEA performance showed early signs of recovery, up 11% year-on-year in Mature<sup>13</sup> revenue. One floor was closed in 1H23. The capital was recycled and deployed to open a new floor in the same region with a better return opportunity.

As recovery in revenue started materialising, Mature Segment Profit successfully swung back to the profitable territory, recorded a gain of \$6.4m, up \$8.9m on 1H22. Mature Cash Earnings followed a similar path, up \$6.7m on 1H22.

### North Asia



North Asia as a whole continued to deliver a solid result, although the year-on-year performance was undermined largely due to the ongoing government pursuit of zero-Covid-19 policy in China (including Hong Kong).

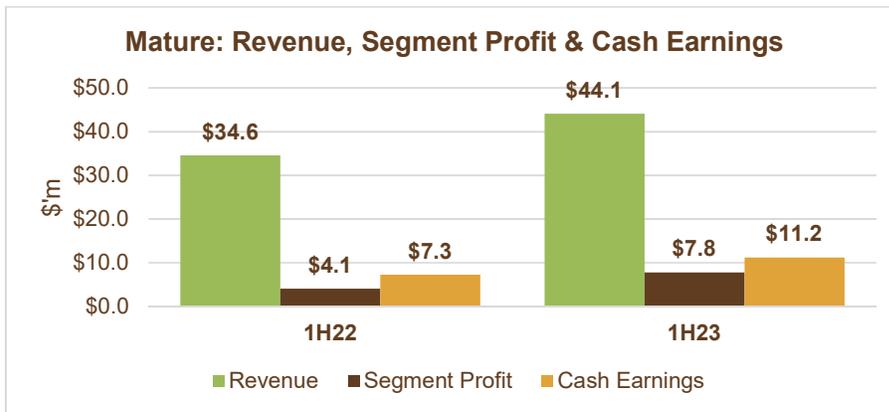
Mature revenue was down 8% from \$57.0m to \$52.6m. Mature Segment Profit & Cash Earnings decreased 28% and 24% respectively in 1H23 compared to 1H22.

In 1H23, an impairment loss of \$1.8m was recognised for Hong Kong due to the continued underperformance.

<sup>13</sup> Mature revenue is the revenue from continuing operations less revenue from immature and closed floors

Operating Summary by Region – continued

Europe & Middle East

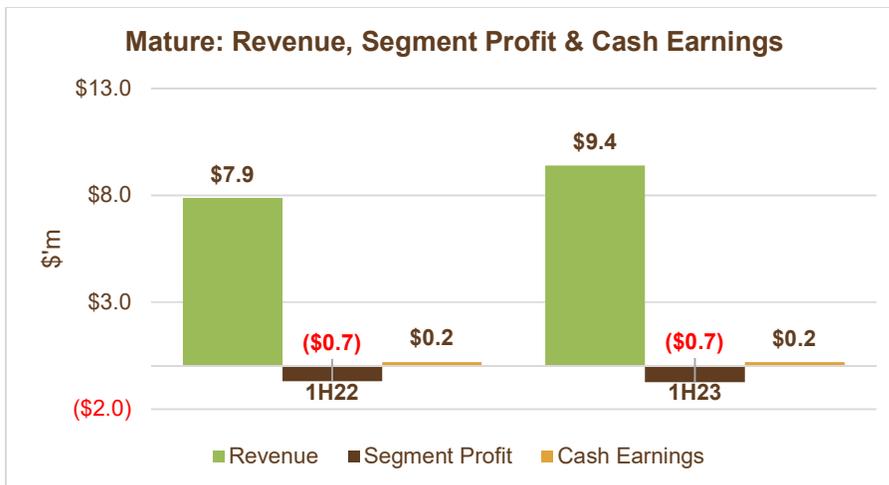


EME continues to outperform.

Mature Revenue was up \$9.5m in 1H23 compared to 1H22, of which ~40% converted into Mature Segment Profit and Cash Earnings, which increased 90% and 53% respectively.

No new floor was opened in 1H23. The two operations opened in late FY22 are both on track to meet their performance target.

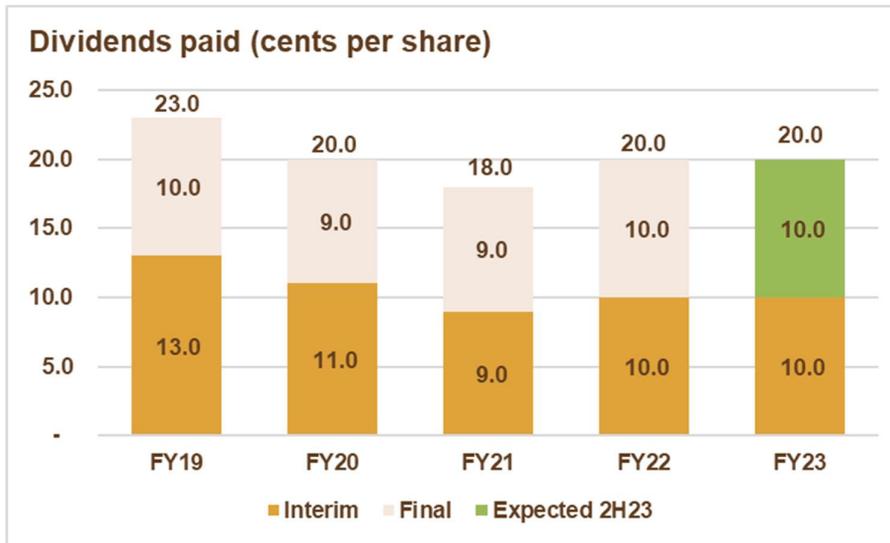
USA



Although Mature Revenue continued growing in the USA, up 19% or \$1.5m on pcp, the increase was fully offset by the higher operating expenses.

Both Mature Segment Profit and Cash Earnings remained the same year-on-year.

## Dividends



The Directors have declared an interim dividend of 10.0 cps, unfranked, payable on 5 April 2023.

As previously indicated the final FY23 dividend will be no less than 10.0 cps (franking uncertain). We expect to make dividend payments consistent with our long term history and commitment to shareholders.

***Future dividends are subject to currencies remaining constant, continued strong cash generation, and the global economic climate.***

## **FY23 Guidance Reaffirmed**

While uncertainty remains in the general economic climate worldwide, Servcorp is well positioned to take advantage of the opportunities in the market to expand globally and organically.

With the improvement in performance starting to materialize in ANZ & South East Asia, and the continued outperformance in North Asia and Europe & Middle East, the overall resilience of the business to global economic downturns is stronger.

Underpinned by demonstrated track record of strategy execution, we reaffirm the full year profit guidance of Underlying NPBIT between \$41.0m and \$43.0m, and at least \$60.0m free cash.

***Forecasts and future dividends are subject to currencies remaining constant, continued strong cash generation, and the continued impacts of global economic uncertainties on the operations.***

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<b>Glossary</b>	
<b>1H</b>	First half of financial year - six months to 31 December
<b>2H</b>	Second half of financial year - six months to 30 June
<b>ANZ</b>	Australia & New Zealand
<b>Cash Earnings</b>	Is EBITDA <i>minus</i> Cash Rent paid
<b>Cash Rent</b>	Cash Rent is the amount paid to a landlord (or lessor) by Servcorp as a lessee under the terms of a signed lease agreement
<b>cps</b>	Cents per share
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	Earnings per share
<b>EME</b>	Europe & Middle East
<b>Free Cash</b>	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
<b>FY</b>	Financial year
<b>Immature</b>	Immature means floors that have been operational for less than 24 months <b>and</b> have not produced 3 months consecutive operating profit in the same timeframe. The period during which the floor is immature is defined as pre-maturity
<b>m or \$'m</b>	Million
<b>Mature</b>	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
<b>NPAT</b>	Net Profit After Tax
<b>NPBT</b>	Net Profit Before Tax
<b>NPBIT</b>	Net Profit Before non-cash Impairment of Assets and Tax
<b>NTA</b>	Net tangible asset per share
<b>SEA</b>	South East Asia
<b>Segment Profit/(Loss)</b>	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
<b>Statutory NPAT</b>	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
<b>Statutory NPBT</b>	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
<b>Underlying Free Cash</b>	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
<b>Underlying NPAT</b>	Is the Statutory NPAT adjusted for significant items (net of tax) that are one-off in nature and that do not reflect the underlying performance of our business
<b>Underlying NPBT</b>	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
<b>USA</b>	United States of America

# **Servcorp Limited**

**ABN 97 089 222 506**

## **Consolidated Interim Financial Report**

**For the half-year ended 31 December 2022**

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For the half-year ended 31 December 2022

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## Servcorp Limited

# Directors' Report

31 December 2022

The Directors of Servcorp Limited ("the Company") submit herewith the condensed consolidated financial report for the Company and its consolidated entities ("the Consolidated Entity") for the half-year ended 31 December 2022. In order to comply with the provisions of the Corporations Act 2001 the Directors' report as follows:

### 1. General information

#### Information on Directors

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

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

### 2. Operating results and review of operations for the year

#### Review of operations

Revenue and other income from operating activities increased by 5.6% to \$145.4 million for the half-year ended 31 December 2022 (31 December 2021: \$137.7 million).

Net profit before tax for the half-year ended 31 December 2022 was \$17.4 million, an increase of 8.8% from \$16.0 million net profit before tax for the half-year ended 31 December 2021.

Operating net profit after tax was \$14.9 million (31 December 2021: \$13.3 million).

Cash and cash equivalents as at 31 December 2022 remained healthy at \$105.1 million (30 June 2022: \$100.8 million).

The Directors have declared an interim unfranked dividend of 10 cents per share payable on 5 April 2023.

### 3. Servcorp capacity

As at 31 December 2022, Servcorp operated 130 floors, in 41 cities across 20 countries.

During the half-year ended 31 December 2022, Servcorp closed one floor in Australia, New Zealand and Southeast Asia and opened one new floor. In addition, one floor at a new building was opened in North Asia in December 2022. Net capacity increased by 63 offices to 5,225.

Mature floor occupancy was 74% and all floor occupancy was 73% as at 31 December 2022 (73% and 72% respective at 30 June 2022).

## Directors' Report

31 December 2022

### 4. Operating summary by region

#### (a) Australia, New Zealand and Southeast Asia

During the half-year ended 31 December 2022, mature revenue increased 11% year on year. One floor was closed and one new floor was opened.

The region was profitable, recording a mature profit of \$6.4 million, up \$8.9 million compared to the first half of the previous year.

#### (b) North Asia

Despite the ongoing government pursuit of zero-Covid-19 policy in China (including Hong Kong), North Asia as a whole continued to deliver a solid result. Mature revenue was down 8% from \$57.0 million to \$52.6 million. Mature segment profit and cash earnings decreased 28% and 24% respectively in half-year compared to the first half of the previous year.

#### (c) Europe and the Middle East

Europe and the Middle East continued to perform well. Mature revenue was up \$9.5 million in the half-year compared to the first half of the previous year. Mature segment profit and cash earnings increased 90% and 53%, respectively.

#### (d) United States of America

Mature revenue continued to grow in the United States of America ("USA"), recording an increase of 19% compared to the first half of the previous year. The increase was fully offset by higher operating expenses. Mature segment profit and cash earnings remained the same year-on-year.

### 5. Significant changes in state of affairs

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

### 6. Subsequent events

#### Dividend

On 16 February 2023, the Directors declared an interim dividend of 10.00 cents per share unfranked, payable on 5 April 2023.

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

### 7. Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2022 has been received and can be found on page 5 of the consolidated financial report.

**Servcorp Limited**

## **Directors' Report**

**31 December 2022**

### **8. ASIC Corporations Instrument 2016/191 rounding of amounts**

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

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

On behalf of the Directors



Director: .....

A G Moufarrige AO  
Managing Director and CEO

Dated this 16th day of February 2023



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

To the Directors of Servcorp Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Servcorp Limited for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Kim Lawry

*Partner*

Sydney

16 February 2023

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2022

		31 Dec 2022	31 Dec 2021
	Note	\$ '000	\$ '000
Revenue	4	143,890	136,365
Other revenue and income	4	1,481	1,376
<b>Total revenue</b>		<b>145,371</b>	137,741
Service expenses		(34,906)	(32,738)
Marketing expenses		(9,079)	(7,506)
Occupancy expenses		(17,637)	(16,799)
Administrative expenses		(11,784)	(10,287)
Amortisation of right-of-use asset	11	(50,080)	(50,412)
Finance costs attributable to lease liability		(5,210)	(5,382)
Impairment losses		(1,801)	-
Net foreign exchange gains realised and unrealised		141	1,357
Fair value gains on derivatives		721	700
Share of gains of joint venture		226	206
Other gains/(losses)		1,468	(907)
<b>Total expenses</b>		<b>(127,941)</b>	(121,768)
<b>Profit before income tax</b>		<b>17,430</b>	15,973
Income tax expense	5	(2,527)	(2,682)
<b>Profit for the half-year</b>		<b>14,903</b>	13,291
<b>Other comprehensive income, net of income tax</b>			
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>			
Translation of foreign operations (items may be reclassified subsequent to profit or loss)		4,373	9
<b>Other comprehensive income for the half-year, net of tax</b>		<b>4,373</b>	9
<b>Total comprehensive income for the half-year</b>		<b>19,276</b>	13,300
		<b>Cents</b>	Cents
Basic EPS	6	15.4	13.7
Diluted EPS	6	15.4	13.7

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

## Consolidated Statement of Financial Position

As at 31 December 2022

	31 Dec 2022	30 Jun 2022
Note	\$ '000	\$ '000
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	105,065	100,766
Trade and other receivables	7 25,990	19,958
Other financial assets	8 13,277	9,854
Current tax receivable	8,923	11,102
Prepayments and other assets	4,660	4,417
<b>TOTAL CURRENT ASSETS</b>	<b>157,915</b>	<b>146,097</b>
NON-CURRENT ASSETS		
Other financial assets	8 41,874	40,471
Property, plant and equipment	9 82,794	80,482
Intangible assets	10 2,320	2,075
Right-of-use assets	11 307,355	259,998
Deferred tax assets	42,675	39,774
Goodwill	12 13,775	13,775
<b>TOTAL NON-CURRENT ASSETS</b>	<b>490,793</b>	<b>436,575</b>
<b>TOTAL ASSETS</b>	<b>648,708</b>	<b>582,672</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Trade and other payables	42,088	34,954
Security deposits	26,789	27,288
Lease liabilities	104,041	89,423
Provisions	10,085	9,902
<b>TOTAL CURRENT LIABILITIES</b>	<b>183,003</b>	<b>161,567</b>
NON-CURRENT LIABILITIES		
Lease liabilities	256,437	221,357
Provisions	1,496	1,494
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>257,933</b>	<b>222,851</b>
<b>TOTAL LIABILITIES</b>	<b>440,936</b>	<b>384,418</b>
<b>NET ASSETS</b>	<b>207,772</b>	<b>198,254</b>
<b>EQUITY</b>		
Contributed equity	13 151,594	151,594
Reserves	(17,689)	(21,986)
Retained earnings	73,867	68,646
<b>TOTAL EQUITY</b>	<b>207,772</b>	<b>198,254</b>

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

## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2022

	Issued Capital \$ '000	Share Buy- Back Reserve \$ '000	Foreign Currency Translation Reserve \$ '000	Employee Equity Settled Benefits Reserve \$ '000	Retained Earnings \$ '000	Total \$ '000
<b>Balance at 1 July 2022</b>	<b>151,594</b>	<b>(4,733)</b>	<b>(18,085)</b>	<b>832</b>	<b>68,646</b>	<b>198,254</b>
Profit attributable to members of the parent entity	-	-	-	-	14,903	14,903
Translation of foreign operations (net of tax)	-	-	4,373	-	-	4,373
<b>Transactions with owners in their capacity as owners</b>						
Dividends provided for or paid	-	-	-	-	(9,682)	(9,682)
Share based payment transactions	-	-	-	(76)	-	(76)
<b>Balance at 31 December 2022</b>	<b>151,594</b>	<b>(4,733)</b>	<b>(13,712)</b>	<b>756</b>	<b>73,867</b>	<b>207,772</b>
<b>Balance at 1 July 2021</b>	151,594	(4,733)	(11,865)	372	65,736	201,104
Restatement due to correction of AASB 16	-	-	226	-	(2,724)	(2,498)
<b>Balance at 1 July 2021 restated*</b>	151,594	(4,733)	(11,639)	372	63,012	198,606
Profit attributable to members of the parent entity	-	-	-	-	13,291	13,291
Translation of foreign operations (net of tax)	-	-	9	-	-	9
<b>Transactions with owners in their capacity as owners</b>						
Dividends provided for or paid	-	-	-	-	(8,714)	(8,714)
Share based payment transactions	-	-	-	259	-	259
<b>Balance at 31 December 2021</b>	<b>151,594</b>	<b>(4,733)</b>	<b>(11,630)</b>	<b>631</b>	<b>67,589</b>	<b>203,451</b>

\*Balances for the year ended 30 June 2021 have been restated. Refer to the 30 June 2022 Annual Report for more details.

**Consolidated Statement of Cash Flows**  
For the half-year ended 31 December 2022

	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	150,196	154,526
Payments to suppliers and employees	(64,589)	(63,513)
Interest received	1,262	401
Franchise fees received	127	66
Interest and other costs of finance paid	(5,196)	(5,382)
Tax paid	(3,803)	(6,217)
<b>Net operating cash inflows</b>	<b>77,997</b>	<b>79,881</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for securities and shares	(2,218)	(5,520)
Payment for intangible asset	(632)	-
Payments for property, plant and equipment	(10,447)	(5,401)
Payments for landlord lease deposits	(795)	(411)
Proceeds on disposal of securities and shares	-	6,547
Proceeds on disposal of property, plant and equipment	14	5
<b>Net investing cash outflows</b>	<b>(14,078)</b>	<b>(4,780)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(9,682)	(8,714)
Prepayment of leasing liability relating to future occupancy periods	(6,370)	(6,296)
Repayment of leasing liabilities relating to current period occupancy	(48,825)	(52,551)
Landlord cash incentives received	-	1,895
<b>Net financing cash outflows</b>	<b>(64,877)</b>	<b>(65,666)</b>
Effects of exchange rate changes on cash and cash equivalents	5,257	110
Net increase/(decrease) in cash and cash equivalents held	4,299	9,545
Cash and cash equivalents as at 1 July	100,766	93,783
<b>Cash and cash equivalents as at 31 December</b>	<b>105,065</b>	<b>103,328</b>

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

## Notes to the Financial Statements

For the half-year ended 31 December 2022

### Statement of Compliance

The half-year report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting (AASB134). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by Servcorp Limited ("the Company") and the subsidiaries ("the Consolidated Entity") during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

The financial report was authorised for issue by the Directors on 16 February 2023.

### 1 Basis of Preparation

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

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

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

### 2 Summary of Significant Accounting Policies

#### Going concern

This half-year financial report has been prepared on the going concern basis. Occupancy levels through the year have been growing steadily. Growth in Virtual Offices and Coworking has also helped maintain a strong cash positive operating environment.

The Consolidated Entity has prepared an assessment of its ability to continue as a going concern, taking into account information available up to the date of signing the financial report. The Directors have also considered that the Consolidated Entity is in a net current asset deficiency position of \$25.1 million at balance date.

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

- The Consolidated Entity has a cash balance totaling \$105.1 million;
- The Consolidated Entity produced positive cash from operations of \$78.0 million;
- The Consolidated Entity is in a net current liabilities position due to the capitalisation of lease commitments. The corresponding Right of Use Asset ("ROU") is classified as non-current asset in full. Net current liabilities are impacted by the current position of lease liabilities of \$104 million;

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

## 2 Summary of Significant Accounting Policies

### Going concern

- The Consolidated Entity has no external debt; and
- The Consolidated Entity has net assets of \$207.8 million as at 31 December 2022;

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

### New Accounting Standards and Interpretations

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

Standard Name	Effective date for entity
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
Amendments to Australian Accounting Standards—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12)	1 January 2023

There are no 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.

## 3 Operating Segments

### Segment information

The Consolidated Entity identifies its operating segments based on the internal reporting provided to the Group-level executives, who are the Consolidated Entity's chief operating decision makers.

The information reported to the Group-level executives is based on the geographic regions in which business units largely share a high level of similarity in regulatory and business environment, and other economic characteristics. The segment manager has regular contact with the chief operating decision makers to discuss operating activities, financial results, forecasts, or plans for the segment. The chief operating decision makers are responsible for performance monitoring and resource allocation amongst operating segments.

In line with the requirements under AASB 8 Operating Segments (AASB 8), four reportable segments are identified: Australia, New Zealand and South East Asia (ANZ/SEA); United States of America (USA); Europe and Middle East (EME); North Asia. Information about other business activities and operating segments that are not reportable under the four reportable segments identified under AASB 8 is aggregated and disclosed as Other.

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.

For the half-year 31 December 2022, the Consolidated Entity's Virtual Office revenue and Serviced Office revenue were \$42.6 million and \$101.3 million respectively (31 December 2021: \$40.8 million and \$95.6 million respectively).

Servcorp Limited

**Notes to the Financial Statements**  
For the half-year ended 31 December 2022

**3 Operating Segments**

Segment performance

	Lease revenue	Service and other revenue	Total revenue	Lease revenue	Service and other revenue	Total revenue	Segment profit/ (loss)	Segment profit/ (loss)
	31 Dec 2022	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Continuing operations</b>								
Australia, New Zealand and Southeast Asia	27,445	6,905	34,350	24,814	6,123	30,937	5,581	1,020
North Asia	40,874	12,119	52,993	44,504	13,075	57,579	7,066	8,517
Europe and Middle East	31,461	13,967	45,428	24,671	13,782	38,453	7,374	4,259
USA	8,262	1,134	9,396	6,799	1,071	7,870	(746)	163
Other	1,356	240	1,596	414	286	700	(367)	2,841
<b>Total continuing operations</b>	<b>109,398</b>	<b>34,365</b>	<b>143,763</b>	<b>101,202</b>	<b>34,337</b>	<b>135,539</b>	<b>18,908</b>	<b>16,800</b>
<b>Closed floors (i)</b>								
Australia, New Zealand and Southeast Asia	-	-	-	298	110	408	(23)	(375)
North Asia	-	-	-	-	-	-	-	(1)
Europe and Middle East	-	-	-	182	170	352	(11)	(48)
USA	-	-	-	-	-	-	(3)	(3)
	-	-	-	480	280	760	(37)	(427)
Franchise fee income	-	127	127	-	66	66	127	66
<b>Consolidated total</b>	<b>109,398</b>	<b>34,492</b>	<b>143,890</b>	<b>101,682</b>	<b>34,683</b>	<b>136,365</b>	<b>18,998</b>	<b>16,439</b>

**Notes to the Financial Statements**  
For the half-year ended 31 December 2022

**3 Operating Segments**

**Segment performance**

	<b>Lease revenue</b>	<b>Service and other revenue</b>	<b>Total revenue</b>	<b>Lease revenue</b>	<b>Service and other revenue</b>	<b>Total revenue</b>	<b>Segment profit/ (loss)</b>	<b>Segment profit/ (loss)</b>
	<b>31 Dec 2022</b>	<b>31 Dec 2022</b>	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>	<b>31 Dec 2021</b>	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Other</b>								
Interest revenue	-	1,262	1,262	-	401	401	1,262	401
Foreign exchange gains	-	-	-	-	-	-	862	2,057
Central unrecovered head office overheads	-	-	-	-	-	-	(3,585)	(3,024)
Share of profits of joint venture	-	-	-	-	-	-	226	206
Gain / (loss) on asset disposal	-	-	-	-	-	-	1,468	(959)
Impairment of ROU assets (ii)	-	-	-	-	-	-	(1,801)	-
COVID-19 payments received from governments	-	-	-	-	862	862	-	862
Unallocated	-	219	219	-	113	113	-	(9)
Income tax expense	-	-	-	-	-	-	(2,527)	(2,682)
<b>Total</b>	<b>109,398</b>	<b>35,973</b>	<b>145,371</b>	<b>101,682</b>	<b>36,059</b>	<b>137,741</b>	<b>14,903</b>	<b>13,291</b>

Note:

- i. Closed floors represent floors no longer operational, either through deconsolidation or termination.
- ii. Refer to note 9 and 11 for details on the net impairment of the ROU asset and leasehold improvements.

## Notes to the Financial Statements

For the half-year ended 31 December 2022

### 3 Operating Segments

#### Segment net assets

	Segment assets	Segment liabilities	Net assets	Segment assets	Segment liabilities	Net assets
	31 Dec 2022	31 Dec 2022	31 Dec 2022	30 Jun 2022	30 Jun 2022	30 Jun 2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Australia, New Zealand and Southeast Asia	268,291	(135,387)	132,904	246,927	(110,444)	136,483
North Asia	208,507	(152,059)	56,448	179,885	(126,730)	53,155
Europe and Middle East	190,956	(60,308)	130,648	169,454	(50,851)	118,603
USA	(18,284)	(93,151)	(111,435)	(12,843)	(96,362)	(109,205)
Other	(762)	(31)	(793)	(751)	(31)	(782)
<b>Total</b>	<b>648,708</b>	<b>(440,936)</b>	<b>207,772</b>	<b>582,672</b>	<b>(384,418)</b>	<b>198,254</b>

### 4 Revenue and other income

#### Revenue

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

	31 Dec 2022	31 Dec 2021
	\$ '000	\$ '000
Revenue		
- Lease revenue	109,398	101,682
- Service revenue	18,740	20,429
- Communication revenue	15,625	14,188
- Franchise fee income	127	66
<b>Total revenue</b>	<b>143,890</b>	<b>136,365</b>
Other Income		
- Interest income - bank deposits	1,262	401
- Government grants received from non-Australian sources	-	862
- Other income	219	113
<b>Total other revenue and income</b>	<b>1,481</b>	<b>1,376</b>

**Notes to the Financial Statements**  
**For the half-year ended 31 December 2022**

**5 Tax expense**

	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Profit before income tax	<b>17,430</b>	15,973
Tax rate	<b>30 %</b>	30 %
Income tax expense calculated at 30%	<b>5,229</b>	4,792
Add:		
Tax effect of:		
- Unused tax losses and tax offset not recognised as deferred tax assets	<b>173</b>	122
	<b>5,402</b>	4,914
Adjustments:		
Tax effect of:		
- Deductible local taxes	<b>(260)</b>	(292)
- Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(2,614)</b>	(771)
- Other non assessable items	<b>391</b>	(917)
- Income tax over provision in prior years	<b>(312)</b>	(252)
- Unrecognised tax losses of controlled entities recouped	<b>(80)</b>	-
Income tax expense	<b>2,527</b>	2,682

**Notes to the Financial Statements**  
**For the half-year ended 31 December 2022**

**6 Earnings per share**

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

	31 Dec 2022 \$ '000	31 Dec 2021 \$ '000
Profit attributable to security holders used to calculate basic and diluted EPS (\$'000)	<u>14,903</u>	<u>13,291</u>

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

	31 Dec 2022 No.	31 Dec 2021 No.
WANOS used in calculating basic and diluted EPS ('000)	<u>96,818</u>	<u>96,818</u>

	31 Dec 2022 Cents	31 Dec 2021 Cents
Basic EPS	15.4	13.7
Diluted EPS	<u>15.4</u>	<u>13.7</u>

**7 Trade and other receivables**

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
At amortised cost		
Trade receivables	26,012	21,386
Less: impairment of trade receivables	<u>(1,084)</u>	<u>(1,838)</u>
<b>Net trade receivables</b>	<b>24,928</b>	19,548
Other receivables	<u>1,062</u>	410
<b>Total current trade and other receivables</b>	<u><b>25,990</b></u>	<u>19,958</u>

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

There has been no change to the Consolidated Entity's accounting policies in relation to trade receivables and provision for expected credit loss in the half-year period ended on 31 December 2022.

**Notes to the Financial Statements**  
**For the half-year ended 31 December 2022**

**8 Other financial assets**

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
CURRENT		
<b>At fair value through profit or loss</b>		
Investment in bank hybrid variable rate securities (i)	4,702	4,408
Ordinary listed shares	6,509	3,056
<b>At amortised cost</b>		
Lease deposits	2,066	2,390
	<u>13,277</u>	<u>9,854</u>
NON-CURRENT		
<b>At fair value through profit or loss</b>		
Forward foreign currency exchange contracts	601	766
<b>At amortised cost</b>		
Lease deposits	40,261	38,696
Other	1,012	1,009
	<u>41,874</u>	<u>40,471</u>
<b>Total other financial assets</b>	<u>55,151</u>	<u>50,325</u>

**Note:**

(i) Australia has \$0.7 million in securities which is encumbered (30 June 2022: \$0.7 million).

## Notes to the Financial Statements

For the half-year ended 31 December 2022

### 9 Property, plant and equipment

	Freehold land and buildings \$ '000	Leasehold Improvements \$ '000	Office furniture and fittings \$ '000	Office equipment \$ '000	Capital Works in Progress \$ '000	Total \$ '000
<b>Dec 2022</b>						
Balance at 1 July 2022	6,600	60,939	9,530	2,820	593	80,482
Additions/(transfers)	-	4,086	515	844	5,002	10,447
Disposals	-	(76)	(87)	(3)	-	(166)
Depreciation expense	(68)	(7,248)	(1,445)	(884)	-	(9,645)
Foreign exchange movements	252	1,159	209	56	-	1,676
<b>Net book value at 31 Dec 2022</b>	<b>6,784</b>	<b>58,860</b>	<b>8,722</b>	<b>2,833</b>	<b>5,595</b>	<b>82,794</b>

	Freehold land and buildings \$ '000	Leasehold Improvements \$ '000	Office furniture and fittings \$ '000	Office equipment \$ '000	Capital Works in Progress \$ '000	Total \$ '000
Cost	7,805	213,078	39,480	50,100	5,595	316,058
Accumulated depreciation	(1,021)	(154,218)	(30,758)	(47,267)	-	(233,264)
<b>Balance at 31 Dec 2022</b>	<b>6,784</b>	<b>58,860</b>	<b>8,722</b>	<b>2,833</b>	<b>5,595</b>	<b>82,794</b>

	Freehold land and buildings \$ '000	Leasehold Improvements \$ '000	Office furniture and fittings \$ '000	Office equipment \$ '000	Capital Works in Progress \$ '000	Total \$ '000
<b>June 2022</b>						
Balance as at 1 July 2021	7,188	67,005	11,214	2,402	2,201	90,010
Additions/(transfers)	-	9,947	1,688	3,048	(1,608)	13,075
Disposals	-	(1,368)	(11)	(225)	-	(1,604)
Depreciation expense	(118)	(14,214)	(2,980)	(2,348)	-	(19,660)
Foreign exchange movements	(470)	(431)	(381)	(57)	-	(1,339)
<b>Net book value at 30 Jun 2022</b>	<b>6,600</b>	<b>60,939</b>	<b>9,530</b>	<b>2,820</b>	<b>593</b>	<b>80,482</b>

	Freehold land and buildings \$ '000	Leasehold Improvements \$ '000	Office furniture and fittings \$ '000	Office equipment \$ '000	Capital Works in Progress \$ '000	Total \$ '000
Cost	7,501	206,250	38,239	48,804	593	301,387
Accumulated depreciation	(901)	(145,311)	(28,709)	(45,984)	-	(220,905)
<b>Balance as at 30 Jun 2022</b>	<b>6,600</b>	<b>60,939</b>	<b>9,530</b>	<b>2,820</b>	<b>593</b>	<b>80,482</b>

Note: Leasehold improvements are assessed for indicators of impairment under AASB 136. Refer to note 11 for further details of impairment assessment.

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### 10 Intangible asset

Intangible assets relate to software assets. For detailed disclosure of goodwill refer to note 12.

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
Opening balance	2,075	787
Additions	632	1,768
Amortisation	(387)	(480)
Closing balance	<u>2,320</u>	<u>2,075</u>

#### 11 Right of use assets

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

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
<b>Opening balance</b>	<b>259,998</b>	293,993
Additions to right-of-use assets	94,907	71,099
Amortisation charge for the period	(50,080)	(100,020)
Impairment charge	(1,801)	-
Net foreign exchange movement	4,331	(5,074)
	<u>307,355</u>	<u>259,998</u>

Right of use assets and leasehold improvements are assessed for indicators of impairment under AASB 136. Where impairment indicators exist, the 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. The recoverable amount of ROU Assets is the higher of fair value less costs to sell and value in use ("VIU").

The continuing effects of the current global economic conditions, including extended preventative COVID-19 measures in some of the Consolidated Entity's markets, is expected to continue to impact the business in the financial year to 30 June 2023. As a result of these conditions, the Consolidated Entity continues to review the whole portfolio at a CGUs level for indicators of impairment.

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. 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 post-tax WACC used in the Consolidated Entity's calculations range between 7.1% and 13.5% (30 June 2022: 7.1% and 12.0%). Impairment charges are recognised within the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

During the half year ended 31 December 2022, the Consolidated Entity assessed the recoverable amount of ROU assets by CGU and determined that \$1.8 million of the Hong Kong CGU was impaired.

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### 12 Goodwill

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

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

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

The carrying amounts of goodwill relating to each group of cash-generating unit as at 31 December 2022 were as follows:

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
Australia	2,636	2,636
China	161	161
Japan	9,161	9,161
New Zealand	785	785
Singapore	706	706
Thailand	326	326
	<u>13,775</u>	<u>13,775</u>

The Consolidated Entity tests goodwill for impairment annually. A preliminary review of the recoverability of the goodwill has been performed, there has been no indication of impairment of goodwill allocated to the CGUs for the half-year period ended 31 December 2022. The Consolidated Entity will complete and report the annual goodwill impairment testing under AASB 136 Impairment of Assets in the annual financial report for the financial year ending on 30 June 2023.

#### 13 Contributed equity

	31 Dec 2022	30 Jun 2022
	\$ '000	\$ '000
31 December 2022: 96,817,888 Ordinary shares	151,594	151,594
<b>Total issued capital</b>	<u>151,594</u>	<u>151,594</u>

#### 14 Equity settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of rights to Key Management Personnel ("KMP"), senior executives and managers in accordance with the provisions of Servcorp's Executive Share Options Scheme. Amounts are transferred out of the reserve and into share capital when the right vest, the options exercised and shares issued. Further information about the share-based payments to employees is set out in the Remuneration Report contained in the Annual Report for the year ended 30 June 2022.

**Notes to the Financial Statements**  
**For the half-year ended 31 December 2022**

**15 Distributions**

Ordinary distributions paid / payable and distribution per security:

**Recognised amounts**

		Cents per share	Total amount \$'000	Date of payment	Tax rate for franking credit	Percentage franked
<b>30 June 2022</b>						
Interim	Fully paid ordinary share	10.00	9,682	6 April 2022	30 %	0 %
Final	Fully paid ordinary share	10.00	9,682	6 October 2022	30 %	0 %
<b>30 June 2021</b>						
Interim	Fully paid ordinary share	9.00	8,714	7 April 2021	30 %	0 %
Final	Fully paid ordinary share	9.00	8,714	7 October 2021	30 %	0 %

**Unrecognised amounts**

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

Interim	Fully paid ordinary share	10.00	9,682	5 April 2023	30 %	0 %
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In determining the level of future dividends, the Directors will seek to balance growth objectives and rewarding shareholders with income. This policy is subject to the cash flow requirements of the Consolidated Entity and its investment in new opportunities aimed at growing earnings. The Directors cannot give any assurances concerning the extent of future dividends, or the franking of such dividends, as they are dependent on future profits, the financial and taxation position of the Company and the impact of taxation legislation.

**Dividend franking account**

	31 Dec 2022 \$ '000	30 Jun 2022 \$ '000
30% Franking credit available	(890)	3,065

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

- Franking debits that will arise from the prepayment of dividends recognised as a liability at the reporting date; and
- Franking credit that will arise from the receipt of dividends recognised as receivable at the reporting date.
- The amount disclosed includes the franking credits that will arise from the receipt of tax refunds recognised as a receivable at the reporting date.

The tax rate at which paid dividends have been franked at 31 December 2022 is 0% (30 June 2022: 0%). Dividends declared and unpaid will be franked at the rate of 0% as at 31 December 2022 (30 June 2022: 0%).

## Notes to the Financial Statements

### For the half-year ended 31 December 2022

#### 16 Fair value measurement

##### Fair value hierarchy

The Consolidated Entity 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).

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$ '000	\$ '000	\$ '000	\$ '000
<b>31 December 2022</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Bank hybrid variable rate securities	4,702	-	-	4,702
Listed ordinary shares	6,509	-	-	6,509
Forward foreign currency exchange contracts	-	601	-	601
	Level 1	Level 2	Level 3	Total
	\$ '000	\$ '000	\$ '000	\$ '000
<b>30 June 2022</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Bank hybrid variable rate securities	4,408	-	-	4,408
Listed ordinary shares	3,056	-	-	3,056
Forward foreign currency exchange contracts	-	766	-	766

There were no transfers between the fair value hierarchy levels during the half-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).

**Notes to the Financial Statements**  
For the half-year ended 31 December 2022

**16 Fair value measurement**

Fair value hierarchy	Fair value at 31 Dec 2022 \$ '000	Fair value at 30 Jun 2022 \$ '000	Fair value hierarchy	Valuation technique(s) and key input(s)
<b>Financial assets</b>				
Bank hybrid variable rate securities	4,702	4,408	1	Quoted price in an active market
Listed ordinary shares	6,509	3,056	1	Quoted price in an active market
Forward foreign currency exchange contracts	601	766	2	Future cash flows are estimated based on observable forward exchange rates

**17 Contingencies**

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2022 (30 June 2022: None).

**18 Events Occurring after the reporting date**

The consolidated financial report was authorised for issue on 16 February 2023 by the Board of Directors.

**Dividend**

On 16 February 2023, the Directors declared an interim dividend of 10.00 cents per share, unfranked and payable on 5 April 2023.

The financial effect of the above transaction has not been brought to account in the financial statements for the half-year ended 31 December 2022.

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

## Servcorp Limited

### Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 16th day of February 2023.



# Independent Auditor's Review Report

To the shareholders of Servcorp Limited

## Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Servcorp Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Consolidated Entity's** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2022
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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



## Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Kim Lawry

*Partner*

Sydney

16 February 2023