SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

Interim Financial Report
For the six months ended
31 December 2020

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 2020, the 2020 Annual Report and public announcements made during the period in accordance with continuous disclosure obligations arising under Corporations Act 2001 and ASX Listing Rules.

Reporting Period

Current period:	1 July 2020 to 31 December 2020
Previous corresponding period:	1 July 2019 to 31 December 2019

Results for announcement to the market

				$m
Revenue and other income from ordinary activities	down	20%	to	142.0
Profit from ordinary activities before tax	down	5%	to	17.9
Net profit after tax for the period attributable to members	up	4%	to	15.4

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

Record date for determining entitlements to the dividend	10 March 2021
Dividend payment date	7 April 2021

The interim dividend is 100% conduit foreign income.

	31 December 2020 **$**	**30 June 2020** **$**
Net tangible asset backing		
Net tangible asset backing per ordinary security	1.98	2.14

Additional 4D disclosures can be found in the Notes to the Servcorp Consolidated Interim Financial Report for the six months ended 31 December 2020 lodged with the ASX on 23 February 2021.

Management Discussion & Analysis

COVID-19 pandemic

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 range of potential recovery scenarios:

- **A strong liquidity position:** Current cash balances in excess of $100.0m and no external debt.
- **Tightly controlled operating expenditure:** Cost reduction initiatives across our operations have lowered our operating cost base by approximately 20% compared to the prior corresponding period.
- **Strict capital expenditure allocation:** All capital expenditure programs remain temporarily suspended. That said, several medium term opportunities for growth particularly in mature markets with proven management performance are likely. Any future allocation of capital will ultimately depend on the certainty of the post COVID-19 recovery period within each market.
- **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.

The COVID-19 pandemic continues to make trading conditions difficult across every market we operate. While occupancy levels through the first half of FY21 have been relatively stable at 70%, there is downward price pressure across our global footprint. Although virtual office client numbers are still lower than pre-COVID numbers, they have moved forward in the first half of FY21 from 30 June 2020. Coworking is severely impacted with the recovery expected to take significantly longer than our other product offerings.

Despite the COVID-19 challenges, we remain cautiously optimistic. The imminent 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.

Headline

1H21 performance reflecting challenging COVID-19 trading conditions and global economic environment:

- Underlying Free Cash down 14%
- Revenue and other income[1] down 22%
- Like for Like revenue down 14%
- Underlying[2] NPBT down 10%
- FY21 interim dividend of 9.0 cps, 100% conduit foreign income

Operating performance

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

	1H21	1H20
		$m
Statutory NPBT	**17.9**	**18.9**
Add:		
Net non-cash impairment of assets	1.1	-
Restricted earnings and provisions[3]	-	2.1
Underlying NPBT[4]	**19.0**	**21.0**
Less:		
Underlying tax expense	2.9	4.1
Underlying NPAT	**16.1**	**16.9**
Less:		
Net non-cash impairment of assets (after tax)	0.7	-
Restricted earnings and provisions[3]	-	2.1
Statutory NPAT	**15.4**	**14.8**

- Statutory NPBT $17.9m, down $1.0m or 5%
- Underlying NPBT $19.0m before $1.1m of net non-cash impairment of assets, down $2.0m or 10%
- Statutory NPAT $15.4m, up $0.6m or 4%
- Underlying Free Cash $29.4m, down $4.8m or 14%

Balance sheet

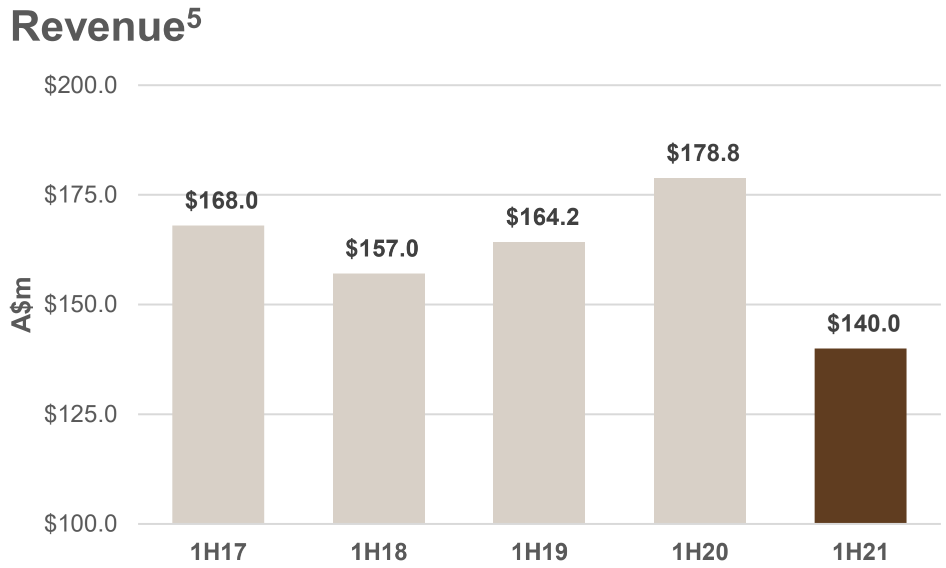
- Cash balances at 31 December 2020 $90.1m, down $11.3m from 30 June 2020; driven largely by a strengthening Australian dollar and $7.8m in downward cash balance revaluations
- Cash balances currently in excess of $100.0m
- Underlying Free Cash 155% of Underlying NPBT, providing some buffer to navigate through the COVID-19 pandemic, supporting maintenance capital expenditure and dividends
- No external net debt
- Strong cash generation enabling a FY21 interim dividend of 9.0 cps, unfranked

[1] *Excludes $2.0m JobKeeper subsidy; JobKeeper is disclosed in the Interim Financial Report for 31 December 2020 as revenue.*
[2] *"Underlying" is a non-statutory measure and is the primary reporting measure used by the CEO, CFO, COO & Board of Directors for assessing the performance of our business.*
[3] *Earnings or 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.*
[4] *1H21 Underlying NPBT has not been adjusted for the $2.0m JobKeeper subsidy accounted for in the same period because without JobKeeper more extensive cost control measures would have been applied and additional headcount reductions made. On balance, the net impact of a JobKeeper subsidy and associated remuneration costs, on an underlying basis, is not considered material.*

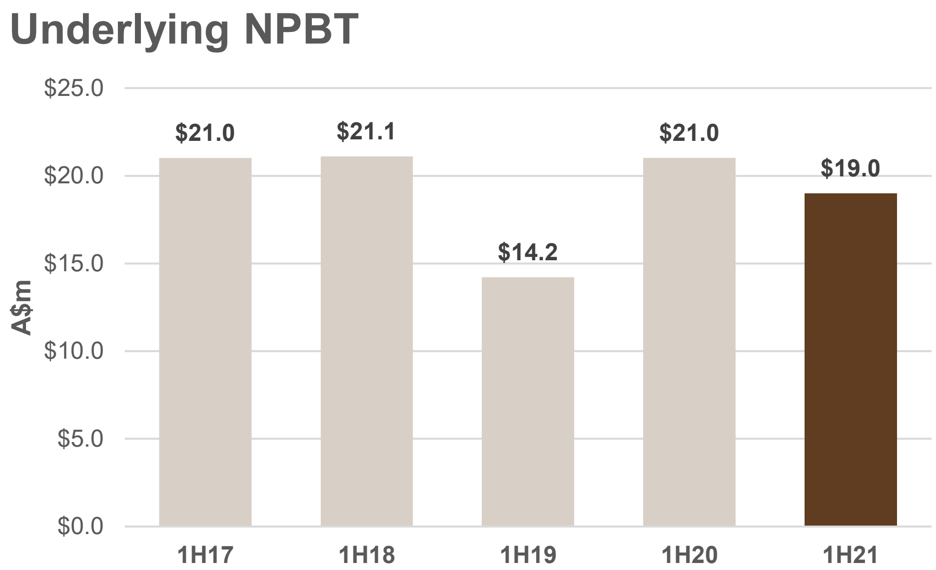
Operating performance - continued

1H20 – Overview

1H21 revenue[5] $140.0m, down 22% on 1H20. Like for Like revenue $139.7m, down 14% reflecting the benefits of the global footprint consolidation undertaken in FY20.



1H20 Underlying NPBT $19.0m (down 10% on 1H20) was underpinned by solid EME and North Asia performances combined with reduced losses in the USA offset by losses in ANZ & SEA.



[5] *Excludes $2.0m JobKeeper subsidy*

Cash Flow

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

	1H21	1H20
		$m
Net Operating Cash Flows	**68.0**	**91.0**
Add:		
Tax paid	7.5	6.4
Cash Rent timing differences[6]	0.2	-
Less:		
Lease liability Cash Rent[7] for related period paid in related period	52.0	60.7
Cash Rent timing differences[6]	-	2.5
Free Cash	**23.7**	**34.2**
Add:		
Restructure costs[8]	2.9	-
Cash Rent relating to FY20 previously unpaid (paid in 1H21)	4.7	-
Less:		
Unpaid Cash Rent relating to 1H21	1.9	-
Underlying Free Cash[9]	**29.4**	**34.2**

Free Cash $23.7m, down 31% compared to 1H20. Underlying Free Cash $29.4m, down 14% compared to 1H20.

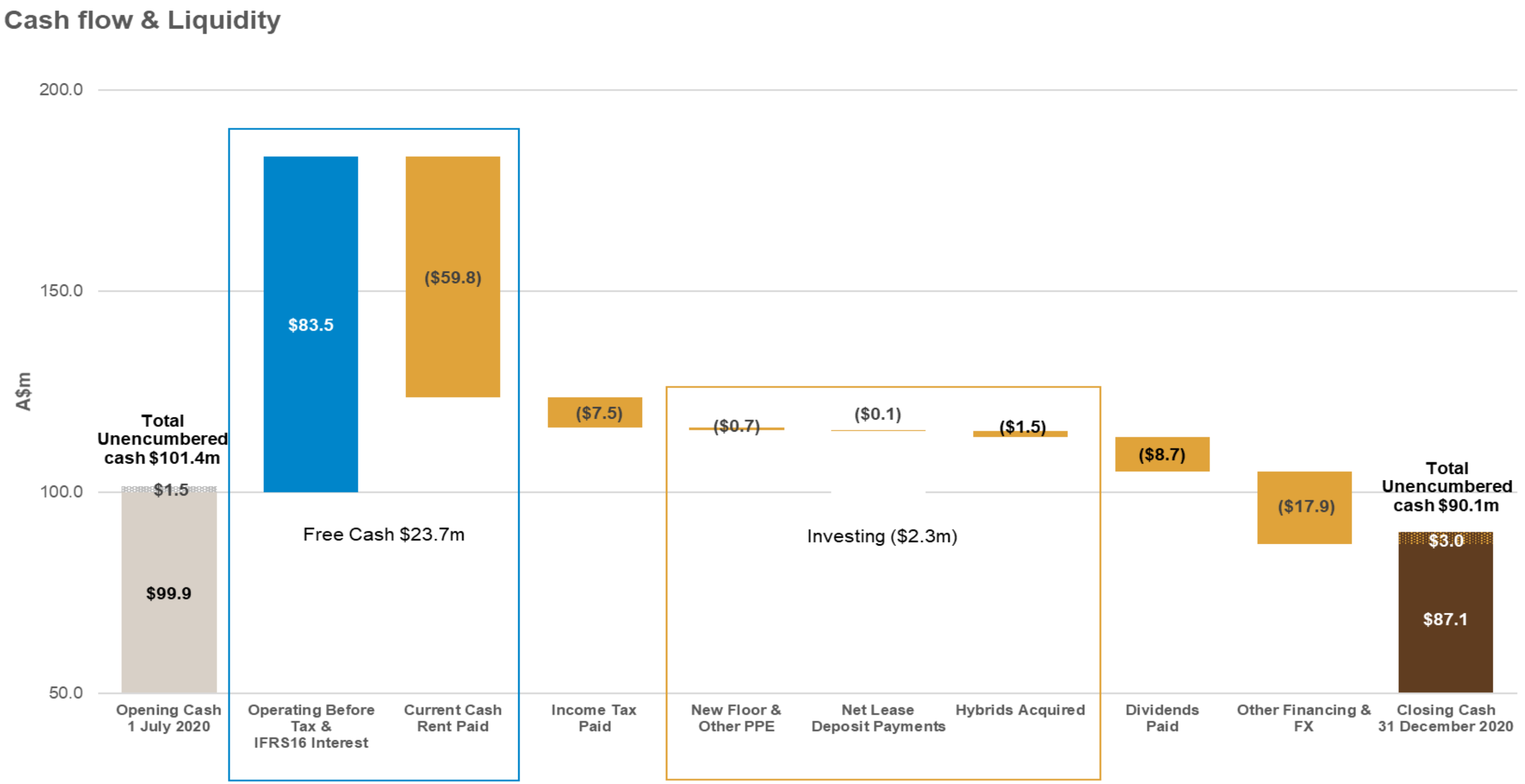
[6] *Is Cash Rent relating to future periods paid in current period less Cash Rent relating to current period paid in previous period*

[7] *The interest component of Cash Rent of $8.1m is included in the Net Operating Cash Flows of $68.0m.*

[8] *Includes $2.9m paid in relation to the USA deconsolidation accounted for in FY20.*

[9] *1H21 Underlying Free Cash has not been adjusted for the $2.0m JobKeeper subsidy received 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



Capital expenditure was $0.7m, down $6.3m from $7.0m in 1H20 representing primarily maintenance capex. We paid $0.1m in net lease deposits, invested an additional $1.5m in hybrid securities and paid $8.7m in dividends in 1H21.

Other financing and foreign exchange includes Cash Rent timing of $10.1m and effects of exchange rate changes of $7.8m.

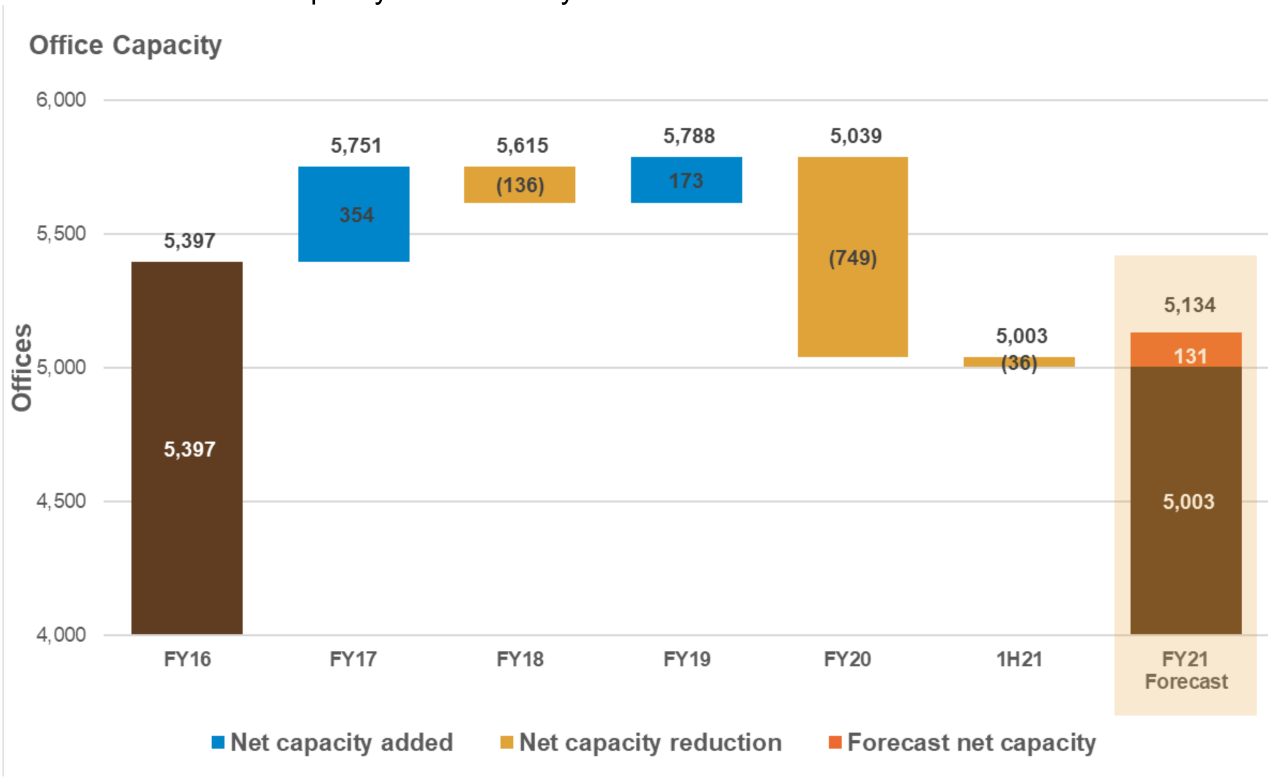
Overall cash decreased by $11.3m from 30 June 2020 to $90.1m at 31 December 2020.

Office Capacity

In 1H21 we closed two floors, Park Avenue in New York City and Al Hugayet in Al Khobar. Net capacity decreased by 36 offices to 5,003 and FY21 capacity is forecast to increase to 5,134 stemming from new floor openings in Manila and Parramatta. We have no further committed floor openings at this time.

Like for Like floors occupancy was 71% and all floors occupancy was 70% at 31 December 2020 (30 June 2020: both 69%).

Like for Like floors occupancy at 31 January 2021 was 69%.



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

Coworking

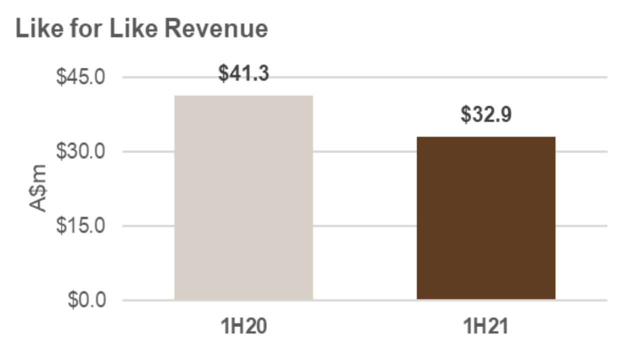
The COVID-19 pandemic continues to have a significant impact on coworking.

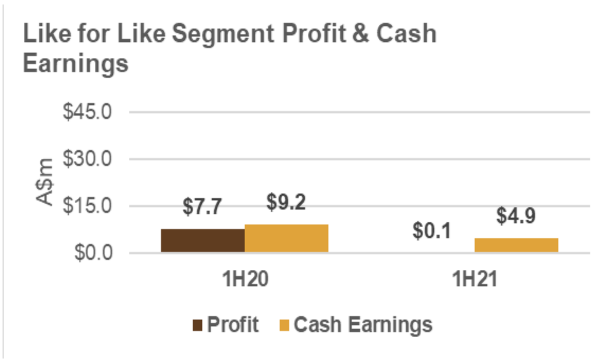
Given the nature of coworking and its inherent lack of social distancing, coworking is still expected to take significantly longer to recover from COVID-19.

We continue to hold the view that coworking is an important part of not only our offering but also the industry and that our past 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





Excluding the JobKeeper subsidy, Like for Like revenue is down 20% in 1H21 having been impacted by COVID-19. Similarly Like for Like Segment Profit was down 98% in 1H21 however, the region was cash flow positive, producing Like for Like Cash Earnings of $4.9m, down 47% compared to the prior corresponding period.

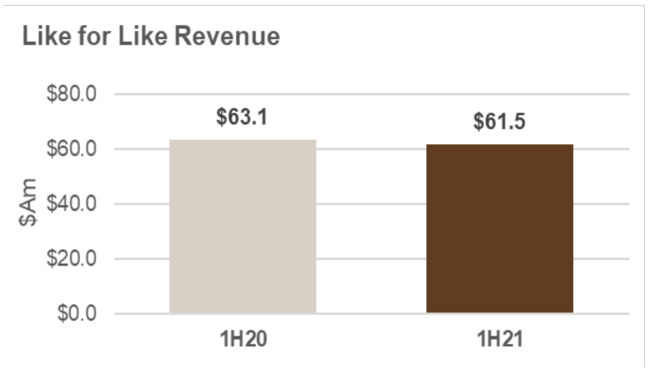
In 1H21 ANZ & SEA impaired $0.9m of assets in Malaysia and reversed previously impaired assets in Singapore of $0.6m. The net non-cash asset impairment for the region was $0.3m and is not included in the Like for Like Segment Profit.

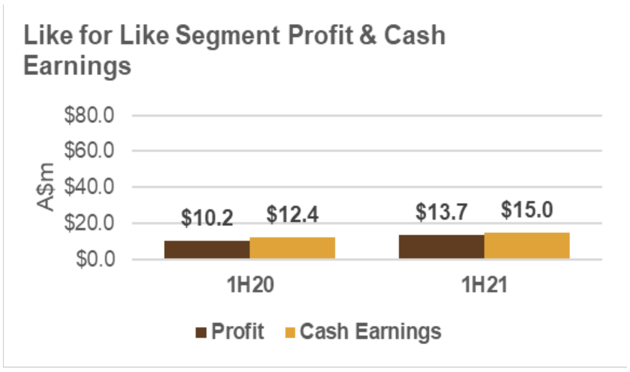
1H21 Like for Like Segment Profit and Cash Earnings for Australia includes the JobKeeper subsidy received from the Federal Government for the same period. The JobKeeper subsidy has intentionally not been adjusted on an underlying basis because without the JobKeeper subsidy having been launched in March 2020, the board of directors would have applied more extensive cost control measures (i.e. salary reductions) and likely additional headcount reductions.

On balance, the net impact of a JobKeeper subsidy and associated remuneration costs, on an underlying basis to the Australian operations, is not considered material.

Revenue for the Australian operations receiving JobKeeper are down more than 30% in 1H21. In light of the JobKeeper program ending in March 2021, there will be a detailed review of Australia's cost base.

North Asia



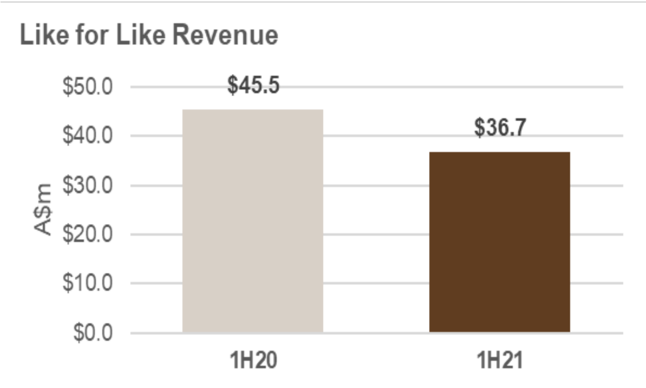


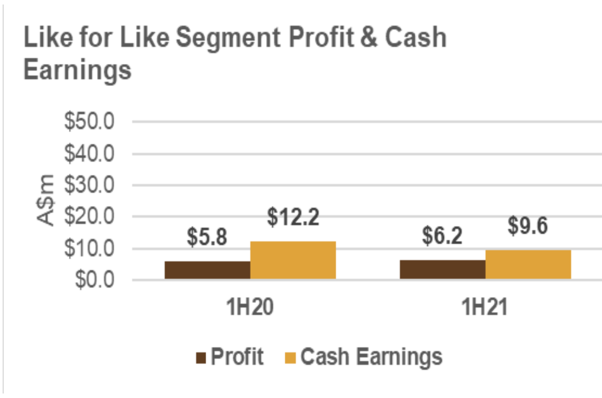
Despite the impact of COVID-19 North Asia as a whole produced a solid result with the drag on profit attributed to China (including Hong Kong). Like for Like revenue was down 3% from $63.1m to $61.5m. Like for Like Cash Earnings increased 21% in 1H21 compared to 1H20.

In 1H21 North Asia recorded a $0.5m non-cash impairment of assets in China which is not included in the Like for Like Segment Profit.

Operating Summary by Region (continued)

Europe & Middle East



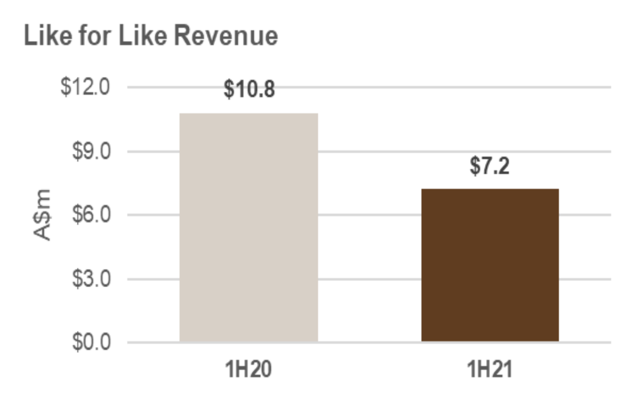


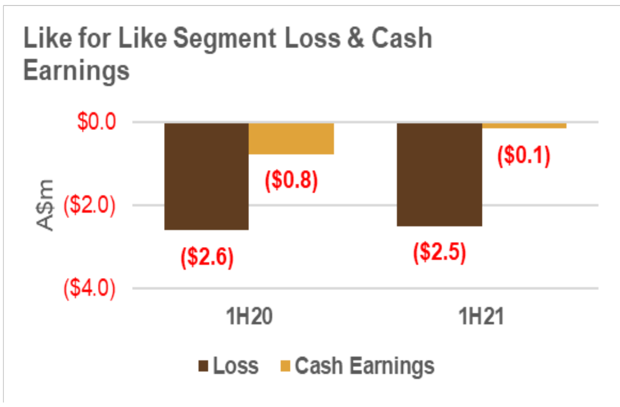
Despite the impact of COVID-19 EME produced a reasonable result with contributions from Saudi Arabia, United Kingdom and Qatar partially offset by an under performance from France.

Like for Like revenue and Like for Like Cash Earnings were down 19% and 22% respectively in 1H21 compared to the prior corresponding period. Like for Like Segment Profit was up 7% in 1H21 driven by improved margins in the region.

In 1H21 EME impaired $1.9m of assets in France and Kuwait and reversed previously impaired assets in UAE of $1.6m. The net non-cash asset impairment for the region was $0.3m and is not included in the Like for Like Segment Profit.

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 has been severely impacted by COVID-19 as well as political distractions following the elections in November 2020. The recovery path is long but we feel the current size of our operations are better able to withstand near-term uncertainty.

On a Like for Like basis revenue was down 33% however Like for Like Cash Earnings was virtually breakeven in 1H21 compared to 1H20. The region reported a Like for Like Segment Loss of $2.5m, flat on 1H20.

Financial Summary

1H21 revenue and other income[10] was down 22% to $140.0m (1H20: $178.8m). The Australian dollar strengthened through 1H21 particularly in the second quarter of the FY. 1H21 Like for Like revenue decreased 11% compared to 1H20 on a constant currency basis.

1H21 Statutory NPBT was $17.9m, down $1.0m or 5% from 1H20 NPBT of $18.9m. 1H21 Statutory NPAT was $15.4m, up $0.6m or 4% from 1H20 NPAT of $14.8m.

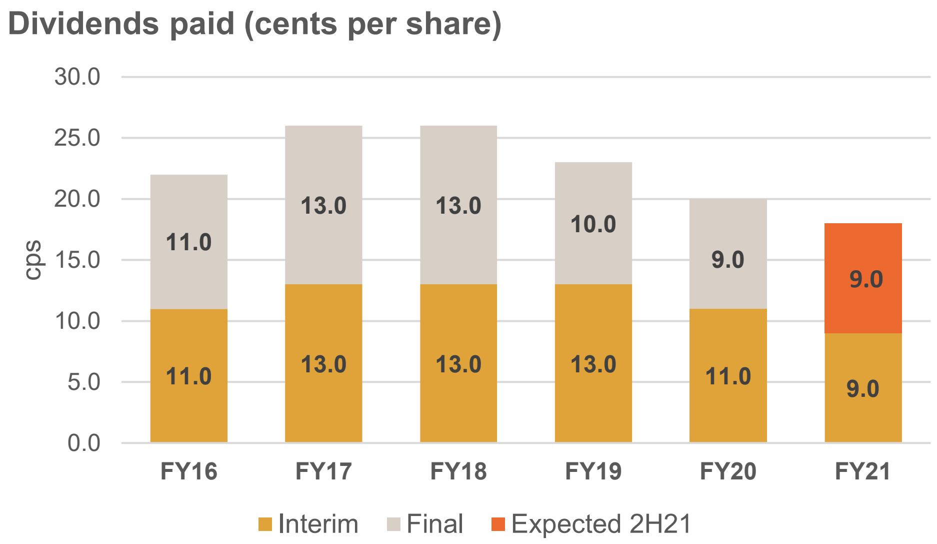
1H21 Underlying NPBT was $19.0m before $1.1m of net non-cash impairment of assets, down 10% on 1H20 Underlying NPBT of $21.0m (before $2.1m of restricted earnings and provisions).

Net Tangible Assets per share is down to $1.98 per share from $2.14 per share at 30 June 2020 principally owing to the Australian dollar strength and associated downward revaluations on the balance sheet.

Cash balances as at 31 December 2020 remained healthy at $90.1m, down $11.3m from $101.4m at 30 June 2020.

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

Dividends



The Directors have declared an interim dividend of 9.00 cps, unfranked, payable on 7 April 2021.

A final dividend of 9.00 cps is anticipated to be paid in relation to FY21; franking levels remain uncertain.

Future dividends are subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

[10] *Excludes $2.0m JobKeeper subsidy*

Outlook

While it remains unclear how long the global COVID-19-led recession will last, we remain cautiously optimistic. The imminent 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. That said Servcorp's operations are likely to remain adversely impacted at least for the remainder of calendar 2021.

The continued focus for the short term is on controllable measures:

- Controlling operating expenditure.
- Maintaining strong liquidity.
- Making clients feel safe through full, unwavering adherence to any government requirements.
- Preparing for recovery in each market in which we operate.
- Looking for opportunities for growth in mature markets with proven management performance.

For the remainder of FY21 we anticipate sustained difficult trading conditions however, even at a low case, the underlying business will remain profitable and cash generating. In those circumstances, we would expect to continue to make dividend payments consistent with the FY21 interim dividend and our long-term history and commitment to shareholders.

COVID-19 will continue to significantly impact the way we live and work for the foreseeable future. We still are of the view that when we emerge from the COVID-19 pandemic, 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 are facing, we remain cautiously optimistic due to our unique positioning, global reach, technology platforms, longstanding track record and cash generation.

This forecast is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Key

FY	Financial year
1H	First half of financial year - six months to 31 December
2H	Second half of financial year - six months to 30 June
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
Statutory NPBT	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Interim Financial Report
Statutory NPAT	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Interim Financial Report
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
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
Segment Profit/(Loss)	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Interim Financial Report
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
Free Cash	Is the Net Operating Cash Flows before tax as reported in the Consolidated Statement of Cash Flows contained in the Servcorp Consolidated Interim Financial Report *minus* Cash Rent paid
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
EBITDA	Earnings before interest, tax, depreciation and amortisation
Cash Earnings	Is EBITDA *minus* Cash Rent paid
cps	Cents per share
m	Million
Like for Like	Like for Like include results for floors that were open in both the current and comparative reporting periods i.e. it excludes new floor openings in the current reporting period and closed floors
ANZ	Australia & New Zealand
SEA	South East Asia
EME	Europe & Middle East
USA	United States of America

HALF-YEAR FINANCIAL REPORT

CONTENTS

Directors' report	2
Auditor's independence declaration	5
Consolidated financial report	6
Independent auditor's review report	24

DIRECTORS' REPORT

The Directors of Servcorp Limited ('the Company') submit herewith the condensed Consolidated financial report of the Company and its Consolidated Entity for the six months ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001 the Directors' report as follows:

The names of the Directors of the Company during or since the end of the six months ended 31 December 2020 are:

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

Review of operations

Revenue and other income from operating activities was down 20% to $142.0 million for the half year ended 31 December 2020 (31 December 2019: $178.3 million).

Net profit before tax for the half year ended 31 December 2020 was $17.9 million, down 5% from $18.9 million net profit before tax for the half year ended 31 December 2019.

Operating net profit after tax was $15.4 million (31 December 2019: $14.8 million operating net profit after tax).

Cash and cash equivalents as at 31 December 2020 remained healthy at $87.1 million (30 June 2020: $99.9 million).

The Directors have declared an interim unfranked dividend of 9.00 cents per share, payable on 7 April 2021.

COVID-19 pandemic

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

- *A strong liquidity position*: Cash balances of $87.1 million and no external debt.
- *Tightly controlled operating expenditure*: Cost reduction initiatives across our operations have lowered our operating cost base by approximately 20% compared to the prior corresponding period.
- *Strict capital expenditure allocation*: All capital expenditure programs remain temporarily suspended. That said, several medium term opportunities for growth particularly in mature markets with proven management performance are likely. Any future allocation of capital will ultimately depend on the certainty of the post COVID-19 recovery period within each market.
- *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.

The COVID-19 pandemic continues to make trading conditions difficult across every market we operate. While occupancy levels during the period ended 31 December 2020 have been relatively stable at 70%, there is downward price pressure across our global footprint. Although virtual office client numbers are still lower than pre-COVID numbers, they have moved forward during the reporting period ending 31 December 2020 from 30 June 2020. Coworking is severely impacted with the recovery expected to take significantly longer than our other product offerings.

Despite the COVID-19 challenges, we remain cautiously optimistic. The imminent 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.

The Consolidated Entity 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.

DIRECTORS' REPORT (CONT.)

Servcorp Capacity

Servcorp's global footprint encompasses 125 floors, in 43 cities across 21 countries.

During the reporting period ended 31 December 2020, Servcorp closed two floors; Park Avenue in New York City and Al Hugayet in Al Khobar. Two new floors will be opening in Manila and Parramatta in the second half of the 2021 financial year. The Consolidated Entity has not committed to any other future floor openings at this time.

Australia, New Zealand and Southeast Asia

During the reporting period ended 31 December 2020 the Segment impaired $0.9 million of assets in Malaysia and reversed previously impaired assets in Singapore of $0.6 million. The net non-cash asset impairment for the Segment was $0.3 million.

The Segment received $2.0 million of JobKeeper subsidies from the Australian Federal Government.

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). North Asia recorded a $0.5 million non-cash impairment of assets in China.

Europe and the Middle East

Despite the impact of COVID-19, the Segment produced a reasonable result with contributions from Saudi Arabia, United Kingdom and Qatar partially offset by an under performance from France.

The Segment impaired $1.9 million of assets in France and Kuwait and reversed previously impaired assets in UAE of $1.6 million. The net non-cash asset impairment for the Segment was $0.3 million.

USA

As a result of the restructure during the year ended 30 June 2020, the smaller USA footprint concentrated in 3 cities on the East Coast and Houston in Texas, means the USA has less of an impact on the global performance. The USA has been severely impacted by COVID-19 as well as political distractions following the elections in November 2020. The recovery path is long, but we feel the current size of our operations are better able to withstand near-term uncertainty.

State of affairs

During the half year ended 31 December 2020 there were no significant changes in the state of affairs of the Company.

Subsequent events

Dividend

On 23 February 2021, the Directors declared an interim dividend of 9.00 cents per share unfranked, payable on 7 April 2021.

No other events have occurred since the end of the period 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.

DIRECTORS' REPORT (CONT.)

Auditor's independence declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 5 and forms part of this report.

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.

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

On behalf of the Directors

A G Moufarrige

Managing Director and CEO

Dated at Sydney this 23rd day of February 2021

KPMG

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 2020 there have been:

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

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

KPMG

KPMG

Kim Lawry
Partner

Sydney
23 February 2021

Consolidated Financial Report
For the half year ended 31 December 2020

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A BASIS OF PREPARATION	**11**
B RESULTS FOR THE HALF YEAR	
B1 Segment information	12
B2 Revenue and other income	14
B3 Events occurring after the end of the half year	14
B4 Income tax and deferred tax	15
B5 Earnings per security	17
C ASSETS AND LIABILITIES	
C1 Trade and other receivables and other financial assets	17
C2 Property, plant & equipment	18
C3 Goodwill	19
C4 Other financial liabilities	19
C5 Lease Liability	19
C6 Fair value Measurement of financial instruments	20
C7 Provisions	21
D EQUITY	
D1 Distributions	21
D2 Contributed equity	21
D3 Equity settled employee benefits reserve	22
DIRECTORS' DECLARATION	**23**

Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2020

	Note	31-Dec-20 $'000	31-Dec-19 $'000
Revenue	B2	**139,437**	177,455
Other revenue & income (i)	B2	**2,555**	813
		141,992	178,268
Service expenses		**(30,197)**	(41,101)
Marketing expenses		**(8,524)**	(11,038)
Occupancy expenses		**(16,480)**	(22,507)
Amortisation of Right of Use Asset	C5	**(52,804)**	(60,657)
Finance costs attributable to lease liability	C5	**(8,139)**	(9,697)
Administrative expenses		**(12,243)**	(13,003)
Impairment of property, plant and equipment	B1	**(1,122)**	-
Share of gains/(losses) of joint venture		**161**	207
Net foreign exchange gain/ (loss) (realised & unrealised) (i)		**5,957**	(138)
Fair value gain/(loss) on derivatives		**(1,126)**	(902)
Other gains/(losses)		**397**	(567)
Total expenses		**(124,120)**	(159,403)
Profit/(Loss) before income tax expense	B1	**17,872**	18,865
Income tax expense	B4	**(2,450)**	(4,053)
Profit/(Loss) for the period		**15,422**	14,812
Other comprehensive income			
Translation of foreign operations (item may be reclassified subsequently to profit or loss)		**(21,834)**	**(332)**
Other comprehensive income for the period (net of tax)		**(21,834)**	**(332)**
Total comprehensive income for the period		**(6,412)**	**14,480**
Earnings per security			
Basic EPS	B5	**$0.159**	**$0.153**
Diluted EPS	B5	**$0.159**	**$0.153**

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

Note:

i The comparative 31 December 2019 foreign exchange loss totaling $0.5 million was reclassified from other revenue and income to net foreign exchange gain/ (loss) realised & unrealised.

Consolidated Statement of Financial Position
As at 31 December 2020

	Note	31-Dec-20 $'000	30-Jun-20 $'000
Current assets			
Cash and cash equivalents		**87,069**	99,887
Trade and other receivables	C1	**23,017**	31,090
Other financial assets	C1	**12,524**	10,736
Current tax assets		**5,077**	2,179
Prepayments and other assets		**5,781**	7,185
Total current assets		**133,468**	151,077
Non-current assets			
Other financial assets	C1	**43,742**	45,666
Property, plant and equipment	C2	**427,433**	476,362
Deferred tax assets	B4	**37,293**	37,047
Goodwill	C3	**13,775**	13,775
Total non-current assets		**522,243**	572,850
Total assets		**655,711**	723,927
Current liabilities			
Trade and other payables		**36,167**	44,755
Other financial liabilities	C4	**28,701**	32,744
Lease liabilities	C5	**93,648**	104,398
Provisions	C7	**7,542**	9,963
Total current liabilities		**166,058**	191,860
Non-current liabilities			
Lease liabilities	C5	**282,634**	309,954
Provisions	C7	**1,237**	1,122
Deferred tax liabilities	B4	**-**	30
Total non-current liabilities		**283,871**	311,106
Total liabilities		**449,929**	502,966
Net assets		**205,782**	220,961
Equity			
Contributed equity	D2	**151,594**	151,594
Reserves		**(13,564)**	8,323
Retained earnings		**67,752**	61,044
Total equity attributable to equity holders of the parent		**205,782**	220,961

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 2020

	Issued Capital	Share Buy-Back Reserve	Foreign Currency Translation Reserve	Employee Equity Settled Benefits Reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance 1 July 2019	151,594	(4,733)	1,406	242	66,683	215,192
Profit for the period	-	-	-	-	14,812	14,812
Translation of foreign operations (net of tax)	-	-	(332)	-	-	(332)
Total comprehensive income for the period	-	-	(332)	-	14,812	14,480
Share-based payments	-	-	-	123	-	123
Payment of dividends	-	-	-	-	(9,681)	(9,681)
Balance 31 December 2019	151,594	(4,733)	1,074	365	71,814	220,114
Balance 1 July 2020	**151,594**	**(4,733)**	**12,614**	**442**	**61,044**	**220,961**
Profit for the period	-	-	-	-	15,422	15,422
Translation of foreign operations (net of tax) (i)	-	-	(21,834)	-	-	(21,834)
Total comprehensive income for the period	**-**	**-**	**(21,834)**	**-**	**15,422**	**(6,412)**
Share-based payments	-	-	-	(53)	-	(53)
Payment of dividends	-	-	-	-	(8,714)	(8,714)
Balance 31 December 2020	**151,594**	**(4,733)**	**(9,220)**	**389**	**67,752**	**205,782**

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 31 December 2020.

Consolidated Statement of Cash Flows
For the half year ended 31 December 2020

	31-Dec-20 $'000	31-Dec-19 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**156,571**	197,165
Payments to suppliers and employees (inclusive of GST)	**(73,536)**	(90,992)
Franchise fees received	**54**	92
Tax paid	**(7,477)**	(6,380)
Interest and other costs of finance paid (i)	**(7,611)**	(8,897)
Net operating cash inflows	**68,001**	90,988
Cash flows from investing activities		
Payments for variable rate bonds	**(1,498)**	(1,109)
Payments for property, plant and equipment	**(737)**	(6,964)
Payments for landlord lease deposits	**(492)**	(2,107)
Proceeds from sale of property, plant and equipment	**-**	91
Proceeds from refund of lease deposits	**341**	4,233
Net investing cash outflows	**(2,386)**	(5,856)
Cash flows from financing activities		
Dividends paid	**(8,714)**	(9,682)
Repayment of leasing liabilities relating to current period occupancy (i)	**(52,001)**	(60,658)
Prepayment of leasing liabilities relating to future occupancy periods	**(9,927)**	(6,339)
Landlord capital incentives received	**-**	767
Net financing cash outflows	**(70,642)**	(75,912)
Net (decrease)/ increase in cash and cash equivalents	**(5,027)**	9,220
Cash and cash equivalents as at 1 July	**99,887**	65,091
Effects of exchange rate changes on cash transactions in foreign currencies	**(7,791)**	300
Cash and cash equivalents as at 31 December	**87,069**	74,611

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

Note:

i The comparative 31 December 2019 interest from leasing activities totaling $9.7 million was reclassified from repayment of leasing liabilities relating to current period occupancy to interest and other costs of finance paid.

A BASIS OF PREPARATION

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 (AASB 134). 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 purposes of preparing the consolidated financial statements, the Consolidated Entity is a for-profit entity.

The half year financial statements were authorised for issue by the Directors on 23 February 2021.

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 for 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.

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 $32.6 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 have been considered:

- The Consolidated Entity has cash balances totalling $87.1 million;
- The Consolidated Entity produced positive cash from operations of $68.0 million;
- The Consolidated Entity is in a net current liabilities position due to the capitalisation of the lease commitments. Net current liabilities are impacted by the current portion of lease liabilities of $93.7 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;
- The Consolidated Entity has no external debt;
- The Consolidated Entity has net assets of $205.8 million as at balance sheet date;
- The Consolidated Entity took immediate steps to introduce a number of resiliency protocols, curbing 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 half year ended 31 December 2020 was $2.0 million.

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current period, 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

There are no other standards that are not yet effective and that would be expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

B RESULTS FOR THE HALF 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'*.

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 is 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 *'Operating Segments'* are presented below. The accounting policies of the reportable operating segments are the same as the Consolidated Entity's accounting policies.

The revenue reported below represents revenue generated from external customers. Intersegment sales were eliminated in full. For the half year 31 December 2020, the Consolidated Entity's Virtual Office revenue and Serviced Office revenue were $40.3 million and $99.1 million respectively (31 Dec 2019: $49.8 million and $127.6 million, respectively).

	Lease revenue	**Other revenue**	**Total revenue**	**Lease revenue**	**Other revenue**	**Total revenue (iii)**	**Segment profit/ (loss) (iii)**	
	31 Dec 2020	**31 Dec 2020**	**31 Dec 2020**	31 Dec 2019	31 Dec 2019	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
	$'000	**$'000**	**$'000**	$'000	$'000	$'000	**$'000**	$'000
Continuing operations								
Australia, New Zealand & Southeast Asia	**25,497**	**7,363**	**32,860**	**31,375**	**9,897**	**41,272**	**147**	**7,740**
USA	**5,805**	**1,366**	**7,171**	**8,571**	**2,180**	**10,751**	**(2,539)**	**(2,610)**
Europe & Middle East	**25,538**	**11,209**	**36,747**	**32,866**	**12,651**	**45,517**	**6,152**	**5,763**
North Asia	**46,592**	**14,874**	**61,466**	**47,911**	**15,224**	**63,135**	**13,706**	**10,236**
Other	**562**	**327**	**889**	**880**	**441**	**1,321**	**(21)**	**938**
	103,994	**35,139**	**139,133**	**121,603**	**40,393**	**161,996**	**17,445**	**22,067**
Closed floors (i)								
Australia, New Zealand & Southeast Asia	**3**	**-**	**3**	**1,903**	**595**	**2,498**	**8**	**2,143**
USA	**154**	**15**	**169**	**6,300**	**1,602**	**7,902**	**2,323**	**(3,251)**
Europe & Middle East	**83**	**53**	**136**	**1,259**	**559**	**1,818**	**(251)**	**(450)**
North Asia	**(6)**	**2**	**(4)**	**2,513**	**728**	**3,241**	**(12)**	**16**
	234	**70**	**304**	**11,975**	**3,484**	**15,459**	**2,068**	**(1,542)**
Consolidated total	**104,228**	**35,209**	**139,437**	**133,578**	**43,877**	**177,455**	**19,513**	**20,525**
Interest revenue	**-**	**391**	**391**	**-**	**758**	**758**	**391**	**758**
Foreign exchange gains	**-**	**-**	**-**	**-**	**-**	**-**	**4,831**	**(138)**
Centralised unrecovered head office overheads	**-**	**-**	**-**	**-**	**-**	**-**	**(6,590)**	**(827)**
Franchise fee income	**-**	**54**	**54**	**-**	**92**	**92**	**54**	**92**

B1 SEGMENT INFORMATION (Continued)

	Lease revenue	**Other revenue**	**Total revenue**	**Lease revenue**	**Other revenue**	**Total revenue (iii)**	**Segment profit/ (loss) (iii)**	
	31 Dec 2020	**31 Dec 2020**	**31 Dec 2020**	31 Dec 2019	31 Dec 2019	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
	$'000	**$'000**	**$'000**	$'000	$'000	$'000	**$'000**	$'000
Share of profits of joint venture	-	-	-	-	-	-	**161**	**207**
Gain/ (loss) on asset disposal	-	-	-	-	**69**	**69**	**501**	**(1,398)**
Impairment of ROU assets (ii)	-	-	-	-	-	-	**(3,272)**	-
Impairment reversal of leasehold improvements (ii)	-	-	-	-	-	-	**2,150**	-
Job keeper	-	**2,004**	**2,004**	-	-	-	-	-
Unallocated	-	**106**	**106**	-	**(15)**	**(106)**	**133**	**(354)**
Profit before tax	-	-	-	-	-	-	**17,872**	**18,865**
Income tax expense	-	-	-	-	-	-	**(2,450)**	**(4,053)**
Consolidated segment revenue and profit for the period	**104,228**	**37,764**	**141,992**	**133,578**	**44,781**	**178,268**	**15,422**	**14,812**

Note:

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

ii Refer to Note C2 for details on the net impairment of the ROU asset and leasehold improvements.

iii. The comparative 31 December 2019 was expanded to disclose continuing and closed floors to be consistent with the current year presentation.

	31-Dec-20			31-Dec-19		
	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	**191,724**	**55,198**	136,526	183,043	77,415	105,628
USA	**51,872**	**143,462**	(91,590)	98,256	178,549	(80,293)
Europe & Middle East	**168,631**	**58,088**	110,543	194,014	90,930	103,084
North Asia	**243,484**	**192,435**	51,049	270,478	177,962	92,516
Other	-	**746**	(746)	-	821	(821)
	655,711	**449,929**	**205,782**	**745,791**	**525,677**	**220,114**

B2 REVENUE & OTHER INCOME

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

	31-Dec-20 $'000	31-Dec-19 $'000
Revenue		
Lease revenue	**104,229**	133,576
Communications revenue	**16,134**	20,609
Franchise fee income	**54**	92
Service revenue	**19,020**	23,178
Revenue from contracts with customers	**35,208**	**43,879**
Total revenue	**139,437**	177,455
Other income		
Interest income – bank deposits	**391**	758
Jobkeeper payments received from the Australian federal government	**2,004**	-
Other income (i)	**160**	55
Total other income	**2,555**	813

Note:

i The comparative 31 December 2019 foreign exchange loss totaling $0.5 million was reclassified from other revenue and income to net foreign exchange gain/ (loss) realised & unrealised.

B3 EVENTS OCCURRING AFTER THE END OF THE HALF YEAR

Dividend

On 23 February 2021 the Directors declared an interim dividend of 9.00 cents per share, unfranked and payable on 7 April 2021.

The financial effect of the above transaction has not been brought to account in the financial statements for the half year ended 31 December 2020.

No other events have occurred since the interval between reporting date and the date of this half year report 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.

B4 INCOME TAX & DEFERRED 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	31-Dec-20 $'000	31-Dec-19 $'000
Profit before income tax	**17,872**	18,865
Income tax expense calculated at 30%	**5,362**	5,660
Deductible local taxes	**(404)**	(530)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,057)**	(488)
Other non deductible/ (assessable) items	**(2,355)**	(702)
Unrecognised tax losses of controlled entities recouped	**-**	(250)
Income tax under/ (over) provision in prior years	**(1,814)**	(1,190)
Unused tax losses and tax offsets not recognised as deferred tax assets	**2,718**	1,553
Income tax expense	**2,450**	4,053

B4 DEFERRED TAX

Analysis of movements in the net deferred tax balance during the period.

	Net balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Net balance at 31 December $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
2020						
Accruals not currently deductible	8,385	(4,010)	-	4,375	7,007	(2,632)
Doubtful debts	229	903	-	1,132	1,132	-
Depreciable and amortisable assets	11,429	(13)	-	11,416	10,156	1,260
Tax losses	3,303	1,183	-	4,486	4,486	-
Foreign exchange	(260)	17	-	(243)	(60)	(183)
Deferred rent incentive	(8)	(29)	-	(37)	-	(37)
Lease asset and liability	14,926	505	-	15,431	94,390	(78,959)
Other	(989)	1,722	-	733	976	(243)
Tax assets/ (liabilities) before set-off	**37,015**	**278**	**-**	**37,293**	**118,087**	**(80,794)**
Set-off of tax	**-**	**-**	**-**	**-**	**(80,794)**	**-**
Net tax assets	**37,015**	**278**	**-**	**37,293**	**37,293**	**-**

	Net balance at 1 July $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Net balance at 31 December $'000	Deferred tax assets $'000	Deferred tax liabilities $'000
2019						
Accruals not currently deductible	4,884	6,351	-	11,235	13,316	(2,081)
Doubtful debts	298	31	-	329	329	-
Depreciable and amortisable assets	10,858	283	-	11,141	10,019	1,122
Tax losses	3,714	(749)	-	2,965	2,965	-
Foreign exchange	232	(509)	-	(277)	(17)	(260)
Deferred rent incentive	5,348	(5,348)	-	-	-	-
Lease asset and liability	-	5,572	10,724	16,296	105,227	(88,931)
Other	926	520	-	1,446	2,887	(1,441)
Tax assets/ (liabilities) before set-off	**26,260**	**6,151**	**10,724**	**43,135**	**134,726**	**(91,591)**
Set-off of tax	**-**	**-**	**-**	**-**	**(91,591)**	**-**
Net tax assets	**26,260**	**6,151**	**10,724**	**43,135**	**43,135**	**-**

B5 EARNINGS PER SECURITY

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

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

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

	31-Dec-20	31-Dec-19
Profit/ (loss) attributable to security holders used to calculate basic and diluted EPS ($'000)	**15,422**	14,812
WANOS used in calculating basic EPS ('000)	**96,818**	96,818
WANOS used in calculating diluted EPS ('000)	**96,818**	96,818

C ASSETS AND LIABILITIES

C1 TRADE AND OTHER RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade Receivables

	31 Dec 2020 $'000	30 Jun 2020 $'000
At amortised cost		
Trade receivables (i)	**25,232**	**30,672**
Less: Expected credit loss	**(4,480)**	**(1,499)**
Other debtors	**2,265**	**1,917**
	23,017	**31,090**

Note:

i The average credit period allowed on rendering of services is 7 days. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. 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 31 December 2020 the Directors believe no further provisions are required.

Other Financial Assets

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current		
At fair value through profit or loss		
Investment in bank hybrid variable rate securities	**10,800**	**9,213**
At amortised cost		
Lease deposits	**1,724**	**1,523**
	12,524	**10,736**
Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	**1,318**	**276**
At amortised cost		
Lease deposits	**41,404**	**44,366**
Other	**1,020**	**1,024**
	43,742	**45,666**

ASSETS AND LIABILITIES (CONTINUED)

C2 PROPERTY, PLANT & EQUIPMENT

	Land & buildings at cost	Leasehold improvements at cost	Office furniture & fittings at cost	Office equipment & software at cost	Motor vehicles owned at cost	WIPat cost	Right of use	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amounts								
Balance at 1 July 2020	**9,062**	**215,430**	**41,715**	**62,719**	**340**	**1,386**	**444,409**	**775,061**
Additions	-	719	259	11	36	1,213	49,770	52,008
Disposals	-	(764)	(296)	(40)	-	-	(25,337)	(26,437)
Adjustments	-	(2,212)	(559)	(260)	-	-	82	(2,949)
Impairment reversal (i)	-	3,101	-	-	-	-	-	3,101
Impairment (i)	-	-	-	-	-	-	(3,272)	(3,272)
Effect of foreign currency exchange differences	(797)	(13,526)	(2,541)	(2,260)	(32)	-	(28,130)	(47,286)
Balance at 31 December 2020	**8,265**	**202,748**	**38,578**	**60,170**	**344**	**2,599**	**437,522**	**750,226**
Accumulated depreciation								
Balance at 1 July 2020	**905**	**134,340**	**26,307**	**47,523**	**262**	**-**	**89,362**	**298,699**
Depreciation expense	72	6,360	1,312	3,787	76	-	52,804	64,411
Disposals	-	(755)	(60)	(223)	(18)	-	(20,915)	(21,971)
Adjustments	-	(894)	(413)	(111)	(6)	-	(370)	(1,794)
Impairment reversal (i)	-	951	-	-	-	-	-	951
Effect of foreign currency exchange differences	(51)	(8,276)	(1,421)	(2,545)	(64)	-	(5,146)	(17,503)
Balance at 31 December 2020	**926**	**131,726**	**25,725**	**48,431**	**250**	**-**	**115,735**	**322,793**
Net book value 31 December 2020	**7,339**	**71,022**	**12,853**	**11,739**	**94**	**2,599**	**321,787**	**427,433**
Balance at 30 June 2020	**8,157**	**81,090**	**15,408**	**15,196**	**78**	**1,386**	**355,047**	**476,362**

Note:

(i) Right of use assets and leasehold improvements are assessed for indicators of impairment under AASB 136 *Impairment of assets*. 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 half year ended 31 December 2020, this assessment led to the recognition of impairment in 4 CGUs and the reversal of impairment of 2 CGUs.

C3 GOODWILL

Allocation of goodwill to cash-generating units

Goodwill was allocated to the cash-generating unit (CGU) 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 31 December 2020 were as follows:

	31-Dec-20 $'000	30-Jun-20 $'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 tests goodwill for impairment annually. This test will be performed as at 30 June 2021. The impairment testing requires the assessment of the recoverable amount of a CGU or group of CGUs to which goodwill is allocated to be its value in use. 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. This approach is consistent with prior periods in which any impairment loss is recognised in the statement of profit or loss and other comprehensive income. There are no indicators of goodwill impairment. An impairment loss recognised for goodwill is not reversed in a subsequent period.

C4 OTHER FINANCIAL LIABILITIES

	31-Dec-20 $'000	30-Jun-20 $'000
Current		
At amortised cost		
Security deposits	**28,701**	32,744
	28,701	32,744

C5 LEASE LIABILITY

With the exception of 8 leases which have a total lease term of less than 12 months, the Consolidated Entity holds 108 leasing arrangements as lessee comprising leased offices as at 31 December 2020 which have been accounted for in line with AASB 16.

	31-Dec-20 $'000	30-Jun-20 (i) $'000
Lease liabilities included in the statement of financial position		
Current	**93,648**	104,398
Non-current	**282,634**	309,954
	376,282	**414,352**
Amounts recognised in profit or loss		
Interest on lease liabilities	**8,139**	18,698
Amortisation on right of use assets	**52,804**	121,262
COVID-19 rent reductions	**(1,503)**	(762)
	59,440	139,198

Note:

i The above table comparative was changed to 30 June 2020.

C5 LEASE LIABILITY (continued)

	31-Dec-20 $'000	30-Jun-20 (i) $'000
Future minimum lease payments		
Maturity analysis – contractual undiscounted cash flows		
Less than one year (ii)	**122,823**	113,997
One to five years	**324,203**	275,712
More than five years	**33,943**	60,943
Total undiscounted lease liabilities	**480,969**	450,652

Note:

i The above table comparative was changed to 30 June 2020.

ii. The Consolidated Entity applied the practical expedient under AASB 16 *Leases* to 8 leases which were negotiated with terms less than 12 months.

C6 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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.

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

	31 Dec 2020				30 Jun 2020 (i)			
	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	**10,800**	**-**	**-**	**10,800**	9,213	-	-	9,213
Forward foreign currency exchange contracts	**-**	**1,318**	**-**	**1,318**	-	276	-	276
	10,800	**1,318**	**-**	**12,118**	9,213	276	-	9,489

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).

	Fair value as at 31 Dec 2020 $'000	Fair value as at 30 Jun 2020 (i) $'000	Fair value hierarchy	Valuation technique(s) & key input(s)
Financial assets				
Bank hybrid variable rate securities	**10,800**	9,213	1	Quoted prices in an active market
Forward foreign currency exchange contracts	**1,318**	276	2	Future cash flows are estimated based on observable forward exchange rates

Note:

i The above table comparative was changed to 30 June 2020.

C7 PROVISIONS

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current		
Employee provisions	**7,299**	7,653
Other provisions	**243**	2,310
	7,542	9,963
Non current		
Employee provisions	**1,237**	1,122

EQUITY

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

D1 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						
2020 Final	Fully paid ordinary shares	9.00	8,714	1 Oct 2020	30%	0%
2019 Final	Fully paid ordinary shares	10.00	9,682	2 Oct 2019	30%	60%
Unrecognised amounts						
2021						
Interim	Fully paid ordinary shares	9.00	8,714	7 Apr 21	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.

D2 CONTRIBUTED EQUITY

Movements in paid up equity

	31-Dec-20		30-Jun-20	
	No. securities '000	$'000	No. securities '000	$'000
Opening Balance	**96,818**	**151,594**	96,818	151,594
Closing Balance	**96,818**	**151,594**	96,818	151,594

D3 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 2020.

On 25 August 2020 1,288,500 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.

For the half year ended 31 December 2020 the following options were granted:

Participants (i)	Total
CEO	**1,500,000**
Key executives	**1,050,000**
Managers	**281,250**

Note:

i. 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 security holder 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 15% p.a for financial years ended 30 June 2021 and 30 June 2022. The contractual life of the options is 5 years, with the last exercise date occurring 18 September 2025 (unless the options lapse earlier in accordance with the terms). 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.

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that Servcorp Limited (the Company) and the subsidiaries (the Consolidated Entity) will be able to pay its debts as and when they become due and payable;

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

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the six month period ended on that date; and

(ii) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulation 2001;

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 23rd day of February 2021

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 2020 and of its performance for the Half-year Period 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 2020;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year Period ended on that date;
- Note A comprising a summary of significant accounting policies and other explanatory information; and
- 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 period.

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 the Code.

KPMG

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and its performance for the Half-Year Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Kim Lawry
Partner

Sydney
23 February 2021