

WHO HAS ALL THE ANSWERS?

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ACKNOWLEDGMENT OF COUNTRY

Servcorp acknowledges the Traditional Custodians of the land on which our business operates and recognises the continuing contribution to the environment and community.

We pay our respects to them and their cultures; and to Elders past, present and emerging.

OUR AIM

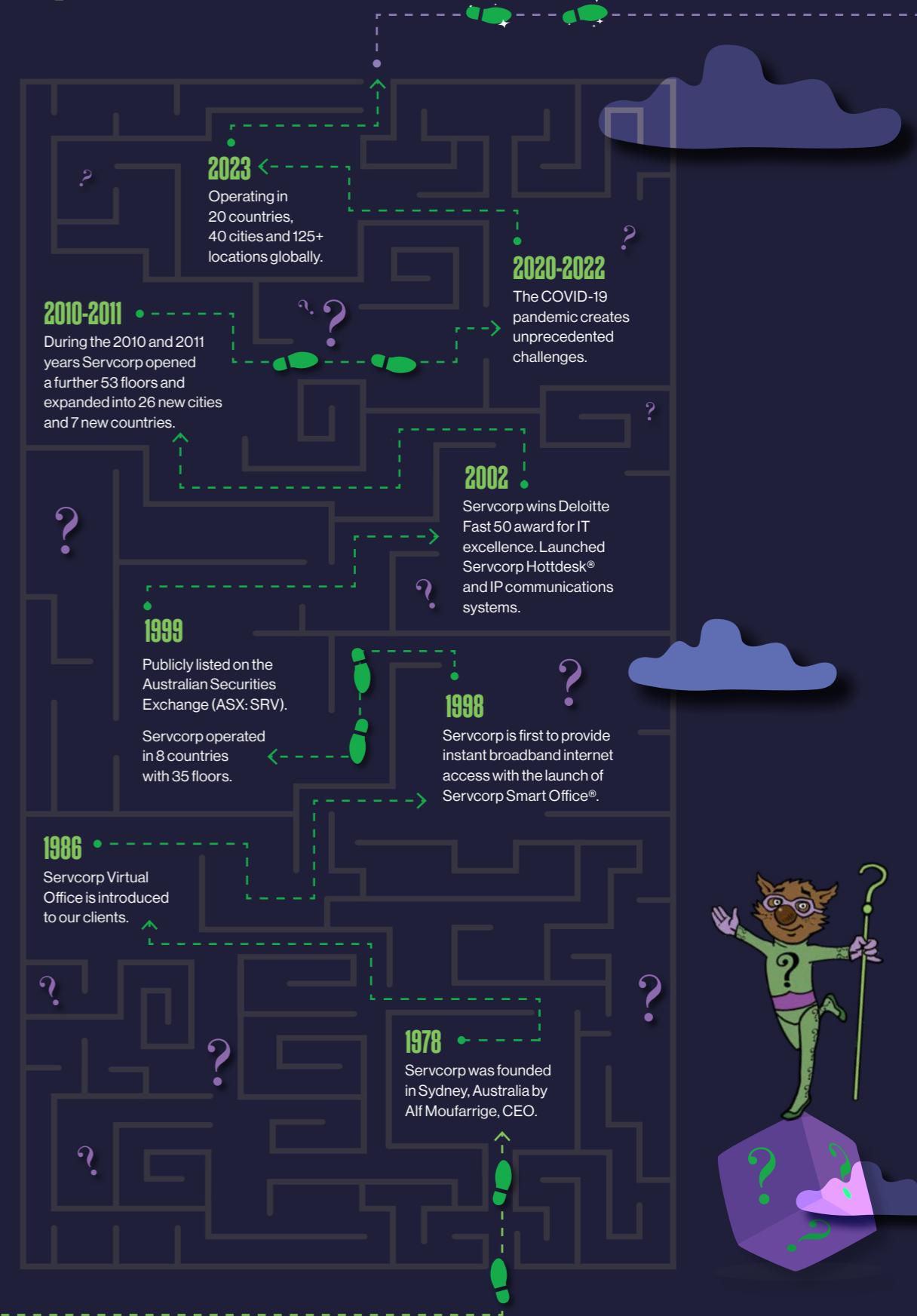
To be the world's finest Workspace Solutions provider; providing IT and commercial services second to none; giving our clients a commercial advantage; paying our people reasonable wages; and giving our shareholders an acceptable return on the funds they invest.

Follow [our journey](#) to global success:

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SERVCORP'S QUEST FOR SUCCESS



RIDDLE ME THIS: WHERE CAN YOU GO FOR THE ANSWERS?

SERVCORP GEOGRAPHIC SPREAD

(By Floors)



OVER 129 LOCATIONS!!



"WHAT CAN TRAVEL AROUND
THE WORLD WHILE STAYING
IN A CORNER?"

ACROSS 20
COUNTRIES &
40 CITIES!!

HOW DID WE FARE THIS YEAR?

REVENUE

\$ Millions

Actual



SERVCORP FLOORS AND LOCATIONS (30 JUNE)

Locations Floors



UNDERLYING FREE CASH

\$ Millions

Actual Guidance - Minimum



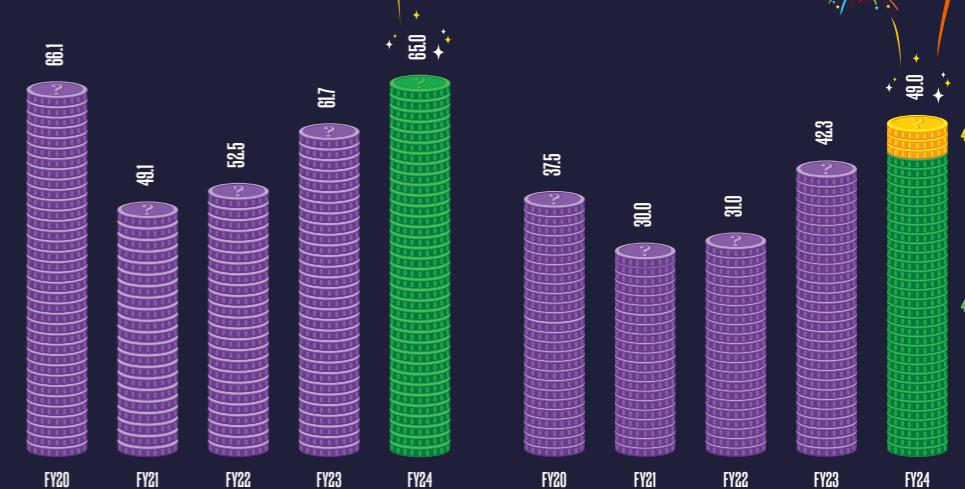
SERVCORP OFFICES (30 JUNE)



UNDERLYING NET PROFIT BEFORE NON-CASH IMPAIRMENTS AND TAX

\$ Millions

Actual Guidance - Minimum Guidance - Maximum



RESULTS SUMMARY

12 months ended 30 June

	2019	2020	2021	2022	2023
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue & other income	337,422	352,872	275,655	275,573	295,546
Net operating cash flows	51,037	182,266	139,650	145,583	155,531
Underlying free cash ⁱ	64,006	66,132	49,067	52,486	61,667
Underlying net profit before non-cash impairments and tax ⁱⁱ	32,027	37,580	30,045	31,026	42,255
Return on funds invested	17%	30%	28%	39%	54%
Cash & investments	72,961	109,100	104,542	108,230	116,354
Net assets	238,593	220,961	194,614	198,254	187,778
Earnings per share	5.6	7.2	24.3	28.9	11.4
Dividends per share	23.0	20.0	18.0	20.0	22.0
	CENTS	CENTS	CENTS	CENTS	CENTS

i. "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.

ii. "Underlying free cash" is net operating cash flows before tax, minus cash rent paid, 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.

iii. "NPBIT" 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 the business, and includes mature floors only.

THE PIECES FOR YOUR PUZZLE

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AUSTRALIA

ADELAIDE
Levels 24 & 30, Westpac House

BRISBANE
Level 19, 10 Eagle Street

CANBERRA
Level 1, The Realm

MELBOURNE
Level 9, Nishi Building

HOBART
Level 6, Reserve Bank Building

PERTH
Level 28, AMP Tower

SYDNEY
Level 35, Tower One, Barangaroo

Level 29, Chifley Tower

Level 36, Gateway

Levels 57 & 63, 25 Martin Place

Level 26, 44 Market Street

Level 22, Westfield Tower Two, Bondi Junction

Level 14, 3 Parramatta Square, Parramatta

Level 9, Avaya House, Macquarie Park

Level 5, Nexus Norwest

Level 25, 100 Mount Street, North Sydney

NEW ZEALAND

AUCKLAND
Level 8, 139 Quay Street

WELLINGTON
Level 2, Bell Gully Building

GREATER CHINA

BEIJING
Level 24, Tower 3, China Central Place

CHENGDU
Level 26, Fortune Financial Center

GUANGZHOU
Level 18, Shangri-La Office Tower

SHANGHAI
Level 54, Guangzhou IFC

MALAYSIA
Level 23, Citigroup Tower

PHILIPPINES
Level 40, One Museum Place

SINGAPORE

MANILA
Level 24, One Bonifacio High Street

THAILAND

BANGKOK
Level 42, Suntec Tower Three

Level 39, Marina Bay Financial Centre

YOKOHAMA

Level 10, Hulic Minato Mirai

JAPAN

FUKUOKA

Level 15, Fukuoka Tenjin Fukoku Seimei Building

CHENGDU
Level 2, NMF Hakata Ekimae Building

NAGOYA

Level 40, Nagoya Lucent Tower

OSAKA

Level 9, Edobori Center Building

Levels 18 & 19, Hilton Plaza West Office Tower

Level 7, Honmachi Minami Garden City

TOKYO

Level 11, Aoyama Palacio Tower

Level 14, Hibiya Central Building

Level 20, Marunouchi Trust Tower

Levels 2 & 3, Marunouchi Nijubashi Building

Level 1, Yusen Building

Level 7, Wakamatsu Building

Level 8, Nittochi Nishi-Shinjuku Building

Level 9, Ariake Frontier Building Tower B

Level 28, Shinagawa Intercity Tower A

Level 32, Shinjuku Nomura Building

Level 21, Shiodome Shibarikyu Building

Level 27, Shiroyama Trust Tower

Level 45, Sunshine 60

Level 27, Tokyo Sankei Building

Level 18, Yebisu Garden Place Tower

Level 8, Tri-Seven Roppongi

Level 7, The Nihonbashi Daiei Building

Level 12, Yanmar Tokyo

Level 11, Toho Hibiya Promenade Building

UNITED KINGDOM

Level 10, Hulic Minato Mirai

KINGDOM OF BAHRAIN

MANAMA

Levels 22 & 41, West Tower Bahrain Financial Harbour

Level 13, Diplomatic Commercial Office Tower (DCO)

KUWAIT

KUWAIT CITY

Level 18, Sahab Tower

LEBANON

BEIRUT

Levels 2 & 3, Louis Vuitton Building

Level 9, Cubic Square

QATAR

DOHA

Levels 14 & 15, Commercial Bank Plaza

Level 22, Tornado Tower

Level 21, Doha Tower

KINGDOM OF SAUDI ARABIA

AL KHOBAR

Level 21, Al Khobar Gate Tower

JEDDAH

Level 26, King's Road Tower

Level 7, Al Murjanah Tower

UNITED ARAB EMIRATES

DUBAI

Level 23, Boulevard Plaza 2

Levels 41 & 42, Emirates Towers

Level 21, Al Habtoor Business Tower

Level 54, Almas Tower

ABU DHABI

Level 36, Etihad Towers

Level 17, World Trade Center

UNITED STATES OF AMERICA

CHICAGO

Level 42, 155 North Wacker

Level 17, River Point

HOUSTON

Level 39, TC Energy Center

Level 41, Williams Tower

NEW YORK CITY

Level 23, 1330 Avenue of the Americas

Level 40, 17 State Street

Level 85, One World Trade Center

BRUSSELS

Levels 11 & 12, Bastion Tower

Levels 0, 5 & 6, 2-4 Schuman Roundabout

FRANCE

PARIS

Ground Floor to Level 6, 10 Avenue Kléber

GERMANY

BERLIN

Level 8, Linkstrasse 2 Potsdamer Platz

TURKEY

ISTANBUL

Levels 5 & 6, Louis Vuitton Orjin Building

UNITED KINGDOM

LONDON

Level 17, Dashwood House

Level 18, 40 Bank Street, Canary Wharf

Level 30, The Leadenhall Building

Level 1, Devonshire House, One Mayfair Place

Ground Floor, Levels 1 & 2, Riyadh Business Front

Ground Floor, Levels 1, 2 & 3, Building 13, Laysen Valley

Levels 2 & 3, Building 12, Laysen Valley

Level 7, Building 4/07, KAFD (King Abdullah Financial District)

DON'T KNOW WHERE TO START? WE AT SERVCORP CAN HELP!





ARE THE RULES CHANGING?

The 2023 financial year has seen many economies in the world suffering the effects of actions taken by Governments during the pandemic; reflected in the **rising cost of living, declining consumer confidence, tightening monetary policy** and disrupted supply chain. The geopolitical instability continues to create uncertainty.

Servcorp has proven, over the more than forty years of its existence, to be an innovative business and this is reflected in our results for the 2023 financial year.

Revenue for the year was \$295.5 million, up 7% on last year.

Statutory net profit before tax for the year was \$17.0 million, a decrease of 51%. Net profit after tax was \$11.1 million, with earnings per share of 11.4 cents, down 61% on last year. Our statutory net profit was impacted by non-cash impairments during the year. Our mature business result, before non-cash impairments and tax (NPBIT) was \$42.3 million, up 36% on 2022, and achieving our 2023 financial year guidance.

During the 2023 financial year, the business generated underlying free cash of \$61.7 million, up 17% on 2022. Cash and investment balances at 30 June 2023 were \$116.4 million, an increase of 7%; the Company has no external debt. Having strong cash balances positions Servcorp to capitalise on our growth strategy.

Directors have declared a final dividend of 12.0 cents per share, 20% franked. This final dividend brings total dividends for the 2023 financial year to 22.0 cents per share, resulting in a payout to shareholders of approximately \$21.3 million, up 10% on 2022. Directors expect to maintain future dividend payments consistent with our long-term history and commitment to shareholders.

Revenue
\$295.5M
 UP 7% ON FY22

Due to our strong balance sheet, cash reserves and global presence, we were able to expand our footprint in select markets in 2023. We have already committed to growth in the 2024 financial year, particularly in Japan and Saudi Arabia, and continue to look for further opportunities for growth, in mature markets with proven management performance. Unfortunately, we also took the decision to close our operations in Hong Kong, effective 30 June 2023. This decision was difficult to make, but it was necessary to prevent further losses.

Although the economic outlook globally remains uncertain, we enter the 2024 financial year with a positive mindset.

For the 2024 financial year, our view is that, subject to no worsening near-term economic conditions globally, Servcorp's mature net profit before non-cash impairment of assets and tax will be between \$46.0 million and \$49.0 million. In line with this guidance and performance, we expect to produce more than \$65.0 million in underlying free cash. These forecasts are subject to currencies remaining constant, global financial markets remaining stable and the continued impacts of global economic uncertainties on our operations.

Flexible workspace solutions are now part of many companies' business plans, as the world transitions between working from home and returning to the office; Servcorp has provided this capability for four decades, and we continue to tailor our offering to serve these ever-evolving trends.

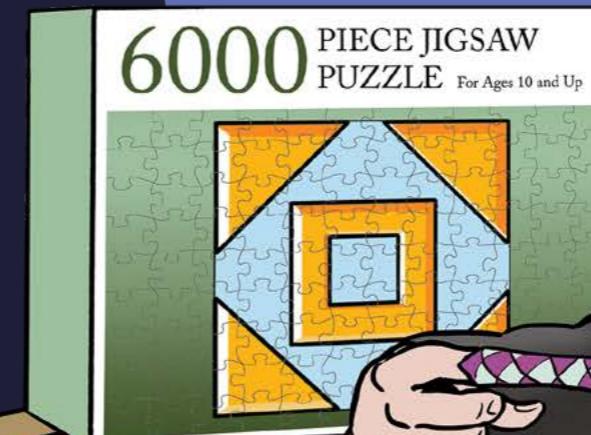
Servcorp has the leading products in the industry, a unique value proposition that truly differentiates, global reach, technology platform, longstanding track record, strong cash generation and healthy net cash position; all of which reinforce our confidence in Servcorp's potential to continue to drive healthy returns for our shareholders, and maintain our position as the world's premium provider of Workspace Solutions.

On behalf of the Board, I want to acknowledge the outstanding efforts of our CEO, Alf Moufarrige; our leadership group; and all the Servcorp team members, for their dedication and commitment during the past year, which has continued to be very challenging and unpredictable.

We look to the future with optimism, and thank you, our shareholders, for your continuing support.

THE HON. MARK VAILE AO
CHAIRMAN

**SOMETIMES
 THE QUESTIONS ARE
 COMPLICATED &
 THE ANSWERS
 ARE SIMPLE!!**





WHAT A JOKE!

Lockdowns in China and a year where the residents of Hong Kong started to realise they were actually part of China. This has been a reality for a number of years but reality has only just struck Hong Kong residents. We made our numbers even after taking \$6 million in losses in Hong Kong and China. So now with the start of the new financial year, I think we've taken all the medicine we need.

Our Hong Kong subsidiary became insolvent and we took the decision to close, a decision I do not regret – having a subsidiary not able to meet its commitments as they fall due and having no chance of future success, left me no option.

The ducks are in a line and the upper end of our guidance, if achieved for next year, will be an all-time record profit for Servcorp.

With an all-time record profit possible, and over \$100 million in cash, and continuing to produce more than \$1 million per week in free cash, our position is comfortable.

Having paid 46 consecutive dividends, and declaring a final dividend, Servcorp looks okay.

Our technology, our geographic spread, our training regime, our new debtor system and our coworking subscription income put us in an almost unassailable position.

Temper this with the mass of hybrid space competition, much of it without geographic spread or any systems but just designed by building owners in order to attempt to maximise rental revenue to be capped up in a location, and you have a volatile situation that could impede our growth.



AN ALL-TIME RECORD PROFIT POSSIBLE...
OVER \$100MILLION IN CASH AND PRODUCING \$1MILLION / WEEK IN FREE CASH



WE'LL BE OPENING OR
ACQUIRING NO LESS THAN
10 NEW
LOCATIONS.

46 DIVIDENDS
IN A ROW!

Hybrid space presented by REITs and building owners across the globe does not work.

You need a real concept, geographic spread and the understanding of what small businesses need. The major corporations of this world can create, manage their own space without the smoke and mirrors presentation that seem to be the norm in this so called hybrid industry.

Servcorp's results were made all the more impressive by the decision to expand in a number of its geographic locations, all out of cash flow, and that expansion is continuing.

I estimate that our footprint will rise by 8-10% this financial year, which should give us the ability to continue increasing our revenue and, hopefully, profits. We'll be opening or acquiring no less than 10 new locations.

46 dividends in a row, not a bad record; and to add to this, we are taking our final dividend to 12 cents! – it's a little bonus that we can afford even as we expand.

In this highly competitive work from home environment it has been an admirable result from our team.

I thank them on your behalf and appreciate their hard work, diligence, and service mentality.

I think Servcorp is a great little Aussie global company with a great Board; our write-off of our assets in Berlin and the winding up of our Hong Kong operations are painful but necessary prudent measures.

A G MOUFARRIGE AO

CEO





THE RIDDLE ON EVERYONE'S MIND...

... IS WHETHER TO WORK FROM HOME OR RETURN TO THE OFFICE
OR IS A COMBINATION THE SOLUTION?

Hybrid working has been trialled by many companies, of all sizes; the key players in the market require shared workspace, seeking support, service and IT capabilities. Don't be tricked by what others are offering. Since 1978, Servcorp has been the answer for any business, enabling our clients to work from anywhere in the world.

SERVCORP WILL HELP YOU NAVIGATE THE MAZE

The past few years have changed the way people choose to work. Servcorp has always been better positioned than any other workspace solutions operator to provide all facilities a business needs to operate with flexibility.

Businesses have evolved and their requirements for space are in a state of change. Servcorp's solution for those that require flexibility and working from home capability is a Serviced Office, Virtual Office, or Coworking, because this allows businesses to continue operating using our team and technology; a dedicated receptionist, mail management, IT solutions, local phone number, Onefone and many other services.

Servcorp is perfectly able to continue answering calls from clients, no matter where they are based, and forward them to wherever they are requested. Call forwarding can be controlled by the client through remote access.

Servcorp is the only Workspace Solutions provider that has built the support infrastructure for remote work. We have been the incubator for many entrepreneurs who have been *working remotely yet still conquering the world*.

A COMPANY WITH 45 YEARS OF UNBEATABLE SOLUTIONS

Servcorp, since its inception in 1978, has always led the development of workspace solutions, and has grown organically since its IPO in 1999. At the time of the IPO, Servcorp operated in 8 countries with 35 floors. By June 2009, Servcorp operated in 14 countries, with 73 floors; in 10 years Servcorp had doubled its size.

In 2009 the global market conditions created an opportunity to secure leases on what was expected to be very favourable terms. This represented an attractive opportunity for aggressive expansion. During October and November 2009, Servcorp successfully undertook an equity capital raising of \$80 million to fund a global expansion program. During the 2010 and 2011 years Servcorp opened a further 53 floors and expanded into 26 new cities and 7 new countries.

At 30 June 2023, Servcorp operated 129 floors in 40 cities across 20 countries.

THE FUTURE

Demand for Coworking has surged as businesses evolve to adopt flexible workspace capability. Servcorp is determined to stay ahead in this changing competitive landscape utilising our unparalleled technology platform, which provides the capability to adapt to the requirements for flexibility.

Competition may be fierce, but nobody has the focus of Servcorp on building the infrastructure that clients need to succeed in the digital age. We select only the most premium buildings, in the most dynamic locations, so that our clients' business benefits from a recognisable CBD address. The spectacular views welcome clients and business partners as they arrive in the lobby; they get the 'wow' factor with highest standards of interior styling, hand-chosen original art-work, fine leather furniture and our signature checkerboard granite floor. We have absolute confidence that our product is better and our team is motivated.

SPACE TO SUIT YOUR WORK STYLE



THE NEW PIECES OF THE PUZZLE

During the year we opened five floors across four new locations. Our new locations include 100 Mount Street in North Sydney, Qubic Square in Beirut, Yanmar Tokyo and Bell Gully Building in Wellington.

- Making its mark in Sydney's growing north side business district, 100 Mount Street features innovative design that is efficiently engineered to minimize the carbon impact. With panoramic views of Sydney Harbour, it is centrally located to fine dining bars and restaurants.
- Wellington's newest waterfront property, the Bell Gully Building is a resilient new generation office building. It is bordered by the waterfront promenade to the north, east and south, and Customhouse Quay to the west, and benefits from spectacular harbour views and natural light from all sides. It features sustainable designs, and with an NBS rating in excess of 100%, Bell Gully is one of Wellington's safest buildings.

WORK REMOTELY
AND STILL HAVE...



A COMMUNITY
TO WORK WITH



A TEAM TO
DELEGATE TO



SIMPLE IT SOLUTIONS
THAT WORK



A RECEPTIONIST TO
ANSWER YOUR CALLS



SECURE, ROCKET-FAST,
UNIQUE PASSWORD WIFI

WORK REMOTELY...
CONQUER THE WORLD
FROM ANYWHERE!

GROW INTO AN OFFICE,
ACROSS THE COUNTRY,
ACROSS THE GLOBE!!

POSTCARD



DO YOU NEED AN ACCOMPLICE?

A TRUSTED BUSINESS COMMUNITY TO GROW YOUR BUSINESS WITH

Servcorp's Community allows businesses to connect, collaborate and come together with over 50,000 fellow businesses globally. Consider it a private global business network. The Community consists of businesses from 40 major cities across the globe, coming together in one location:

Servcorp Home
(home.servcorp.com).

Servcorp's difference, compared to other business communities and associated platforms, is that every individual business as well as its registered employees, go through a verification process. Access to the platform is contingent on the successful verification of both the business and the individuals. At Servcorp, we have over 40 years of experience, so we know that one of the fundamental requirements of running a successful business is having the right connections. This is the very reason we built our community platform for our clients.

YOUR BUSINESS MARKETPLACE

No matter how big your business is or where you run it from, using Servcorp's integrated Community platform; you will be in constant contact with those that you buy from or sell to, consult to or seek advice from. The platform allows each business and employee to establish a profile that is published and searchable by other community members. Members have the option of communicating within the platform using the inbuilt messaging tool, using Global Dial, which is a free call over the Servcorp network, or offline using any of the contact options provided within the member profiles.

Like any good community, one of the most valuable features is the sharing of knowledge amongst community members. In Servcorp Community, Articles are used to share information whilst also providing value to the contributor by marketing their business. We have found over the long period we have had the Servcorp Community platform in place, articles have been a great tool to initiate discussions and increase collaboration amongst our community members.

STAYING PRODUCTIVE @ SERVCORP HOME

In addition to the Community, Servcorp Home provides our clients with the ability to manage their workspaces and communication services. In an environment where hybrid working has become prevalent, the Workspace booking tool has been effective in supporting our client's needs in managing their workspace requirements. Whether it be on-demand or recurring bookings, we have seen a change in booking behaviours over the last 12 months which has enabled greater use of the Workspace tool. This behaviour is also evident in our client's communication needs with more frequent updates of call handling and diversion to support the increasing mobility of the workforce.

Servcorp Home, maintained by our I.T. Enablers, gives Servcorp clients a real market advantage.

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WHAT IS COMING?

The core focus for Servcorp Home in FY 23/24 is to increase the engagement that our members have in the Community, whilst enabling further enhancements to support our client's evolving workplace requirements.

- The Servcorp Community will be continually refined targeting features and functions that are increasingly being used by members. This will include an enhancement of the client onboarding process which will greatly enhance our client community experience.
- To support our new Hybrid Enterprise product, we are expanding the features and capabilities of Servcorp Home to incorporate a Hybrid Workspace Management tool. This will allow our Enterprise clients to have the ability to visualise their Servcorp workspace whilst managing bookings and consumption of their employees.



ARE WE THE ULTIMATE SOLUTION?

Our vision is to empower our clients with market-leading Information and Communication Technology (ICT) products and services that provide their businesses with a competitive advantage in an experience that is smart, simple, and consistent.

SERVCORP'S ICT MISSION TO DELIVER ON THE FOLLOWING:

To evolve our products and services to allow Servcorp clients to establish a competitive market edge;

Innovate with purpose-built technology that underpins our key product and service offerings;

Enhance our client experiences stemming from new capabilities, insights, and systems;

Provide a global IT team to support the business 24 hours a day, seven days a week, delivering a stable and reliable service to clients; and

Promote ongoing exposure to innovative technology to ensure Servcorp, and subsequently, Servcorp's clients, remain ahead of the curve.

HERE ARE SEVERAL KEY ICT INITIATIVES AND ACTIVITIES FOR FY22/FY23:

SMART OFFICE® DIGITAL ECOSYSTEM

The purpose-built Servcorp digital ecosystem, SmartOffice, has continued to evolve with ongoing development targeting key areas which are aimed at supporting Servcorp's strategic goals. The following enhancements were completed:

Bookings

A new bookings system has been developed and incorporated into SmartOffice. The booking system has been architected to capture a greater range of billable resources across Servcorp's portfolio with support for flexible pricing models to accommodate future commercial requirements. The booking system is yet to be activated with migration targeted in FY 2023/2024.

Capacity Management

The capacity management system, FloorPlans, was modernised and incorporated into the SmartOffice ecosystem. FloorPlans provides Servcorp's enterprise users an enhanced and modern user experience when viewing their locations resources, as well as a real-time visualisation of occupancy, tenancies, lease renewals and sales opportunities.

Messaging

As part of streamlining and enhancing client communication, a new Messaging capability was introduced into SmartOffice. Messaging currently allows Servcorp enterprise users to send Short Message Service (SMS) Messages to clients using a very simple User Interface (UI) and an automated process leveraging data across the SmartOffice ecosystem. SMS messages are frequently used across various Servcorp locations globally as a preferable means of communication with clients, thus this capability now ensures that this process is simple, uniform and effective.

Sales

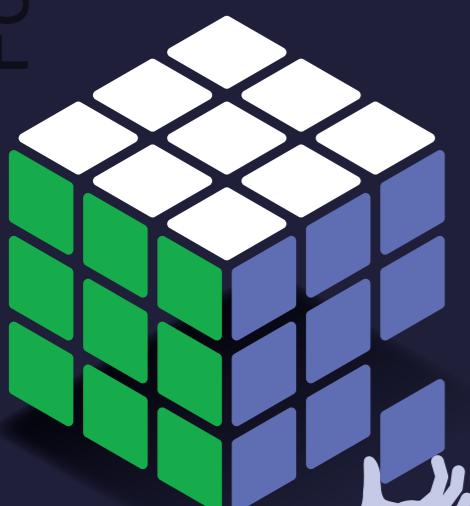
The Servcorp Sales system has been integrated and subsequently optimised as part of the SmartOffice ecosystem. By digitising and automating primary sales processes, Servcorp enterprise users have had a better experience achieving greater efficiency and effectiveness in their sales processes, whilst clients have had a more consistent experience when transitioning from being an enquiry to a client. This capability is currently being utilised in the Australia and New Zealand locations, with remaining locations scheduled to be activated in FY 2023/2024.

NEW CLIENT MANAGEMENT APPLICATION ROLLOUT

Servcorp has developed a new proprietary purpose-built client management application to be used internally by our enterprise users. The purpose of the new application is to deliver our business and in particular, our management personnel, a simple-to-use application that allows for the effective and efficient management of a Servcorp location and its associated clients.

Following the completion of North Asia, the rollout of the application continued with Australia, Bahrain, Kuwait, Lebanon, New Zealand, Qatar, Saudi Arabia, Turkey and the United Arab Emirates completed. The remaining Servcorp locations are planned to be migrated in the FY 2023/2024 establishing a single modernised application for Servcorp to operate from.

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NEVER MISS THAT IMPORTANT CALL



Find Me
Follow Me



Call
Diversion



Live
Receptionist



RUN YOUR BUSINESS MORE EFFICIENTLY



IT
Support



IT
Enablers



Call
Screening



Security



Tier1 Internet
Connectivity



EXPAND YOUR BUSINESS WITH EASE



Local
Number



Professional
Phone Greetings



TAKE YOUR OFFICE WITH YOU ANYWHERE YOU GO



Onefone



Global
Dial



HAVE ACCESS TO THE MOST ADVANCED GLOBAL COMMUNICATION SYSTEM



Automated
Attendant



Voicemail &
Fax To Email



Video
Conferencing



Conference
Calling



Secure Wi-Fi



IP Video
Phones



Voicemail
Notifications



Voicemail
To SMS



Security



Global
Redundancy
& Disaster
Recovery



Internet
Exchange
Peering



Zoom
Rooms

SERVCORP MAKING A DIFFERENCE

The Servcorp Board and Management recognises the importance of sound Environmental, Social and Governance (ESG) practices as part of their responsibility to our clients, shareholders, communities, team members and the environment in which Servcorp operates.

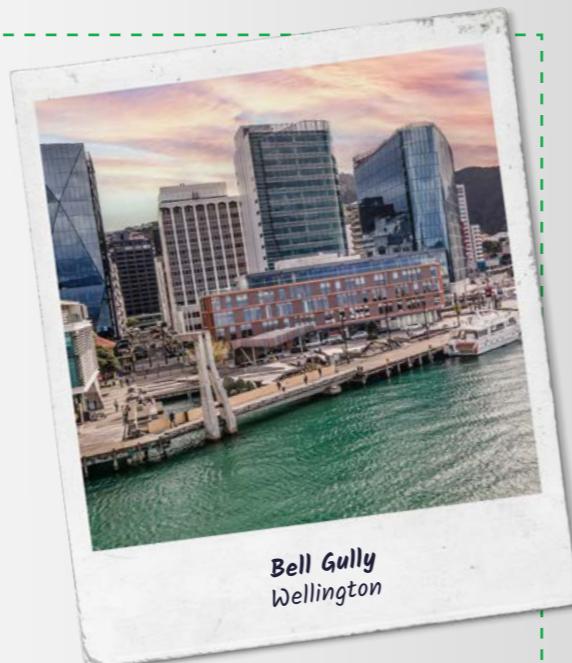
ESG AT SERVCORP

Our sustainability strategy is in progress. The landscape of ESG reporting is evolving rapidly; changes in regulations will result in Servcorp becoming subject to mandatory climate disclosures for the year ending 30 June 2028, and we have commenced the process of assessing the actions that will be needed, with a view to incorporating this for future reports. The Company's sustainability approach moves beyond compliance, to help shape Servcorp's role in driving meaningful change.

The increasing adoption of digital innovation and other technologies are changing the shape of the workspace solutions industry. There are increasing awareness of and expectations around ESG from all stakeholders.

Servcorp continues to focus on increasing our understanding of the potential impacts of significant climate events, and climate change more broadly, on our business, and to implementing mitigation and adaptation actions to manage current and future risk according to our management framework.

We judge that the likely impact of potential climate risks on Servcorp's business continuity, and on our ability to continue to provide professional services effectively, is low. Our products and services have proven to mitigate the risks for our clients.



ENVIRONMENTAL GREENPRINT FOR THE FUTURE

There is growing need for businesses to become sustainable to ensure the protection of the environment from further damage. Servcorp acknowledges the seriousness and the challenges of climate change; challenges drive progress, and our ambition is to become a sustainability leader in our industry. Opportunities exist to embed sustainability in many ways. We have three distinct areas of focus; Reduce, Offset and Educate.

As a global company, we have a responsibility for taking a leadership role amongst both team members and clients worldwide to educate them on our values and attitude towards the environment. We will endeavour to make everyday changes, such as reducing paper use, recycling waste materials and using energy efficient processes, to help make a difference. As Servcorp continues to grow and open new locations, we choose green buildings as another step in the right direction, and further reduce our impact on the environment. See more about our new buildings on page 11.

Servcorp also takes a proactive approach to re-establishing natural ecosystems through revegetation, offsetting greenhouse emissions and conservation projects. Since 2007, Servcorp has supported The Green Offices Project as our global platform for these initiatives. See our full Greenfleet journey on page 18.

SOCIAL RESPONSIBILITIES

Servcorp's global footprint goes hand in hand with a social responsibility to respect the basic principles for the ways in which people live and work together.



Australian Chamber Orchestra

Ethical Standards

Servcorp is serious about social responsibility, and we respect human rights as fundamental to our business and the communities in which the Company operates. Servcorp is fully committed to operating responsibly, establishing, and adhering to, the highest ethical standards across its global operations.

We seek to protect against all forms of modern slavery and serious exploitation including human trafficking, forced labour and child labour within our organisation and its supply chain. Training resources are available online for the continual education of all team members. Servcorp lodges an annual statement in accordance with the *Commonwealth Modern Slavery Act 2018*.

Servcorp holds a high ethical standard in all aspects in which we conduct business.

Due to the impact bribery and corruption would have on our team members and stakeholders, we are committed to acting professionally, fairly and with integrity in all our business dealings and relationships, wherever we operate. By incorporating preventative measures through our training resources, in conjunction with our Code of Conduct, our team members understand and can recognise fraudulent behaviour, and through such culture, develop a workplace with integrity.

Diversity

Servcorp has a culture that both embraces and achieves diversity in its global operations, we pride ourselves on being an industry leader. Servcorp is culturally diverse in its employment practices and has a global culture of employing the best available talent for any position regardless of gender, age, race or religion. Servcorp benefits from the diversity of its team members.

Continual access to training and development assists with developing our team members' skills and career progression, providing global opportunities for upward mobility into leadership roles.

Servcorp has a high participation of women across all employment levels; women comprise 46% of our executive team and 84% off all team members globally. We are particularly proud that our Saudi Arabian workforce consists of 60% female team members.

Charity and cultural support

We are grateful that as a global Company we work with our local communities to bring about real change for good.

Servcorp also encourages team members to give back to the communities in which they live and work by contributing service, leadership and financial support to the causes and organisations they feel passionately about. Over the years, Servcorp has held charity functions and balls, runs raffles and undertaken donation drives; every dollar raised by our teams on the ground is matched dollar for dollar by Servcorp.

Servcorp supports cultural organisations such as Australian Chamber Orchestra, The Art Gallery of NSW and Sydney Dance Company, and provides a platform for local artists by commissioning their artwork for our global locations.

We are passionate about supporting continuing research into the prevention, support and cure of terminally ill members of the community. See the organisations we have supported this year on page 20.

We thank our clients and those who contributed to the success of our fundraising for the year.

OUR ENVIRONMENTAL PUZZLE


**SERVICORP
ACKNOWLEDGES THE
SERIOUSNESS OF CLIMATE
CHANGE AND THE IMPACT
HIGH CONCENTRATIONS OF
GREENHOUSE GASES IN THE
ATMOSPHERE ARE HAVING ON
OUR PLANET....**

There is growing need for businesses to become sustainable to ensure the protection of the environment from further damage. We have three distinct areas of focus; Reduce, Offset and Educate.

This year we donated \$40,000 to The Mulloon Institute a not for profit, research, education and advocacy organisation, and a member of the Sustainable Development Solutions Network, a global initiative for the United Nations. They are recognised globally as a demonstrator of sustainable agriculture and environmental regeneration through landscape rehydration and restoration.

Servcorp also contributed to the care of animals through organisations such as Koalas in Care, The Orangutan Project, WIRES Wildlife Rescue, Sydney Dogs and Cats, Jack Russell Rescue and YP Puppy Rescue.

Since 2007, Servcorp has supported The Green Offices Project as our global platform for re-establishing natural ecosystems through revegetation, offsetting greenhouse emissions and conservation project initiatives.

As part of The Green Offices Project, Servcorp plants a tree for every Virtual Office sold online through the Servcorp website. Virtual Offices, which are inherently environmentally friendly, continue to be a driving force behind the Green Offices Project.

The Project aims to reduce our carbon emissions, offset our existing footprint and educate our teams and clients about improving their day-to-day impact on the environment. As well as offsetting greenhouse gas, this action is helping improve water quality, reduce soil degradation and provide essential habitat for native wildlife.

To date, Servcorp has planted more than 73,000 trees across multiple forest sites; our 'Servcorp forest', which across all Greenfleet reforestation sites, covers approximately 730,000 square metres of regional land. This is greater than the combined floor space occupied by our network of offices, globally.

The 'Servcorp forest' creates legally protected ecosystems and supports the restoration of a Nature Reserve. It will remove thousands of tonnes of carbon dioxide from the atmosphere, conserving biodiversity and restoring habitat for wildlife, including many endangered species.

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OUR GREEN THUMB

Since 2007, Servcorp's contributions through Greenfleet have made a large difference through multiple projects in various communities around Australia. In 2022, Servcorp expanded our long-term partnership with leading environmental not-for-profit, Greenfleet, with the intention of contributing up to \$1 million over 10 years to projects for replanting, re-forestation or carbon offset.



Mareeba Wetlands (QLD) Muluridgi Country

Located within the Mareeba Wetlands Nature reserve on Muluridgi Country, this project is re-establishing the natural ecosystem. Commencing in 2022, this project will restore over 30 hectares of valuable wetland ecosystem in North Queensland across 3 years. The Mareeba Wetlands offer critical conservation opportunities for more than 220 species of birds, as well as frogs, reptiles, and fish. Through this project we will also be supporting restoration of an area with one of the highest mammal diversities in the Cape York region, including the northern quoll (Dasyurus hallucatus), which is currently classified as Endangered.



Cherry Gully & Avon (QLD) Yuggera Country

Located north-west of Brisbane, Servcorp is helping to restore over 250 hectares of native ecosystem across these two properties. This project will provide extensive wildlife habitat along the Cherry Gully riparian corridor, particularly for koalas, which are listed as endangered in Queensland. With existing koalas confirmed on the property, this work will extend habitat and food sources for the species. By restoring native forest along Cherry Gully, Ivory Creek and Brisbane River Catchment, this project will also improve water quality.



Cherry Gully & Avon (QLD)
Yuggera Country

Corymbia Farm (VIC) Boon Wurrung Country

In 2018, Servcorp helped plant more than 26,000 native trees and shrubs at Corymbia Farm in West Gippsland. This area is home to the endangered Giant Gippsland Earthworm (Megascolides australis or Karmai in the Boon Wurrung language), which is found nowhere else in the world. This area is vulnerable to landslides that disrupt the earthworms' habitat and threaten the population. Greenfleet planted trees strategically to protect the earthworms from damage and longer-term habitat degradation.



Corymbia Farm (VIC)
Boon Wurrung Country

Avoca (NSW) Wiradjuri Country

This 1,700-hectare property had been extensively cleared, and the remaining native vegetation was fragmented. Adjacent to the property is the Buddigower State Forest, and nearby Buddigower Nature Reserve, an area of significance for its biological values containing a critically endangered ecological community, more than 20 animal species listed as endangered or vulnerable, including migrating species such as the Swift Parrot. This project is creating much needed landscape connectivity and enhancing conservation values.



Avoca (NSW)
Wiradjuri Country

Wurneet Laang Laang (VIC) Boon Wurrung Country

Since 2016 Servcorp has helped plant more than 60,000 native trees across the property located at the head of the Lang Lang River in South Gippsland. More than 20 different native species have been planted, including the Critically Endangered Stzeleckii Gum (Eucalyptus strzeleckii) and Silver Wattle (Acacia dealbata). In 2019, Stzrezlecki Koalas were found already living in the three-year-old trees on the property. The forest is extending biodiversity and creating habitat and sources of food for a wealth of native birds on the property.



Wurneet Laang Laang (VIC)
Boon Wurrung Country

POSTCARD

HOW CAN WE HELP EACH OTHER?

AS A GLOBAL ORGANISATION, SERVCORP SEEKS TO SUPPORT MEMBERS OF THE COMMUNITY THROUGH MEANINGFUL CHANGE

Through this ethos, Servcorp, and our CEO personally, have donated in excess of **\$600,000** to help with many organisations around the world.

The organisations we would like to highlight this year are:

FY23 \$30K	FY23 \$47K	FY23 \$20K	FY23 \$150K
 Run For The Cure Japan: Servcorp support RFTC in their efforts to raise awareness of the importance for early breast cancer detection. We also fund education programs, such as therapies, treatment, support groups, and prevention.	 Youngcare: Servcorp's long standing relationship with Youngcare looks to resolve accommodation needs in Australia for young people with specialist disabilities. Working with Youngcare since 2007, we continue to raise awareness and funds to support Youngcare's education pathways and grants program.	 Soldier On: Servcorp contributes to Soldier On's holistic approach to deliver life-changing support services, programs and activities, to serving and ex-serving Defence personnel and their families across Australia. Soldier On provides a range of mental health and well-being services, employment support and education programs, as well as activities focused on connections with family, friends, and the broader community.	 St.Vincent's Hospital: Servcorp remains passionate in our fundraising efforts, ensuring we can assist St Vincent's patients, staff and families. Our recent donations contributed towards the ongoing redevelopment of the hospital, life saving equipment and cutting edge technology for patient care.

Working together to make a difference!!



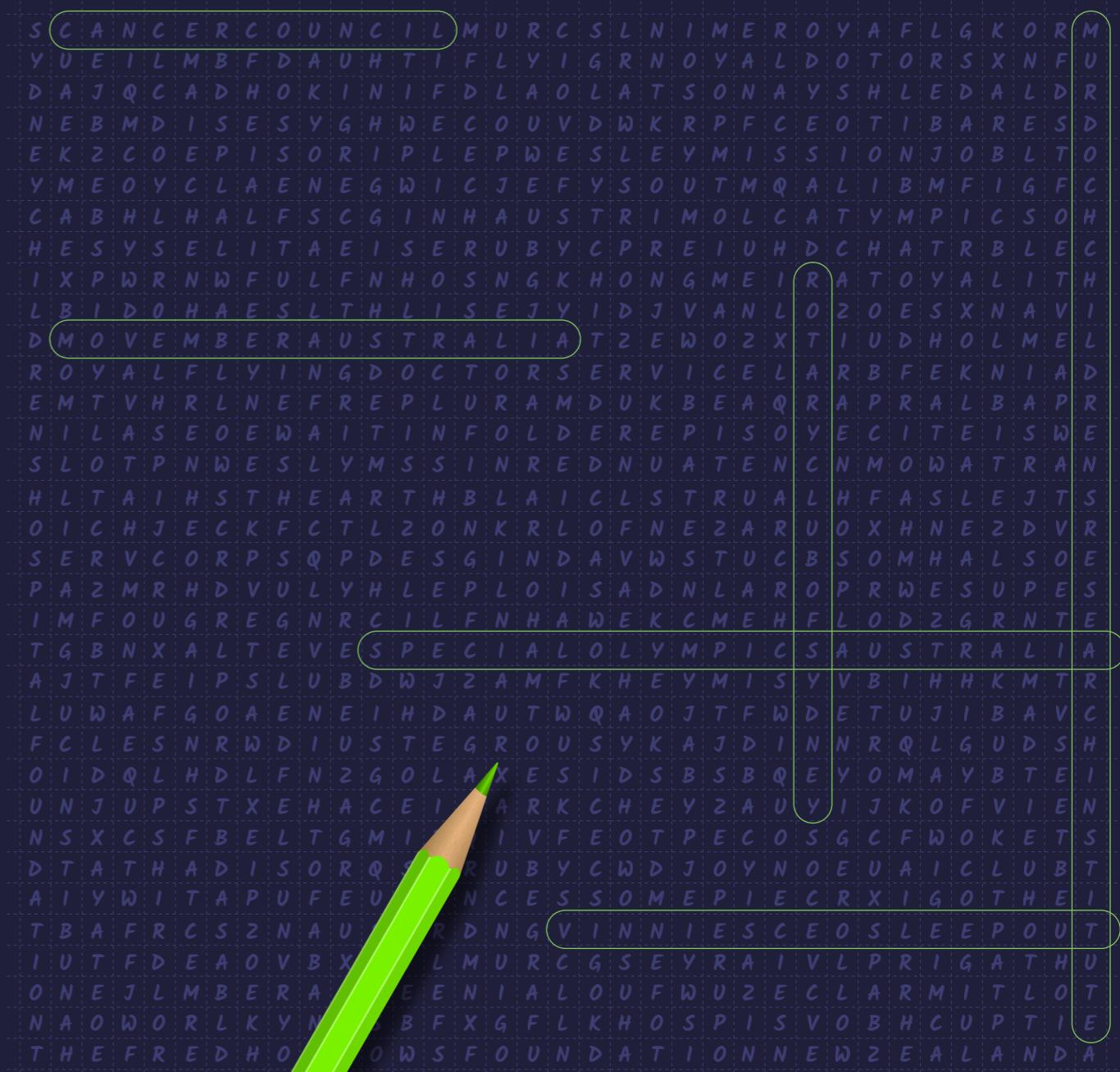
Run for the cure



WORD PUZZLE - CHARITIES

Servcorp also contributed to many other local charitable organisations around the world. We would like to share the following organisations.

- CANCER COUNCIL
- LIFELINE
- MOVEMBER AUSTRALIA
- MURDOCH CHILDREN'S RESEARCH INSTITUTE
- ROTARY CLUB OF SYDNEY
- ROYAL FLYING DOCTOR SERVICE
- SPECIAL OLYMPICS AUSTRALIA
- SYDNEY CHILDREN'S HOSPITAL FOUNDATION
- THE FRED HOLLOWS FOUNDATION: NEW ZEALAND
- VINNIES CEO SLEEPOUT
- WESLEY MISSION





YEAR IN REVIEW  CHAIRMAN'S MESSAGE CEO'S MESSAGE CORPORATE GOVERNANCE REGS'S REPORT EMISSIONS REPORT FINANCIAL DEPT OTHER INFORMATION

OUR RIDDLE SOLVERS

THE BOARD AND EXECUTIVES

- ALF MOUFARRIGE AO**
Executive Director, CEO
- THE HON. MARK VAILE AO**
Chairman
- WALLIS GRAHAM**
Non-executive Director
- TONY MCGRATH**
Non-executive Director
- DAVID HUNT**
(B Com, CPA, FINSIA) Chief Financial Officer & Head of South East Asia
- GREG PEARCE**
(B Com, CA, FCG, FCG (CS)) Company Secretary

OPERATIONAL EXECUTIVES

- OLGA VLIETSTRA**
(BA) General Manager | Japan
- DAVID GODCHAUX**
(MSc Hons) CEO | Europe, Middle East & USA
- FABIENNE MOUKHEIBER HAJJAR**
(PharmD) General Manager | UK, Germany, Qatar & Lebanon
- MANAMI ALBERTO**
(BA) Sales Director | Japan

HEAD OFFICE AND ADMINISTRATIVE EXECUTIVES

- SHUKRI DOZOM**
(BS Chemistry (Applied Chemistry Branch))
Regional Online Marketing Manager | Middle East, Europe & USA
- STEVE GAINER**
Global Accounts | Japan
- MEGAN GALE**
International Training & Development Manager
- DANIEL KUKUCKA**
(MBA, BE, DipEngPrac) Chief Information Officer
- JON PARK**
(BBus) Global Head of Online Marketing
- ELENASHI**
(BCom, MPAcc, CPA) General Manager | Global Finance



PANIZZO - 23

ALL THE PIECES PUT TOGETHER

"We wrote the book on the remote work world"



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CORPORATE GOVERNANCE

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

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

Details of Servcorp's compliance are set out below, and in the ASX principles compliance statement on Servcorp's website; servcorp.com.au. The information in this statement is current as at 24 August 2023 and has been approved by the Board.

ROLE OF THE BOARD

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

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

The Board's primary responsibilities are:

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

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



CORPORATE GOVERNANCE

COMPOSITION OF THE BOARD

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

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

There has been no change to the Board since the last annual report.

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

The non-executive Directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The skills, experience and expertise of each Director in office at the date of this annual report are set out on pages 32 and 33 of this annual report. The Board will continue to be made up of a majority of independent non-executive Directors. The performance of non-executive Directors was reviewed during the year.

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

DIRECTORS' INDEPENDENCE

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

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

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

DIRECTOR	FIRST APPOINTED	NON-EXECUTIVE	INDEPENDENT	RETIRING AT 2023 AGM	SEEKING RE-ELECTION
A G Moufarrige	24 August 1999	No	No	No	N/A
M Vaile	27 June 2011	Yes	Yes	Yes	Yes
W Graham	3 October 2017	Yes	Yes	No	N/A
T McGrath	27 August 2019	Yes	Yes	No	N/A

ELECTION OF DIRECTORS

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

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

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that would potentially conflict with those of Servcorp. Where the Board believes that an actual or potential significant conflict exists, the Director concerned, if appropriate, will not take part in any discussions or decision making process on the matter and will abstain from voting on the item being considered. Details of Director related entity transactions with the Company and the Consolidated Entity are set out in Note 27 to the Consolidated financial report.

DIRECTOR AND OFFICER DEALINGS IN COMPANY SHARES

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

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

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

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

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

CORPORATE GOVERNANCE

INDEPENDENT PROFESSIONAL ADVICE

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

CONTINUOUS DISCLOSURE

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

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

AUDITOR INDEPENDENCE

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

KPMG rotate their audit engagement partner every five years.

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

ETHICAL STANDARDS

All Directors, Executives and Team Members are expected to act with the utmost integrity and objectivity, striving at all times to enhance and protect the reputation and performance of Servcorp.

Servcorp's core values are encompassed in our Code of Conduct, Whistleblower Policy and Modern Slavery Statement, which all Directors, Executives and Team Members are expected to uphold and promote. These provide clear expectations of the way in which Servcorp must conduct business lawfully, ethically and responsibly, and sets out the standards of conduct and personal behaviour required.

The Code of Conduct, Whistleblower Policy and Modern Slavery Statement are available on Servcorp's website; servcorp.com.au.

DIVERSITY

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

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

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

FULL TIME EMPLOYEES	TOTAL NO.	WOMEN %	MEN %
Consolidated entity	645	84%	16%
Senior executive	13	46%	54%
Board	4	25%	75%

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

Under the Workplace Gender Equality Act 2012 (WGE Act), any employer with 100 or more employees must submit an Annual Compliance Report detailing the composition of its workplace profile in Australia. Servcorp has lodged its WGE Report for 2023 with the WGE Agency; since inception of the WGEA reporting requirements, the Company and its Australian subsidiaries have been compliant with the WGE Act.

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



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CORPORATE GOVERNANCE

COMMITTEES

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

AUDIT AND RISK COMMITTEE

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

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

All three current members are independent non-executive Directors.

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

NOMINATION COMMITTEE

The Nomination Committee members during the year were:

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

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

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

The Nomination Committee met two times during the year.

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

REMUNERATION COMMITTEE

The Remuneration Committee members during the year were:

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

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

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

Specifically, this will include:

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

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

The Remuneration Committee reviews the executive remuneration structures each year to ensure they continue to be appropriate. Details are included in the Remuneration Report on pages 41 to 53 of this annual report.

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

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



DIRECTORS' REPORT

The Directors of Servcorp Limited ("the Company") present their report together with the Consolidated financial report of the "Consolidated Entity", being the Company and its controlled entities, for the financial year ended 30 June 2023.

DIRECTORS

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

ALF MOUFARRIGE AO	THE HON. MARK VAILE AO	WALLIS GRAHAM
Managing Director	Chair	Independent Non-executive Director
	Independent Non-executive Director	GAICD
Appointed August 1999	Appointed June 2011	Appointed October 2017
Chief Executive Officer	Member of Audit and Risk Committee	Member of Audit and Risk Committee
	Member of Remuneration Committee	Chair of Remuneration Committee
	Chair of Nomination Committee	Member of Nomination Committee
Alf is one of the global leaders in the serviced office industry, with over 40 years of experience. Alf is primarily responsible for Servcorp's expansion, profitability, cash generation and currency management.	Mark had a distinguished career as an Australian Federal Parliamentarian from 1993 to 2008. Ministerial Portfolios held by Mark during his five terms in Federal Parliament include Minister for Transport and Regional Development, Minister for Agriculture, Fisheries and Forestry, Minister for Trade, and Minister for Transport and Regional Services.	Wallis has had over 20 years of experience in finance, including funds management, corporate finance, private equity and investment banking. Her responsibilities have spanned multiple industries, including business services, and she has a strong understanding of emerging technologies and the digital landscape. She also holds a Senior Consulting role with Energy Capital Partners.
Directorships of listed entities in the last three years:		
• None.	Mark also served as Deputy Prime Minister of Australia from July 2005 through to December 2007. He was instrumental in securing or initiating a range of free trade agreements between Australia and the United States, Singapore, Thailand, China, Malaysia and the ASEAN countries.	Wallis has involvement with many community and charitable organisations. She is currently a Director of Wenona School Limited, the Garvan Research Foundation, the Sydney Youth Orchestras, the Wenona Foundation and the John Brown Cook Foundation.
	Since leaving the Federal Parliament in July 2008, Mark has embarked on a career in the private sector utilising his extensive experience across a number of portfolio areas. His current Directorships include StamfordLand Limited and Chair of Whitehaven Coal Limited. Mark is Chair of the Australian American Leadership Dialogue, and is a Director on the board of AAM Investment Group, a diversified agricultural investment fund. Mark is also a member of the Advisory Council of the Australia Japan Business Co-Operation Committee. Mark was a Director/ Trustee of Hostplus Superfund Limited, until 30 June 2021.	Directorships of listed entities in the last three years:
		• Whitehaven Coal Limited (WHC) since February 2023.
Directorships of listed entities in the last three years:		
• StamfordLand Corporation Ltd (SLC - listed on SGX) since August 2009;		
• Whitehaven Coal Limited (WHC) since May 2012 (Chair).		

DIRECTORS' REPORT

TONY MCGRATH

Independent Non-executive Director
BBus (Accounting and Finance) CA

Appointed August 2019

Chair of Audit and Risk Committee
Member of Remuneration Committee
Member of Nomination Committee

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

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

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

Directorships of listed entities in the last three years:

- 360 Capital Group Limited (TGP) since March 2022

GREGORY PEARCE

Company Secretary
B Com, CA, FGIA, FCG (CS)

Appointed August 1999

Chair of Audit and Risk Committee
Member of Remuneration Committee
Member of Nomination Committee

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

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



DIRECTORS' REPORT

DIRECTORS' MEETINGS HELD AND ATTENDANCES AT MEETINGS

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

DIRECTOR	BOARD	AUDIT & RISK COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Number of meetings held	6	4	3	2
NUMBER OF MEETINGS ATTENDED				
A G Moufarrige	6			
M Vaile	6	4	3	2
W Graham	6	4	3	2
T McGrath	6	4	3	2

The details of the function and membership of the Committees are presented in the Corporate Governance statement on pages 30 and 31.

DIRECTORS' INTERESTS

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

DIRECTOR	ORDINARY SHARES IN SERVCORP LIMITED		OPTIONS OVER ORDINARY SHARES
	DIRECT	INDIRECT	
M Vaile	-	35,050	-
A G Moufarrige	547,436	49,938,847	1,500,000
W Graham	14,000	-	-
T McGrath	-	66,853	-

DIRECTORS' BENEFITS

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

DIRECTORS' REPORT

PERFORMANCE RIGHTS AND OPTIONS GRANTED

During the year, or since the end of the financial year, 160,000 Performance Rights and 1,002,000 Options over unissued ordinary shares of the Company were issued (2022: 200,000).

Performance Rights and Options granted to Directors or the five most highly remunerated officers of the Company as part of their remuneration are detailed in the Remuneration report on pages 47, 48 and 50.

PERFORMANCE RIGHTS AND OPTIONS ON ISSUE

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

ASX code	OPTIONS				PERFORMANCE RIGHTS
	SRVAB	SRVAC	SRVAD	SRVAF	
Number of shares	2,233,750	87,500	100,000	1,002,000	160,000
Exercise price	\$2.48	\$3.35	\$3.54	\$3.50	\$0.00
Expiry date	18 September 2025	3 September 2026	19 May 2027	1 September 2027	30 September 2025

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

OPTIONS EXPIRED

During the year, 305,000 Options over unissued shares expired or were cancelled (2022: 257,500).

During the year, nil Options over unissued shares lapsed. In 2022, nil Options lapsed.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

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

SHARE BUY-BACK

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

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

CORPORATE GOVERNANCE

A statement of the Board's governance practices is set out on pages 27 to 31 of this annual report and on Servcorp's website, servcorp.com.au



DIRECTORS' REPORT

STATE OF AFFAIRS

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

PRINCIPAL ACTIVITIES

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

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

CONSOLIDATED RESULTS

Net profit after tax for the financial year was \$11.07 million (2022: 28.02 million). Operating revenue was \$295.55 million (2022: \$275.57 million). Basic and diluted earnings per share was 11.4 cents (2022: 28.9 cents).

	2023 \$'000	2022 \$'000
Revenue & other income	295,546	275,573
Net profit before tax	16,993	34,377
Underlying net profit before non-cash impairment of assets and tax (i)	42,255	30,356
Net profit after tax	11,067	28,021
Underlying free cash (ii)	61,667	52,486
Net operating cash flows	155,531	145,583
Cash & investment balances	116,354	108,230
Net assets	187,778	198,254
Return on net funds employed	55%	33%
Cents		
Earnings per share	11.4	28.9
Dividends per share	22.0	20.0

Notes:

i. Underlying net profit before non-cash impairment of assets and tax is the statutory net profit before tax adjusted for significant items (before tax) that are one-off in nature and that do not reflect the underlying performance of the business and includes mature floors only. In the 2023 financial year, it excludes operating losses from new floors pre-maturity and closed floors post-closure of \$3.8 million and impairment losses, closure costs and other non-recurring costs of \$21.4 million. In the 2022 financial year, it excludes operating losses from new floors pre-maturity and closed floors post-closure of \$3.6 million, one-off income of \$4.8 million and a gain from cloud computing adjustment of \$2.8 million.

ii. Underlying free cash is net operating cash flows before tax paid, less cash rent paid, 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.

DIVIDENDS PAID AND DECLARED

Dividends totalling \$21.30 million have been paid or declared by the Company in relation to the financial year ended 30 June 2023 (2022: \$19.36 million). Information relating to dividends in respect of the prior and current financial year, including dividends paid or declared by the Company since the end of the previous year, is set out in the following table.

DIVIDEND	CENTS PER SHARE	TOTAL AMOUNT \$'000	DATE OF PAYMENT	FRANKED %	TAX RATE FOR FRANKING CREDIT
In respect of the previous financial year: 2022					
Interim	Ordinary shares	10.00	9,682	6 April 2022	0% 30%
Final	Ordinary shares	10.00	9,682	6 October 2022	0% 30%
In respect of the current financial year: 2023					
Interim	Ordinary shares	10.00	9,682	5 April 2023	0% 30%
Final	Ordinary shares	12.00	11,618	5 October 2023	20% 30%

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Revenue and other income from ordinary activities for the twelve months ended 30 June 2023 was \$295.55 million, up 7% from the twelve months ended 30 June 2022. In constant currency terms, mature revenue increased by 10% compared to the 2022 year.

Net profit before tax for the twelve months to 30 June 2023 was \$16.99 million, down 51% from \$34.38 million in the prior year, due to one-off expenses totalling \$21.42 million and \$3.84 million losses from pre-mature or post-closure locations.

Underlying net profit before tax was \$42.26 million, up 36% compared to the 2022 year, calculated before operating losses from new floors pre-maturity and closed floors post-closure of \$3.84 million and impairment losses, closure costs and other non-recurring costs of \$21.42 million (2022¹⁰: \$31.0 million before operating losses from new floors pre-maturity and closed floors post-closure of \$2.8 million, impairment losses, closure costs and other non-recurring costs of \$1.5 million, a gain from cloud computing adjustment of \$2.8 million, and one-off income of \$4.8 million).

Net profit after tax for the twelve months to 30 June 2023 was \$11.07 million, down from \$28.02 million in the prior year.

Cash and investment balances (unencumbered) were \$115.65 million at 30 June 2023 (30 June 2022: \$107.55 million).

Return on funds employed was 55% in the 2023 financial year, up from 33% in the 2022 financial year.

The business generated strong net operating cash flows during the 2023 financial year of \$155.53 million, up 7% compared to the 2022 financial year (2022: \$145.58 million). The underlying free cash generated during the 2023 financial year was up 17% to \$61.67 million, after adding back tax paid of \$2.06 million and deducting cash rent adjustments of \$1.62 million and lease liability payments of \$98.01 million, and adding other timing differences of \$3.70 million (2022: underlying free cash generated \$57.29 million, after adding back tax paid of \$13.12 million, cash rent adjustments of \$0.27 million and deducting lease liability payments of \$99.21 million and other timing differences of \$2.47 million).

In the 2023 financial year, Servcorp continued to pursue its long-term strategy of cultivating business resilience and ensuring sustainable income streams through its ongoing focus on premium service provision, team development and training, customer experience improvement, global reach in gateway cities, and continued innovation to enhance business efficiency. This focused approach yielded strong results and performance across all KPIs. Underlying revenue increased \$30.6 million year-on-year, underpinned by growth through both business development and pricing improvement, and continued increase in client retention.

In February 2023, Servcorp stated its intention to invest up to \$60 million over the next 18 months to recommence expansion of its global footprint, where suitable opportunities and management depth are present. In the 2023 financial year, \$19.8 million was spent and five new floors were open, with another eight in the pipeline and currently under construction, with scheduled openings in the 2024 financial year.

Despite the overshadowing uncertainties in the global economic landscape, Servcorp is confident in the business strength to drive continued growth in the 2024 financial year, leveraging its well-established brand name, unique value proposition, unrestricted global reach, advanced technological platform and a dedicated management team.

Notes:

i. Underlying results for the 2022 financial year comparisons, as stated in the Review of operations and in the region reports on the following pages, have been restated to remove the impact of mature floors in 2022 that were closed in the 2023 financial year; to include immature floors in 2022 that have become mature in 2023; and remove one-off income.

SERVICORP FOOTPRINT

In the 2023 financial year, net capacity decreased by 12 offices. During the year, five floors opened in four new locations and five floors were closed.

Occupancy of mature floors open at 30 June 2023 was 72% (30 June 2022: 73%). All floor occupancy was 71%.

As at 30 June 2023, Servcorp operated 129 floors in 40 cities across 20 countries.

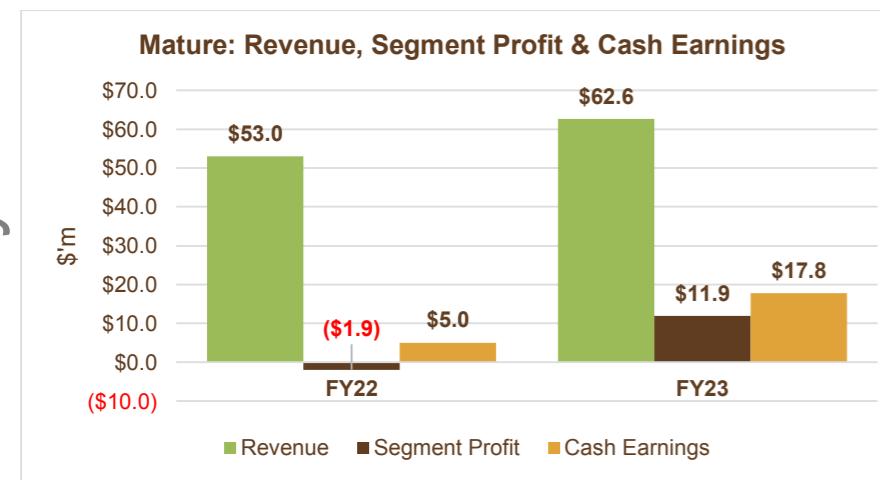


DIRECTORS' REPORT

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

ANZ/ SEA has demonstrated a strong performance rebound coming out of the pandemic.

Mature revenue witnessed a notable increase of \$9.6 million year-on-year, due to increase in occupancy. As revenue recovers, profit and cash earnings follow the same trend, swinging successfully back to the positive territory, producing \$11.9 million segment profit and \$17.8 million cash earnings.

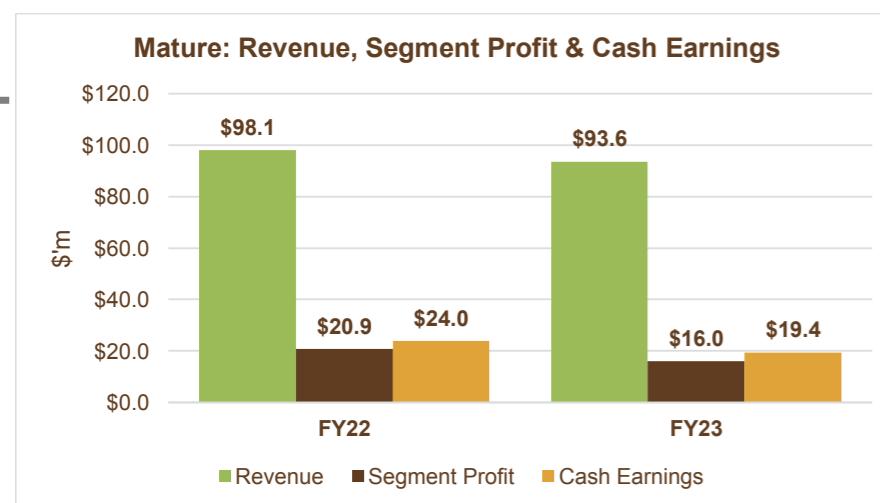


NORTH ASIA

North Asia results, in general, retreated from the year before, mostly attributed to the protracted underperformance in Greater China given the slow rebound from arguably the most restrictive and long-lasting Covid-19 measures.

Decreases in the 2023 financial year segment profit and cash earnings are largely attributed to the drop in mature revenue, as mature revenue declined by \$4.5 million on the 2022 financial year, while operating expenses held largely flat year-on-year.

Following thorough assessment and constructive discussion with relevant stakeholders over the last ten months, management took the decision to cease operations in Hong Kong.



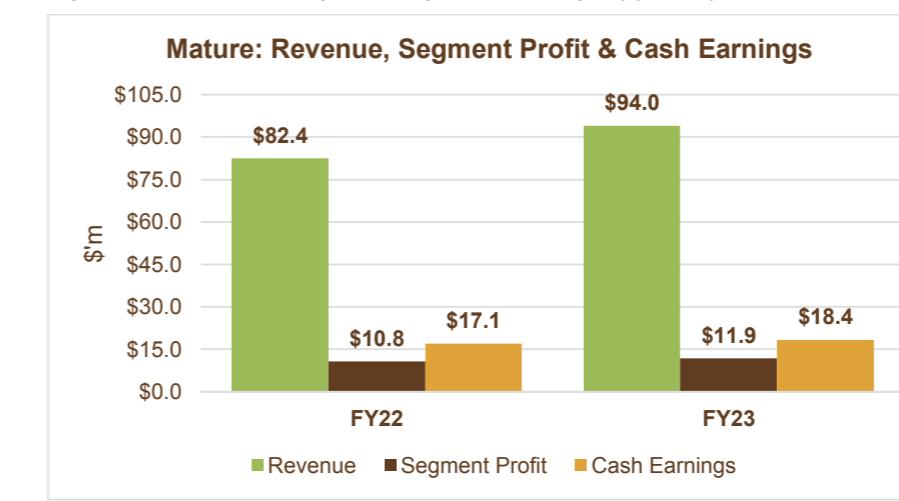
DIRECTORS' REPORT

EUROPE AND THE MIDDLE EAST (EME)

EME continued to perform well. Mature revenue recorded a healthy growth of \$11.6 million on the 2022 financial year.

Europe took a one-off impairment in the amount of \$2.4 million, as its recovery in performance took longer than expected to materialise.

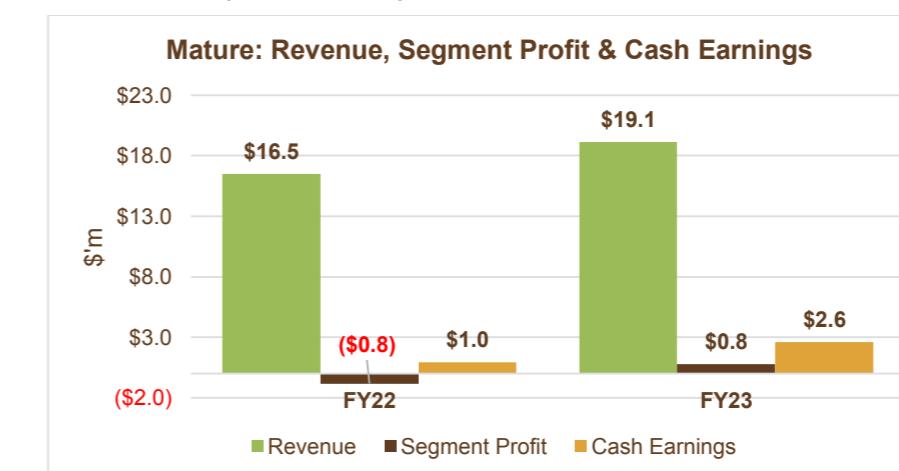
After absorbing the one-off impairment, and additional non-recurring overheads incurred to complete an organisation restructure, segment profit and cash earnings for the region were up marginally year-on-year.



USA

USA continued to show improvements in performance in the 2023 financial year, closing the year with a small segment profit of \$0.8 million. Revenue continued growing, building more business resilience in the operation.

A new General Manager was appointed in March 2023 to lead and manage the USA. The local management team was restructured, and while this led to some non-recurring costs, it is expected to produce improved efficiencies and lower ongoing costs. Business procedures have been reviewed and re-established, and additional resources deployed to train and guide the USA teams and bring them to Servcorp global standard.





DIRECTORS' REPORT

EVENTS SUBSEQUENT TO BALANCE DATE

Business acquisition

Effective 3 July 2023, companies within the Consolidated Entity acquired the serviced office businesses carried on by Enideb Pty Ltd in two locations in Canberra, ACT, Australia. The businesses were previously carried on under a franchise agreement between the Consolidated Entity and Enideb Pty Ltd, a related party. The purchase price was \$4.2 million, which was independently appraised and valued.

Dividend

On 24 August 2023, the Directors declared a final dividend of 12.00 cents per share, franked at 20%, payable on 5 October 2023.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2023.

The Directors are not aware of any matter or circumstance, other than that referred to above or in the financial statements or notes thereto, that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL MANAGEMENT

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

ROUNDING OFF

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

NON-AUDIT SERVICES

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

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

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

Details of the amounts paid or payable to the auditor of the Company, KPMG and its related practices for audit and non-audit services provided during the year are set out in Note 28 to the Consolidated financial report.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 54 and forms part of this report.

REMUNERATION REPORT

The Remuneration Report for the financial year ended 30 June 2023 is set out on pages 41 to 53 and forms part of this report.

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

A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 24th day of August 2023

REMUNERATION REPORT

CONTENTS

42	INTRODUCTION	Describes the scope of the Remuneration Report and the key management personnel (KMP) whose remuneration details are disclosed.
43	REMUNERATION GOVERNANCE	Describes the role of the Board and the Remuneration Committee, and the use of remuneration consultants when making remuneration decisions.
44	KEY MANAGEMENT PERSONNEL	Provides details of names, titles and any changes in key management personnel.
45	NON-EXECUTIVE DIRECTOR REMUNERATION	Provides details regarding the fees paid to non-executive Directors.
45	EXECUTIVE REMUNERATION	Outlines the principles applied to executive KMP remuneration decisions and the framework used to deliver the various components of remuneration.
48	RELATIONSHIP BETWEEN CONSOLIDATED ENTITY PERFORMANCE AND REMUNERATION	Provides an explanation of the linkages between Company performance and remuneration.
49	EMPLOYMENT AGREEMENTS	Provides details regarding the contractual arrangements between Servcorp and the executives whose remuneration details are disclosed.
50	EMPLOYEE SHARE SCHEME AND OTHER EQUITY INCENTIVE INFORMATION	Provides details regarding Servcorp's employee equity plans including that information required by the Corporations Act 2001 and applicable accounting standards.
51	NON-EXECUTIVE DIRECTOR REMUNERATION TABLE	Provides details of the nature and amount of each element of the remuneration of each non-executive Director of Servcorp Limited for the year ended 30 June 2023.
52	EXECUTIVE KMP REMUNERATION TABLE	Provides details of the nature and amount of each element of the remuneration of each executive KMP of Servcorp Limited for the year ended 30 June 2023.

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REMUNERATION REPORT

INTRODUCTION

We are pleased to present Servcorp's Remuneration report for the 2023 financial year.

Servcorp's aim is to provide the finest workspace solutions to our customers by providing the best locations, facilities, technology and people crucial to making businesses successful. Our operations span 20 countries, 40 cities and 106 locations globally, via serviced offices, co-working, and virtual offerings. This global footprint provides leverage to exploit our brand, take advantage of new market opportunities and diversify our risk. Notably, for the 2023 financial year offshore revenue represented more than 83% of our total revenue. Skilled, experienced local management in each jurisdiction, supported by Servcorp's market leading IT platform and proprietary product offerings, are critical to our continued success, and with the increasingly competitive environment for talent, we need to have an appropriate reward framework in place. We are highly aware that the markets in which we operate are subject to changing economic factors, and often these may be counter cyclical to the Australian market. Therefore, it is the Board's view that our remuneration strategy should reflect both our vision as a global company and the diversity of our regional businesses.

Over the past few years, the Company has been presented with unprecedented challenges. We have managed to navigate through an intense competitive environment and a pandemic, the latter of which has caused tremendous change in how and where people work. While sales, floor growth and profits weakened through that period we managed to cut costs, retain a dedicated team, drive strong cash flow, and pay continued dividends for our shareholders. The Board would like to acknowledge our team members for their tremendous effort and perseverance through this difficult environment.

With the acute effects of COVID-19 behind us, we believe we are well positioned to benefit from improved trends and capitalise on the evolution of flexible working. After a period of consolidation, we are planning for a return to floor growth, and have already seen like-for-like improvement in both our office and virtual revenue. That said we are still seeing the impacts of an inflationary environment, supply chain disruption and uncertainty about the global economy.

In 2023, the team worked incredibly hard and managed to achieve global profit targets, which were increased from 2022 despite sector headwinds. We also had some standout regional performances, so we feel that the STIs earned are a fair reflection of the team's efforts and resulting outcomes for the Company.

The Board's philosophy and approach to executive remuneration is to attract and retain team members with a fair yet challenging compensation structure which rewards excellence at the regional level, properly incentivises those whose roles span multiple geographies, and supports the growth aspirations of Servcorp as a global business. For Servcorp, we believe financial performance is the key driver of shareholder value, so we have structured our framework to reflect both regional and global contributions of our executives to group performance.

In July 2022, the Board appointed independent consultant Crichton & Associates to undertake a remuneration strategy review to ensure we have a modern best practice framework for fiscal 2023 and beyond. The initial outcomes of this review, as disclosed the 2022 Remuneration report, are as follows:

- firstly, we introduced an LTI performance rights plan in the 2023 financial year. The goals of this plan are to ensure our competitiveness in the market, improve long-term alignment between remuneration, business performance, and shareholder interests, and provide an additional long-term compensation mechanism that relies on 3-year group performance;
- secondly, in the review we re-assessed our executive KMP structure. After hiring a new CFO with expanded global responsibility for the business, we determined that from 1 July 2022 Servcorp's KMP will consist of the CEO, the CFO and members of the Board. Regional executives whose responsibilities are not global in nature will no longer be deemed KMP. Regional executives will continue to participate in STI compensation plans that rely on regional and group profits, and may also receive periodic LTI grants with similar performance and service conditions to executive KMP grants. This will ensure we can continue to attract and retain exceptional executives at the regional level, and will further align their long term compensation with Servcorp's financial performance;
- thirdly, we introduced a malus and clawback policy relative to our incentive programs.

For the 2023 financial year:

- the Board has not introduced any new short term executive remuneration components;
- in recognition of the profit expectations going forward, the Board increased the global gateway and target net profit before impairment and tax for the 2023, financial year. The Board has further increased the global gateway and target for the 2024 financial year, and has improved disclosure around these metrics;
- the Board left non-executive Director base fees constant;
- in December 2022, the Board issued Performance Rights to senior executives, including one executive KMP.

For the 2024 financial year other initiatives emerging from this review will be assessed and, where suitable, implemented by the Board and communicated to shareholders.

In summary, the Board believes Servcorp's approach to non-executive Director and executive KMP remuneration is balanced, fair and equitable and designed to achieve alignment of executive reward with shareholder expectations and value. We will continue to assess our practices to ensure they support Servcorp's strategy, our desired business outcomes, and our goal of retaining and motivating our employees in an increasingly competitive environment for talent.

The Board is committed to ensuring our remuneration practices continue to evolve to support the interests of our shareholders. We welcome feedback from shareholders and proxy advisors, and we thank you for your continued support of Servcorp.

REMUNERATION REPORT

This Remuneration Report sets out, in accordance with the relevant Corporations Act 2001 (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for KMP of Servcorp during the financial year ended 30 June 2023.

REMUNERATION GOVERNANCE

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

Role of the Board and the Remuneration Committee

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

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

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

Further information on the Remuneration Committee's role, responsibilities and membership are contained in the Corporate Governance section on page 31.

Use of remuneration consultants

During the 2022 financial year, no remuneration consultant made a remuneration recommendation in relation to any of the executive KMP.

During the 2023 financial year, a remuneration consultancy contract was entered into by Servcorp with respect to drafting a new Employee Incentive Plan, and the grant and valuation of Performance Rights and Options.

ADVISOR / CONSULTANT - 2023	SERVICES PROVIDED	REMUNERATION CONSULTANT FOR THE PURPOSE OF THE CORPORATIONS ACT
Ian Crichton, Remuneration Consultant Crichton & Associates Pty Ltd	Remuneration strategy review. Overview of Servcorp's existing short term and long term incentive programs. Provision of new Employee Incentive Plan rules, and supporting documentation.	No

Key questions regarding use of remuneration consultants

QUESTION	ANSWER
Did the remuneration consultant provide remuneration recommendations in relation to any of the executive KMP for the 2023 financial year?	No.
How much was the remuneration consultant paid by Servcorp for remuneration related and other services?	Remuneration services: Crichton & Associates Pty Ltd \$30,860; Other services: Nil.
What arrangements did Servcorp make to ensure that the making of the remuneration recommendations would be free from undue influence by the executive KMP?	Servcorp maintains a protocol which governs the procedure for procuring advice relating to KMP remuneration. The protocol includes a process for the engagement of the remuneration consultant, the provision of information to the remuneration consultant and the communication of remuneration recommendations.
Is the Board satisfied that the remuneration information provided was free from any such undue influence?	Yes, the Board is satisfied.
What are the reasons for the Board being so satisfied?	The Chairman of the Remuneration Committee had oversight of all requests for remuneration information, and the protocol with respect to the procurement of remuneration related advice remains in place.



REMUNERATION REPORT

KEY MANAGEMENT PERSONNEL

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

In prior years, certain regional executives were included as KMP. In April 2022, Servcorp appointed a new Chief Financial Officer, whose involvement includes elevated levels of responsibility in the business at a group level, and encompasses a wider operational focus. As highlighted in the 2022 Remuneration report, from 1 July 2022, the Board is of the opinion that authority for planning, directing and controlling the activities of the Consolidated Entity will reside with the CEO and CFO, and have resolved that for the 2023 financial year the KMP will consist of the CEO, CFO and the Board.

Details of the KMP during the year are provided in the following table.

NAME	TITLE	CHANGE IN 2023
Non-executive Directors		
The Hon. Mark Vaile	Chairman Member, Audit & Risk Committee Member, Remuneration Committee Chair, Nomination Committee	Full year No change
Wallis Graham	Director Member, Audit & Risk Committee Chair, Remuneration Committee Member, Nomination Committee	Full year No change
Tony McGrath	Director Chair, Audit & Risk Committee Member, Remuneration Committee Member, Nomination Committee	Full year No change
Executive Director		
Alf Moufarrige	Chief Executive Officer	Full year No change
Other Group-level executive		
David Hunt	Chief Financial Officer & Head of South East Asia	Full year Commenced effective 19 April 2022

In 2022 the following regional executives were included as KMP.

NAME	TITLE
Regional executives	
David Godchaux	CEO Middle East & Europe
John Henderson	Chief Operating Officer (resigned effective 28 February 2023)
Colleen Susini	General Manager USA (resigned effective 27 March 2023)
Olga Vlietstra	General Manager Japan

REMUNERATION REPORT

NON-EXECUTIVE DIRECTOR REMUNERATION

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

Directors' fees

Non-executive Directors' fees are determined by the Board within an aggregate Directors' fees limit approved by shareholders. The fees limit currently stands at \$500,000 per annum inclusive of payments for superannuation. This limit was approved at the 2011 annual general meeting.

The most recent review of Directors' fees was effective 1 July 2013. Effective 1 July 2013, non-executive Directors' fees were set as:

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

From 1 July 2021, the Superannuation Guarantee rate is scheduled to increase progressively, from 9.5% to 12.0%. To comply with the legislation, and allow these increases to be provided to the Directors, effective 1 July 2021, the non-executive Directors' base fees have been held at the same rates, with superannuation increasing in line with these progressive increases. For the 2023 financial year fees were as follows:

- Chair - \$159,818 per annum plus superannuation, for a total of \$176,599;
- Non-executive - \$91,325 per annum plus superannuation, for a total of \$100,914;
- Chair of the Audit and Risk Committee - an additional \$9,132 per annum plus superannuation, for a total of \$10,091.

The increased Superannuation Guarantee amount was a total of \$1,757 for all non-executive Directors (2022: \$1,759).

For the 2024 financial year, the Board have resolved to keep non-executive Director base fees constant.

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

Retirement allowances for Directors

Non-executive Directors are not entitled to retirement allowances.

Details of remuneration

Details of the nature and amount of each element of the remuneration of each non-executive Director of Servcorp Limited for the year ended 30 June 2023 are set out in the table on page 51.

Minimum shareholding requirement

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

EXECUTIVE REMUNERATION

Remuneration philosophy and principles

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

The objective of the executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of Servcorp's strategic objectives particularly its short, medium and long term earnings; being operating profits at a regional level; and consolidated mature net profit before impairments and tax and EPS at a global level. The Board believes that earnings are the metric which best corresponds to value creation for the Company and its shareholders in both the short and longer term, but will continue to assess the merits of using other performance indicators in our remuneration framework in the future.

Executive remuneration is a balanced mix of fixed and incentive ('at risk') remuneration. In determining the appropriate balance, regular reviews are undertaken that involve cross-referencing position descriptions to reliable accessible remuneration data in the markets in which Servcorp operates.

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

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

The Company's remuneration framework is reviewed annually, and the Board is committed to engaging with shareholders, consultants and proxy advisors as required to ensure proper evolution of its remuneration strategy.



REMUNERATION REPORT

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Remuneration structure and elements

The executive KMP remuneration and reward framework at Servcorp consisted of three components:

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

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

The CEO did not participate in the STI or LTI plan for the 2023 financial year.

The CFO's total target remuneration opportunity, in respect of the 2023 financial year, consisted of 72% fixed and 28% variable pay and target variable opportunity (STI + LTI) as a percentage of fixed pay was 39%.

Fixed remuneration

Fixed remuneration is reviewed each year and adjusted to changes in job role, promotion, market practice, internal relativities and performance.

Remuneration for the 2023 financial year and changes from 2022 are set out in the table on pages 52 and 53.

For the 2023 financial year, the base salary of the CFO was increased to reflect his expanded global operational responsibility within the business from July 2022, including oversight of a region, and new title as CFO and Head of SEA. The base salary of the CEO remained constant.

Short term incentives

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

Under the STI scheme, an STI dollar value is set for senior executives, which represents the target STI that can be awarded for achieving target for the relevant year. The total target STI opportunity for executive KMP for the 2023 financial year was \$84,000. The target STI opportunity as a percentage of associated fixed remuneration was 16.4%.

STI targets are set in advance each year and are challenging. The STI targets for the 2023 financial year were determined based on a matrix of Consolidated Entity mature net profit before impairments and tax (global STI target) and region mature operating profit (region STI target), where appropriate based on regional responsibilities. To ensure STI targets remained challenging, the global STI target and region STI targets, in the 2023 financial year, were set above 2022 financial year results, and above pre-COVID levels. Region STI is only paid if the region STI target is met; there is no gateway.

The CFO has both global responsibility and direct responsibility for a region, and therefore the total STI potential was allocated between the region STI target and the global STI target. The region STI allocation was 36% of total target STI, and 22% of outperform STI. The CFO's region target was set to be very challenging, and was not met, so his regional STI was not paid in the 2023 financial year.

A gateway consolidated mature net profit before impairment and tax is set each year, and must be achieved before any global STI payout is made. It is intended that a similar approach to STI will be applied for the 2024 financial year. Despite the continued challenges stemming from COVID-19, and potential recessionary pressures, the gateway consolidated net profit before impairment and tax increased for the 2023 financial year. The gateway has been further increased for the 2024 financial year in anticipation of continued improvement in results, balanced by economic uncertainty and global political events, as provided in the following table.

FINANCIAL YEAR ENDING 30 JUNE	2022	2023	2023	2023	2023	2024	2024	2024
	ACTUAL	GATEWAY	TARGET	OUT PERFORM	ACTUAL	GATEWAY	TARGET	OUT PERFORM
Consolidated mature net profit before impairments and tax (\$ million)	38.0	40.0	42.0	45.0	42.3	44.0	47.0	50.0

Global STI is calculated as follows:

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

REMUNERATION REPORT

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

- if the global target is exceeded by more than a set amount, executive KMP receive double their global STI opportunity. In the 2023 financial year, this metric was set at \$3 million, representing a global outperform consolidated mature net profit before impairments and tax of \$45 million. This out-perform metric was not achieved in 2023, so these payments were not made.
- executive KMP with a region target receive an extra \$50,000 for each \$2 million by which they out-perform their region mature operating profit target. In addition, the Board has discretion to reward executive KMP who achieve 'super out-perform' region results with additional STI payments. There were no executive KMP who received a regional out-perform in the 2023 financial year;
- In the 2023 financial year, the total additional STI opportunity if the executive KMP had outperformed their region target by \$2 million and global outperform was also achieved, was \$104,000.

Long term equity incentives

In 2016 the Board updated the Servcorp Limited Executive Share Option Scheme (ESOS). From time to time since then, the Board has granted Options to senior executives to encourage and reward superior long term performance. These options have been subject to vesting criteria based on 3-year service and 2-year EPS growth.

- Options were granted to executive KMP during the 2021 and 2022 financial years;
- a summary of the terms of the Options currently on issue under the ESOS are detailed in the table below.

Options currently on issue under the ESOS:

Grant date	27 August 2020	27 August 2020	11 May 2022
Issue date	18 September 2020	4 November 2020	19 May 2022
Exercise price	\$2.48 per Option	\$2.48 per Option	\$3.54 per Option
Vesting conditions	EPS performance hurdle of 15% pa cumulative growth between the 2020 and 2022 financial years Continuous service until 18 September 2023	EPS performance hurdle of 15% pa cumulative growth between the 2020 and 2022 financial years Continuous service until 18 September 2023	EPS performance hurdle of 15% pa cumulative growth between the 2022 and 2024 financial years Continuous service until 19 May 2025
Vesting date	18 September 2023	18 September 2023	19 May 2025
Exercise period	Two years from vesting date to expiry date	Two years from vesting date to expiry date	Two years from vesting date to expiry date
Expiry date	18 September 2025	18 September 2025	19 May 2027
Option value	\$0.5825	\$0.5368	\$0.5145
Status	Vested (i)	Vested (i)	Not vested

i. Effective 25 August 2022, the Options issued on 18 September 2020 and 4 November 2020 vested, as the EPS Performance of the Company met the applicable Vesting Percentage. Continuous service is still to be met.

In August 2022, the Board approved a new Servcorp Employee Incentive Plan (SEIP) with the purpose of encouraging executives and other team members to share in the ownership of the Company and to promote the long-term success of the Consolidated Entity as a shared goal.

- this program is designed to improve executive alignment with our long-term goals, and ensure we evolve with market practice by introducing a 3-year testing horizon;
- the SEIP provides for various types of awards, including Options and Performance Rights;
- Performance Rights were granted to executive KMP during the 2023 financial year, with vesting based on service and a 3-year cumulative EPS measure. The targets are intended to be rigorous yet achievable in the event of strong group performance;
- a summary of the terms of the Performance Rights currently on issue to KMP under the SEIP are detailed in the following table.



REMUNERATION REPORT

Performance Rights currently on issue under the SEIP:

Grant date	1 December 2022
Issue date	19 December 2022
Exercise price	\$Nil
	3-year cumulative EPS performance target, representing 10% pa growth between the 2022 and 2025 financial years
Vesting conditions	Threshold performance for 50% vesting, representing 5% pa growth between the 2022 and 2025 financial years, with pro rata vesting between threshold and target
	Continuous service until 1 September 2025
Vesting date	1 September 2025
Exercise period	30 days from vesting date to expiry date
Expiry date	30 September 2025
Option value	\$2.7982
Status	Not vested

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

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

Key financial indicators

Servcorp's principal activities and financial performance are explained in detail in the Review of Operations section of the Directors' Report on pages 36 to 39.

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

MEASURE	FINANCIAL YEAR ENDED 30 JUNE				
	2019	2020	2021	2022	2023
Total revenue (\$million)	337	352	276	276	296
Net profit before tax (\$million)	12.5	15.6	30.6	34.4	17.0
Net profit after tax (\$million)	5.4	6.9	23.5	28.0	11.1
Basic earnings per share (cents)	5.6	7.2	24.3	28.9	11.4
Dividend per share (cents)	23.0	20.0	18.0	20.0	22.0
Share price as at 30 June (\$)	\$3.51	\$2.32	\$3.50	\$3.30	\$3.00
Offices	5,788	5,039	5,141	5,162	5,150
Number of locations	137	112	111	107	106

The 2019 financial year was challenging due to a dramatically increased competitive environment and pressures in the US market, with net profit after tax impacted by charges for non-recurring restructure costs and write-offs, the impairment of leasehold improvements and goodwill and the exclusion of restricted earning. Despite the large non-cash impairments impacting on profits for the 2019 financial year, revenues were at a record level and Directors were encouraged by a strong second half profit.

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

The 2021 and 2022 financial years saw challenging COVID-19 trading conditions and a difficult global economic environment. In particular, there was downward price pressure across our global footprint, affecting revenue. We also experienced notable variation in performance across regions, as the severity of lockdowns and other restrictions differed across geographies. An improving environment, disciplined cost management and minimal impact from non-underlying items saw net profit after tax, and associated earnings per share (EPS), return to higher levels, with EPS up 237% in 2021, and 19% in 2022.

REMUNERATION REPORT

Through all years, cash flows have remained strong, allowing interim and final dividends to continue to be paid to our shareholders. In 2022 we were able to increase the dividend from 2021 levels, and in total, Servcorp returned \$19.4 million to shareholders via dividends in the 2023 financial year. In total, the Company has returned \$99.7 million to shareholders over the last 5 years, representing \$1.03 per share, in dividends.

Servcorp's share price has varied considerably over the last several years. The uncertainties created by COVID-19 had a significant impact on Servcorp's share price, which closed at \$2.32 on 30 June 2020, down from \$3.51 at the end of the 2019 financial year. Servcorp's share price increased steadily during the 2021 financial year, and at 30 June 2021 closed at \$3.50. Servcorp's share price increased considerably in the first half of the 2022 financial year, reaching a high of \$4.74 in November 2021 in anticipation of a recovery in the post COVID-19 period. However, the difficulties in global economies and the war in Ukraine have caused significant market uncertainty, with Servcorp's share price decreasing to \$3.00 at 30 June 2023, despite the improving underlying performance of the business. Notwithstanding this short term volatility, over the three year period from 1 July 2020 to 30 June 2023 Servcorp's total shareholder return (TSR) was 55.2%.

Servcorp is in a financially sound position and we are confident that we will return to higher profit levels which, when combined with healthy dividends, will contribute to a satisfactory total shareholder return (TSR) performance over the coming years.

In the 2023 financial year, consolidated mature net profit before impairments and tax improved on the prior year, meeting the global target, and accordingly the target global STI opportunity was paid.

The variable pay opportunity paid out to executive KMP represents 64.3% of the target opportunity. 35.7% of KMP target STI opportunity was forfeited. The individual 'at risk' rewards paid in the 2023 financial year to executive KMP and the percentage of their maximum opportunity is provided in the following table.

EXECUTIVE KMP	REGION	STI AWARDED \$	% OF TARGET OPPORTUNITY	PERFORMANCE RIGHTS AWARDED NO.	FAIR VALUE OF PERFORMANCE RIGHTS AWARDED
Alf Moufarrige	Head Office	N/A	N/A	-	-
David Hunt	Head Office & SEA	54,000	64%	40,000	\$111,928

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

If our forward net profit before tax targets are met, then shareholders, in the opinion of the Board, will be satisfied with the Consolidated Entity's performance and executives will receive their target remuneration opportunity.

If executives fail to meet their targets, the 'at risk' component of executive KMP and regional executive remuneration will be heavily discounted, or in certain circumstances, not be awarded. In this way the alignment of Consolidated Entity performance and executive KMP and regional executive remuneration will be in direct correlation and be unambiguous. The Board also reserves the right to exercise discretion to avoid unintended remuneration outcomes.

EMPLOYMENT AGREEMENTS

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

Termination benefits

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

Malus and Clawback

Servcorp introduced a Malus and Clawback Policy in August 2022.

The Policy applies for current executive KMP, to unvested Short Term Incentive and Long Term Incentive awards. The Policy is designed to be preventative rather than a purely remedial or punitive measure. Under the Policy, the Board may take action to adjust downwards (malus) or recover (clawback) unvested 'at risk' remuneration, where there is reasonable evidence that an executive KMP has materially contributed to, or been materially responsible for, the need for the restatement of financial results for defined reasons.

Any application of the policy will be disclosed to shareholders.

The Malus and Clawback Policy is available on Servcorp's website; servcorp.com.au

Minimum shareholding requirements

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



REMUNERATION REPORT

EMPLOYEE SHARE SCHEME AND OTHER EQUITY INCENTIVE INFORMATION

As mentioned previously in this report, the Board introduced the Servcorp Employee Incentive Plan (SEIP) in August 2022, with the purpose of encouraging executives and other team members to share in the ownership of the Company and to promote the long-term success of the Consolidated Entity as a shared goal. The SEIP provides for various types of awards, including Options and Performance Rights.

In prior years, this was achieved by issuing Options under the Servcorp Limited Executive Share Option Scheme (ESOS).

In the 2023 financial year, the Board granted 160,000 Performance Rights and 1,000,002 Options under the SEIP to senior executives, including 40,000 Performance Rights to the CFO, an executive KMP.

In the 2022 financial year, the Board granted 100,000 Options under the ESOS to the CFO, an executive KMP, upon commencement of his employment with Servcorp.

For the 2024 financial year, the Board plans to grant LTI awards to both the CEO and CFO, in addition to a wider group of senior executives. For these grants, the Board will consider the appropriate mix of awards, as well as the inclusion of other metrics in addition to cumulative EPS, to determine vesting after the 3 year performance period.

Details of the Performance Rights and Options granted, on issue and lapsed are provided in the Directors' Report on page 35.

Details of Performance Rights and Options granted to Directors or the five most highly remunerated executives are provided in the following table.

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

RIGHTS & OPTIONS HOLDER	TYPE	GRANT YEAR	HELD AT 1 JULY 2022	GRANTED NO.	FAIR VALUE OF GRANT \$	LAPSED / EXPIRED NO.	VESTED NO.	HELD AT 30 JUNE 2023 NO.
Alf Moufarrige	Options	2021	1,500,000	-	-	-	-	1,500,000
David Godchaux	Options	2021	75,000	-	-	-	-	75,000
David Godchaux	Performance Rights	2023	-	40,000	\$111,928	-	-	40,000
David Hunt	Options	2022	100,000	-	-	-	-	100,000
David Hunt	Performance Rights	2023	-	40,000	\$111,928	-	-	40,000
Fabienne Moukheiber Hajjar	Options	2021	50,000	-	-	-	-	50,000
Fabienne Moukheiber Hajjar	Performance Rights	2023	-	20,000	\$55,964	-	-	20,000
Olga Vlietstra	Options	2021	200,000	-	-	-	-	200,000
Olga Vlietstra	Performance Rights	2023	-	60,000	\$167,892	-	-	60,000

REMUNERATION REPORT

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS AND MOVEMENTS

The number of Ordinary shares held by each key management personnel in the share capital of the Company, and the movement on those holdings during the financial year, is set out in the following table.

KMP	TOTAL HELD AT 1 JULY 2022	GRANTED DURING THE YEAR	PURCHASED DURING THE YEAR	DISPOSED DURING THE YEAR	HELD DIRECTLY AT 30 JUNE 2023	HELD INDIRECTLY AT 30 JUNE 2023(i)	TOTAL SHARES HELD AT 30 JUNE 2023
M Vaile	35,050	-	-	-	-	-	35,050
W Graham	3,000	-	11,000	-	14,000	-	14,000
T McGrath	66,853	-	-	-	-	-	66,853
A Moufarrige	51,809,796	-	436,775	1,752,651(ii)	547,436	49,938,847	
D Hunt	-	-	20,000	-	10,000	10,000	20,000

Notes:

i. Shares held indirectly are included in the "total shares held at 30 June 2023" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of spouse, dependents, and entities controlled or significantly influenced by the KMP.

ii. The shares disclosed as disposed by A G Moufarrige were sold by related parties of A G Moufarrige. A G Moufarrige did not personally dispose of any shares which he held directly or through entities controlled or significantly influenced by him.

NON-EXECUTIVE DIRECTOR REMUNERATION

Amount in AUD	Short term benefits	Post-employment benefits	Total				
			Name & title	Year	Fees	Superannuation benefits (i)	(ii)(iii)
M Vaile	2023	159,818	16,781	176,599			
Non-Executive Director	2022	159,818	15,982	175,800			
W Graham	2023	91,325	9,589	100,914			
Non-Executive Director	2022	91,325	9,133	100,458			
T McGrath	2023	100,457	10,548	111,005			
Non-Executive Director	2022	100,457	10,046	110,503			
Aggregate	2023	351,600	36,918	388,518			
	2022	351,600	35,161	386,761			

Notes:

i. Superannuation benefits have increased due to an increase in the Superannuation Guarantee rate from 10% to 10.5%, effective 1 July 2022.

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

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



REMUNERATION REPORT

KEY MANAGEMENT PERSONNEL REMUNERATION

Amount in AUD		Short term benefits			Post-employment		Other long term benefits	Termination benefits	Share based payments	Total	% of performance related remuneration
Name & title	Year	Salary	Cash STI (i,ii)	Non-monetary benefits	Other short term benefits	Super-annuation benefits	Long service leave	Rights & Options (iii)			
A G Moufarrige (iv)	2023	425,104	-	25,576	-	31,500	-	-	210,328	692,508	43.6%
CEO	2022	427,728	-	30,861	-	30,000	-	-	280,437	769,026	57.4%
D Hunt (v)	2023	450,000	54,000	14,483	-	47,250	-	-	6,097	571,830	17.6%
CFO & Head of SEA	2022	70,449	-	2,663	-	7,045	-	-	2,020	82,177	2.5%
Key management personnel in 2022											
A Clowes (vi)											
CFO	2022	258,039	-	3,400	-	21,641	-	158,500	-	441,580	0.0%
D Godchaux (vii)											
GM EME	2022	516,932	130,000	23,540	-	29,647	-	-	14,562	714,681	25.4%
L Gorman (viii)											
GM AUNZ	2022	273,382	-	-	-	12,667	-	238,221	-	524,270	0.0%
J Henderson (vii)											
COO	2022	500,000	-	-	-	50,000	-	-	19,417	569,417	30.8%
C Susini (vii)											
GM USA	2022	435,477	10,000	5,006	-	26,775	-	-	9,708	486,966	10.6%
O Vlietstra (vii)											
GM Japan	2022	621,163	262,500	12,774	-	-	-	-	38,833	935,270	29.8%
Aggregate (ix)	2023	875,104	54,000	54,682	-	78,750	-	-	216,425	1,264,338	30.2%
Aggregate (ix)	2022	3,103,170	402,500	78,244	-	177,775	-	396,721	364,977	4,523,387	24.9%

Notes:

- i. Amounts disclosed as short term cash STI in the 2023 year represent STI paid in August 2023 based on 2023 financial year global and region targets.
- ii. Amounts disclosed as short term cash STI in the 2022 year represent STI paid in August 2022 based on 2022 financial year global and region targets.
- iii. Amounts disclosed as share based payments relate to Performance Rights issued on 19 December 2022 and Options issued on 18 September 2020, 4 November 2020 or 19 May 2022. Details are set out on pages 47, 48 and 50 of this annual report.
- iv. The salary of A G Moufarrige includes a component paid in Yen, and the amount disclosed above will vary based on the foreign currency exchange rates. Base salary has been unchanged during the last two years. A G Moufarrige has waived his entitlement to annual leave and long service leave.
- v. D Hunt commenced employment with Servcorp effective 19 April 2022 as CFO. His annual base salary increased from \$350,000 to \$450,000 effective 1 July 2022, in recognition of increased operational responsibility within the business, including oversight of a region and new title as CFO and Head of SEA.
- vi. A Clowes ceased employment with Servcorp effective 23 February 2022.
- vii. D Godchaux, J Henderson, C Susini and O Vlietstra were not deemed to be executive KMP in the 2023 financial year. Their remuneration for the 2022 financial year is shown for comparative purposes.
- viii. L Gorman ceased employment with Servcorp effective 31 October 2021. In recognition of her more than 40 years of service, a termination payment equivalent to her average annual base salary over her last three years was approved by the Board.
- ix. The Aggregate reflects the relevant KMP attributable to each financial year.

REMUNERATION REPORT

KEY MANAGEMENT PERSONNEL REMUNERATION

		Short term incentive grants			Maximum
Name & title	Year	STI paid in cash %	STI Accrued and not yet due %	STI forfeited %	future value of vested STI \$
A G Moufarrige	2023	-	-	-	-
CEO	2022	-	-	-	-
D Hunt	2023	64.3%	0.0%	35.7%	-
CFO & Head of SEA	2022	-	-	-	-

Key management personnel in 2022

A Clowes				
CFO	2022	0.0%	0.0%	100.0%
D Godchaux				
GM EMEI	2022	100.0%	0.0%	0.0%
L Gorman				
GM AUNZ	2022	0.0%	0.0%	100.0%
J Henderson				
COO	2022	0.0%	0.0%	100.0%
C Susini				
GM USA	2022	25.0%	0.0%	75.0%
O Vlietstra				
GM Japan	2022	175.0%	0.0%	25.0%
Aggregate	2023	64.3%	0.0%	35.7%
Aggregate	2022	85.6%	0.0%	53.2%

Notes:

- x. O Vlietstra forfeited half her global STI opportunity, which equated to 25% of her potential total STI target opportunity. O Vlietstra achieved 'out-perform' profits for her region and as a result achieved greater than 100% of her region STI opportunity.



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

To the Directors of Servcorp Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Servcorp Limited for the financial year ended 30 June 2023 there have been:

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

KPMG

Kim Lawry

Kim Lawry
Partner
Sydney
24 August 2023

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022	
	Note	\$ '000	\$ '000
Revenue			
Other revenue and income	3	292,473	271,646
Total revenue	3	3,073	3,927
		295,546	275,573
Service expenses			
Marketing expenses			
Occupancy expenses			
Administrative expenses			
Amortisation of right of use asset	13	(74,485)	(65,707)
Finance costs attributable to lease liabilities	16	(18,354)	(14,681)
Net impairment of property, plant and equipment and right of use assets	13	(38,189)	(33,798)
Net foreign exchange gain (realised and unrealised)			
Fair value gains on derivatives			
Share of gains of joint ventures			
Other losses			
Total expenses	4	(278,553)	(241,196)
Profit before income tax expense		16,993	34,377
Income tax expense	5	(5,926)	(6,356)
Profit for the year		11,067	28,021
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation of foreign operations (items may be reclassified subsequent to profit or loss)			
Other comprehensive loss for the year (net of tax)		(2,285)	(6,446)
Total comprehensive income/(loss) for the year		8,782	21,575
Earnings per share			
Basic EPS	6	Cents	Cents
Diluted EPS	6	11.4	28.9
		11.4	28.9

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	2023	2022	
	Note	\$ '000	\$ '000
Assets			
Current assets			
Cash and cash equivalents	7	105,364	100,766
Trade and other receivables	8	27,778	19,958
Other financial assets	9	13,458	9,854
Current tax receivable	10	5,506	11,102
Prepayments and other assets		6,893	4,417
Total current assets		158,999	146,097
Non-current assets			
Other financial assets	9	37,808	40,471
Property, plant and equipment	11	80,358	80,482
Intangible assets	12	2,433	2,075
Right of use assets	13	305,311	259,998
Deferred tax assets	10	42,283	39,774
Goodwill	14	13,775	13,775
Total non-current assets		481,968	436,575
Total assets		640,967	582,672
Liabilities			
Current liabilities			
Trade and other payables	15	43,545	34,954
Security deposits		27,160	27,288
Lease liabilities	16	106,037	89,423
Provisions	17	13,057	9,902
Total current liabilities		189,799	161,567
Non-current liabilities			
Lease liabilities	16	261,808	221,357
Provisions	17	1,582	1,494
Total non-current liabilities		263,390	222,851
Total liabilities		453,189	384,418
Net assets		187,778	198,254
Equity			
Contributed equity	19	151,594	151,594
Reserves	20, 21	(24,165)	(21,986)
Retained earnings		60,349	68,646
Total equity		187,778	198,254

The accompanying notes form part of these financial statements.



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Contributed equity '000	Share buy back reserve '000	Foreign currency translation reserve '000	Employee equity settled benefits reserve '000	Retained earnings '000	Total '000
Balance at 1 July 2022	151,594	(4,733)	(18,085)	832	68,646	198,254
Profit for the year	-	-	-	-	11,067	11,067
Translation of foreign operations (net of tax)	-	-	(2,285)	-	-	(2,285)
Total comprehensive income for the year	-	-	(2,285)	-	11,067	8,782
Share-based payments	-	-	-	106	-	106
Payment of dividends	-	-	-	-	(19,364)	(19,364)
Balance at 30 June 2023	151,594	(4,733)	(20,370)	938	60,349	187,778
	Contributed equity \$ '000	Share buy back reserve \$ '000	Foreign currency translation reserve \$ '000	Employee equity settled benefits reserve \$ '000	Retained earnings \$ '000	Total \$ '000
Balance at 1 July 2021	151,594	(4,733)	(11,639)	372	59,020	194,614
Profit for the year	-	-	-	-	28,021	28,021
Translation of foreign operations (net of tax)	-	-	(6,446)	-	-	(6,446)
Total comprehensive income for the year	-	-	(6,446)	-	28,021	21,575
Share-based payments	-	-	-	460	-	460
Payment of dividends	-	-	-	-	(18,395)	(18,395)
Balance at 30 June 2022	151,594	(4,733)	(18,085)	832	68,646	198,254

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$ '000	2022 \$ '000
Cash flows from operating activities			
Receipts from customers		317,741	301,978
Payments to suppliers and employees		(151,983)	(134,352)
Franchise fees received		226	134
Interest and other items of similar nature received		2,830	1,067
Interest and other costs of finance paid		(11,221)	(10,127)
Tax paid		(2,062)	(13,117)
Net cash generated from operating activities	32	155,531	145,583
Cash flows from investing activities			
Proceeds from sale of plant and equipment		744	137
Payments for property, plant and equipment	11	(19,404)	(13,075)
Payment for intangible assets	12	(1,185)	(1,768)
Payments for landlord lease deposits		(1,348)	(1,030)
Payments for variable rate bonds and listed ordinary shares		(3,739)	(7,105)
Proceeds from sale of variable rate bonds and listed ordinary shares		277	10,220
Net cash used in investing activities		(24,655)	(12,621)
Cash flows from financing activities			
Repayment of lease liabilities relating to current year occupancy	16	(98,008)	(99,214)
Repayment of lease liabilities relating to future occupancy years	16	(5,433)	(6,557)
Dividends paid		(19,364)	(18,395)
Landlord capital incentives received		-	1,895
Net cash used in financing activities		(122,805)	(122,271)
Effects of exchange rate changes on cash and cash equivalents		(3,473)	(3,708)
Net increase in cash and cash equivalents held		4,598	6,983
Cash and cash equivalents at beginning of financial year		100,766	93,783
Cash and cash equivalents at end of financial year	7	105,364	100,766

The accompanying notes form part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 Basis of preparation

Statement of compliance

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

For the purposes of preparing the Consolidated Financial Statements, Servcorp Limited (the Company) and its subsidiaries together are referred to as (the Consolidated Entity) is a for-profit entity.

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

The Consolidated Financial Statements were authorised for issue by the Directors on 24 August 2023.

Authorisation of financial statements

Servcorp Limited is a public limited company incorporated in Sydney and registered and domiciled in Australia. The Company's ordinary shares are traded on the Australian Securities Exchange Ltd and the Consolidated Entity's Financial statements for the year ended 30 June 2023 were authorised for issue by the Board of Directors on 24 August 2023.

Servcorp Limited's aim is to provide the finest workspace solutions to our customers by providing the best locations, facilities, technology and people crucial to making business successful. Information on the Group's structure is provided in note 27, and information on other related party relationships of the Group is provided in note 28.

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

Basis of preparation

The Financial Report has been prepared on the basis of historical cost, except for financial instruments that are measured at their fair value as explained in note 1j. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The Consolidated Financial Statements comprise the Financial Statements of the Company and all its subsidiaries.

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

Going concern

These Consolidated Financial Statements are prepared on the going concern basis. 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 reported a profit after tax of \$11.1 million (2022: \$28.0 million) from continuing operations for the year, while net cash of \$155.5 million (2022: \$145.6 million) was generated from operations during the year. Although The Consolidated Entity's balance sheet as at 30 June 2023 reports a net current liability position of \$30.8 million (2022: \$15.5 million) which could give rise to a potential liquidity risk, the Directors concluded and are satisfied after a comprehensive review that no liquidity risk exists after taking into account the following factors:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Going concern (continued)

- the Consolidated Entity has a cash balance totaling \$105.4 million;
- the Consolidated Entity produced positive operating cash flows of \$155.5 million (2022: \$145.6 million);
- the Consolidated Entity is in a net current liabilities position due to the capitalisation of lease commitments. The corresponding right of use asset is classified as a non-current asset. Net current liabilities are impacted by the current position of lease liabilities of \$106.0 million which is forecast to be funded out of operating cash flows;
- the Consolidated Entity has no external debt; and
- the Consolidated Entity has net assets of \$187.8 million as at reporting date.

Based on the above, the Directors consider that the Consolidated Entity is well placed to successfully manage the actual and potential liquidity risks faced by the organisation.

On the basis of their assessment, the Directors have a reasonable expectation that the Consolidated Entity has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and consider it appropriate to continue to adopt the going concern basis in preparing the financial statements of the Consolidated Entity.

Adoption of new and revised accounting standards

In the current year, the Consolidated Entity has adopted other amended standards and interpretations. The adoption of the standards and interpretations had no significant impact on the current year or any prior year and are not likely to have a significant impact in future years.

Standard name

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

1 January 2023

Definition of Accounting Estimate - Amendments to IAS 8

1 January 2023

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 10 and IAS 28)

1 January 2023

IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts

1 January 2023

Effective date for entity

1 January 2023

New accounting standards and interpretations not yet effective

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting years. The Consolidated Entity has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Consolidated Entity where the standard is relevant:

Standard name

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 Leases

1 January 2024

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

1 January 2025

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.

Critical accounting estimates and judgements

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Critical accounting estimates and judgements (continued)

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

Impairment

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

As a consequence of the global economic environment, significant judgement has been exercised in determining key assumptions for impairment testing and their sensitivity to change.

If the recoverable amount of an asset is less than its carrying value, an impairment charge is recognised in the profit or loss, and the carrying value of the asset is written-down to its recoverable amount. Should the recoverable amount increase in future years the carrying value may be adjusted to the lower of the recoverable value or the amortised cost of the asset had it not been impaired. The specific impairment test applied are detailed in the accompanying notes 13 and 14.

Expected credit loss provision

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

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

Executive share option scheme and employee incentive plan

To calculate the expense for equity settled share based payments, the fair value of the equity instruments at grant date has to be estimated. The fair value is determined using the Black Scholes option pricing model. Key judgements and assumptions include exercise price, vesting and performance criteria, share price at grant date, volatility, distribution yield and risk-free interest rate. These judgements and assumptions relating to fair value measurement may impact the expense taken to profit or loss and reserves. Refer to note 21 and the Remuneration Report.

a Basis for consolidation

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

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess in the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period of acquisition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

b Investment in joint venture

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

The results and assets and liabilities of a joint venture are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Consolidated Entity's share of profit or loss and other comprehensive income of the joint venture.

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

The requirements of AASB 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Consolidated Entity's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment substantially increases.

c Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Consolidated Entity's CGU, or groups of CGUs, expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment of the Consolidated Entity. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Please refer to note 14 for further details.

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

d Impairment of non-financial assets

The carrying value of tangible assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when there is indications that the carrying value may be impaired. Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the CGU to which the asset belongs.

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

e Revenue recognition

Rental and service revenue

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

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

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

f Other income/expense

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Disposal of assets

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Consolidated Entity will comply with the conditions attaching to them and that the grants will be received. Grants are accounted for on a gross basis in revenue and expenses by the Consolidated Entity.

g Foreign currency transactions and balances

Transactions

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

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

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

When a foreign operation is reconsolidated or borrowings that form part of the net investment are repaid, the cumulative exchange differences are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale.

Translation of controlled foreign entities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

h Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, and amortisation of ancillary costs using the effective interest rate method in connection with the arrangement of borrowings. Borrowing costs are expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.

i Income tax

Current income tax

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

Deferred tax assets and liabilities

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

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

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

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

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

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

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised in equity.

Tax losses and uncertain tax matters

Deferred tax assets for the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised. This is assessed at each reporting date. Further information is set out in note 10.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

i Income tax (continued)

Tax consolidation

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

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

Goods and services tax

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

Receivables and payables are stated inclusive of GST.

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

j Financial instruments

Financial instruments are recognised initially on the date that the Consolidated Entity becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 25.

Other financial assets are classified into the following specified categories:

Loans and receivables

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

Trade debtors to be settled within 30 days are carried at amounts due. AASB 9 impairment requirements use forward-looking information when determining expected credit losses. The expected credit loss model requires the Consolidated Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

j Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

Effective interest method

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

Financial liabilities

The Consolidated Entity measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Consolidated Entity comprise trade payables, bank and other loans and lease liabilities. Liabilities are recognised for amounts payable in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade accounts payable are normally settled within 60 days.

Derivative financial instruments

The Consolidated Entity enters into derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Further details of derivative financial instruments are disclosed in note 24 to the Consolidated Financial Report.

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

k Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the Consolidated Statement of Cash Flows and are presented within current liabilities on the Consolidated Statement of Financial Position.

l Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

m Share based payments

The Board may grant options to eligible executives in accordance with the Servcorp Executive Share Option Scheme. These equity settled share based payments are non-market based.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

m Share based payments (continued)

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

n Property, plant and equipment

Recognition and measurement

Property, plant and equipment is stated at historical cost, less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure

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

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

Depreciation

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

Leasehold improvements are depreciated over the period the assets will be utilised by the Consolidated Entity and is calculated based on each lease term contract and renewal options.

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

Fixed asset class	Depreciation rate
Buildings	40 years
Leasehold improvements	Useful life of the asset
Office furniture and fittings	7.7 years
Office equipment	3 - 4 years
Software	3.7 years
Motor Vehicles	6.7 years

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

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

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

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is recorded in profit and loss in the year the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

o Intangible assets

Intangible assets relate to internally developed software and is initially recognised at cost. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Consolidated Entity intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent to initial recognition the intangible assets is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated to write off the cost of the intangible assets over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Asset class	Amortisation rate
Internally developed software	4- 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Consolidated Entity with the right to access the cloud provider's application software over the contract period. As such the Consolidated Entity does not receive a software intangible asset at the contract commencement date.

For SaaS arrangements, the Consolidated Entity assesses if the contract involves a software that it can 'control' to determine whether an intangible asset is present. If the Consolidated Entity cannot determine control of the software, the arrangement is deemed a service contract and any implementation costs including cost of configuration and customisation of the software are recognised as operating expenses when incurred.

p Leases

The Consolidated Entity as lessee

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

When the contract does not exceed 12 months the lease is classified as short term in nature and not recognised in terms of IFRS 16. Lease payments are expensed in profit and loss.

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

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

The lease liability is presented as a separate line in the Consolidated Statement of Financial Position.

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

p Leases (continued)

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

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

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

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

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

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

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

The Consolidated Entity is currently party to a lease portfolio of 121 leases as lessee.

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

q Employee benefits

Wages, salaries and annual leave

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

Long service leave

The provision for employee benefits in respect of long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to the reporting date. Provisions for employee benefits which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at the reporting date which most closely match the terms of maturity of the related liabilities.

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

Contributions to Australian superannuation funds

The Company and other Australian controlled entities contribute to defined contribution superannuation plans. Contributions are charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income as they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

r Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

s Debt and equity instruments

Details of reserves included in Consolidated Statement of Changes in Equity

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

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

2 Operating segments

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. Intersegment sales were eliminated in full.

For the year ended 30 June 2023, the Consolidated Entity's Coworking and Virtual Office revenue, and Serviced Office revenue were \$88.3 million and \$204.2 million respectively (2022: \$82.0 million and \$189.7 million, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

2 Operating segments (continued)

		Service & other revenue		Total revenue		Lease revenue		Service & other revenue		Total revenue		Segment profit/(loss)		Segment profit/(loss)	
		2023	2023	2023	2023	2022	2022	2022	2022	2022	2023	2023	2022	2022	
		\$ '000		\$ '000		\$ '000		\$ '000		\$ '000		\$ '000		\$ '000	
Continuing operations															
Australia, New Zealand & South East Asia		53,432	14,299	67,731	48,705	11,929	60,634	9,820	6,252						
North Asia		71,712	23,207	94,919	86,438	25,070	111,508	14,554	16,347						
Europe & Middle East		65,658	30,196	95,854	49,834	24,666	74,500	10,640	8,122						
United States of America		16,699	2,437	19,136	14,210	2,280	16,490	777	262						
Other		2,245	468	2,713	1,289	618	1,907	(295)	2,344						
Total continuing operations		209,746	70,607	280,353	200,476	64,563	265,039	35,496	33,327						
Closed floors (i)															
Australia, New Zealand & South East Asia		2,740	669	3,409	1,625	402	2,027	72	(766)						
North Asia		7,445	1,040	8,485	583	149	732	(6,255)	(179)						
Europe & Middle East		-	-	-	2,590	1,124	3,714	(20)	151						
United States of America		-	-	-	-	-	-	(3)	(6)						
Franchise fee income		10,185	1,709	11,894	4,798	1,675	6,473	(6,206)	(800)						
Consolidated total		219,931	72,542	292,473	205,274	66,372	271,646	29,515	32,661						

2 Operating segments (continued)

	Lease revenue 2023 \$ '000	Service & other revenue 2023 \$ '000	Total revenue 2023 \$ '000	Lease revenue 2022 \$ '000	Service & other revenue 2022 \$ '000	Total revenue 2022 \$ '000	Segment profit/(loss) 2023 \$ '000	Segment profit/(loss) 2022 \$ '000
Interest revenue	-	2,830	2,830	-	1,126	1,126	2,830	1,126
Foreign exchange gains	-	-	-	-	-	-	(3,246)	(2,831)
Centralised unrecovered head office overheads	-	-	-	-	-	-	556	334
Share of profit of joint venture	-	-	-	-	-	-	(633)	(1,863)
Gain/(loss) on asset disposal	-	-	-	-	1,916	1,916	-	1,916
COVID-19 payments received from governments (iii)	-	-	-	-	-	-	(15,061)	-
Impairment of right of use assets (ii)	-	-	-	-	885	885	(64)	(374)
Unallocated	-	243	243	-	-	-	-	-
Profit before tax							16,993	34,377
Income tax expense							(5,926)	(6,356)

Notes:

Notes.

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

- ii. Refer to note 13 for details on the net impairment of the right of use assets and leasehold improvements.
- iii. The comparative 30 June 2022 COVID-19 payments received from governments has been reclassified from

iii. The comparative 30 June 2022 COVID-19 payments received from governments has been reclassified from Australia, New Zealand and South East Asia continuing operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

2 Operating segments (continued)

	30 June 2023			30 June 2022		
	Segment assets	Segment liabilities	Net assets	Segment assets	Segment liabilities	Net assets
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Australia, New Zealand & South East Asia	266,685	(111,337)	155,348	246,927	(110,444)	136,483
North Asia	172,219	(147,026)	25,193	179,885	(126,730)	53,155
Europe & Middle East	224,166	(103,705)	120,461	169,454	(50,851)	118,603
United States of America	(21,370)	(91,085)	(112,455)	(12,843)	(96,362)	(109,205)
Other	(733)	(36)	(769)	(751)	(31)	(782)
	640,967	(453,189)	187,778	582,672	(384,418)	198,254

3 Revenue and other income

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

	2023	2022
	\$ '000	\$ '000
Revenue		
Lease revenue	219,931	205,274
Service revenue	39,765	37,651
Communication revenue	32,551	28,587
Franchise fee income	226	134
Total revenue	292,473	271,646
Other income		
Interest income - bank deposits	2,830	1,126
Foreign COVID-19 government grants	-	1,916
Other income	243	885
Total other income	3,073	3,927
Total revenue and other income	295,546	275,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

4 Expenses

Expenses and outgoings include rates and taxes and are recognised on an accruals basis.
Profit before income tax was arrived at after charging/(crediting) the following from/(to) continuing operations:

	2023	2022
	\$ '000	\$ '000
Amortisation of right of use assets	101,943	100,020
Depreciation of property, plant and equipment	19,125	19,660
Amortisation of intangible assets	827	480
Loss on disposal of property, plant & equipment	789	1,466
(Gain)/loss on disposal of financial assets	(35)	397
Increase in fair value of financial assets classified as fair value through the profit & loss	(1,292)	(450)
Net movement in provision for bad debt	38	(1,949)
Impairment of property, plant and equipment and right of use assets	15,061	-

Refer to note 13 for further details of impairment.

5 Income tax expense

The major components of tax expense comprise:

	2023	2022
	\$ '000	\$ '000
Current tax expense		
Local income tax - current year	8,376	6,229
Over provision in prior years – current tax	(604)	(1,098)
Deferred tax expense		
Origination and reversal of temporary differences	(3,772)	1,774
Under/(over) provision in prior years – deferred tax	1,926	(549)
Income tax expense	5,926	6,356



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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5 Income tax expense (continued)

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 year.

Reconciliation of income tax to accounting profit:

	2023 \$ '000	2022 \$ '000
Profit before income tax	16,993	34,377
Tax percentage	30.00 %	30.00 %
Income tax expense	5,098	10,313
<i>Add/(less) the tax effect of:</i>		
Income tax under/(over) provision in prior years	1,322	(1,648)
Unused tax losses and tax offsets not recognised as deferred tax assets	2,724	503
Deductible local taxes	(293)	(285)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,045)	(1,410)
Other non-deductible/(non-assessable) items	3,120	(1,090)
Unrecognised tax losses of controlled entities recouped	-	(27)
Income tax expense	5,926	6,356

6 Earnings per share

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

	2023 \$ '000	2022 \$ '000
Profit attributable to shareholders used to calculate basic and diluted EPS	11,067	28,021

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

	2023 '000	2022 '000
WANOS used in calculating basic and diluted EPS	96,818	96,818

(c) Earnings per share

	2023 Cents	2022 Cents
Basic EPS	11.4	28.9
Diluted EPS	11.4	28.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

7 Cash and cash equivalents

Cash at bank and in hand
Bank short term deposits

	2023 \$ '000	2022 \$ '000
Cash at bank and in hand	69,481	54,440
Bank short term deposits	35,883	46,326
	105,364	100,766

Bank short term deposits mature within an average of 69 days (2022: 106 days) and are considered cash and cash equivalents on the basis of being short term and subject to an insignificant risk of change in value. These deposits and the interest-earning portion of the cash balance earn interest at a weighted average rate of 2.27% (2022: 1.42%).

8 Trade and other receivables

Trade receivables
Less: impairment of trade receivables

	2023 \$ '000	2022 \$ '000
Trade receivables	28,765	21,386
Less: impairment of trade receivables	(1,876)	(1,838)
Net trade receivables	26,889	19,548
Other receivables	889	410
	27,778	19,958

All of the Consolidated Entity's trade receivables relate to customers purchasing workplace solutions and associated services and no individual customer has a material balance owing as a trade receivable. The Consolidated Entity applies the simplified approach to trade receivables and recognises expected credit losses by establishing a provision matrix for forward-looking factors specific to the debtors and the economic environment. The average credit period allowed on rendering of services is 7 days. The Consolidated Entity has applied the expected credit loss model to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the assets. Receivables are assessed for impairment at each reporting date and as at 30 June 2023 the Directors believe the provisions raised are sufficient.

The Consolidated Entity's impairment of trade receivables includes an ECL allowance for the financial year ended 30 June 2023 totaling \$1.9 million (2022: \$1.8 million).

Reconciliation of changes in the provision for expected credit loss:

	2023 \$ '000	2022 \$ '000
Balance at beginning of the year	(1,838)	(5,035)
Amounts written off	1,048	1,248
Provision (recognised) / reversed	(1,086)	1,949
Balance at end of the year	(1,876)	(1,838)



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

8 Trade and other receivables (continued)

Trade receivables - days past due					
30 June 2023	Current	< 30 days overdue	31 - 60 days overdue	> 61 days overdue	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Trade receivables	14,877	8,112	1,617	4,159	28,765
Expected credit loss rate	- %	12 %	15 %	60 %	
30 June 2022					
Trade receivables	10,116	7,573	1,618	2,079	21,386
Expected credit loss rate	3 %	3 %	15 %	48 %	

The Consolidated Entity calculated expected credit losses based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset. Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any loss allowance. All receivables with maturities greater than 12 months after balance date are classified as non-current. The increase in provisions during the year ended 30 June 2023 represents Management's judgement based on information available at the time on the impact of economic conditions and the recoverability of debtors. The increase of \$0.1 million (2022: decrease \$1.9 million) was recognised through the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the year. Considering the current economic environment and global disruptions, the Consolidated Entity reviewed the recoverability of its debtor profile and is satisfied with the expected credit-loss for the financial year ended 30 June 2023. The recoverability of outstanding balances are estimated to remain stable. Historically the overall debtor profile of the Consolidated Entity has not incurred significant credit losses and continues to maintain significant customer deposits as additional security in the rare event of non-performance of customer contracts.

9 Other financial assets

	2023	2022
	\$ '000	\$ '000
Current		
At fair value through profit or loss		
Investment in bank hybrid variable rate securities	4,597	4,408
Listed ordinary shares	6,393	3,056
At amortised cost		
Lease deposits	2,468	2,390
	13,458	9,854
Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	566	766
At amortised cost		
Lease deposits	36,234	38,696
Other	1,008	1,009
	37,808	40,471

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

10 Tax assets and liabilities

Current tax asset

	2023	2022
	\$ '000	\$ '000
Net tax refunds receivable	5,506	11,102

Deferred tax assets

30 June 2023	Balance at 1 July	Recognised in profit or loss	Balance at 30 June	Deferred tax asset	Deferred tax liability
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Accruals not currently deductible	6,946	1,631	8,577	9,694	(1,117)
Doubtful debts	1,388	(817)	571	571	-
Depreciable and amortisable assets	12,914	(477)	12,437	12,459	(22)
Tax losses	5,917	411	6,328	6,328	-
Foreign exchange	(747)	(128)	(875)	(226)	(649)
Deferred rent incentive	(3)	(5)	(8)	(1)	(7)
Lease asset and liability	12,685	1,867	14,552	94,316	(79,764)
Others	674	27	701	1,031	(330)
Tax assets/(liabilities) before set-off	39,774	2,509	42,283	124,172	(81,889)
Set-off of tax	-	-	-	(81,889)	81,889
Net tax assets/(liabilities)	39,774	2,509	42,283	42,283	-

30 June 2022	Balance at 1 July	Recognised in profit or loss	Balance at 30 June	Deferred tax asset	Deferred tax liability
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Accruals not currently deductible	5,612	1,334	6,946	7,904	(958)
Doubtful debts	1,395	(7)	1,388	1,388	-
Depreciable and amortisable assets	12,879	35	12,914	12,993	(79)
Tax losses	5,481	436	5,917	5,917	-
Foreign exchange	(239)	(508)	(747)	(193)	(554)
Deferred rent incentive	(1)	(2)	(3)	(2)	(1)
Lease asset and liability	14,532	(1,847)	12,685	77,852	(65,167)
Others	969	(295)	674	972	(298)
Tax assets/(liabilities) before set-off	40,628	(854)	39,774	106,831	(67,057)
Set-off of tax	-	-	-	(67,057)	67,057
Net tax assets/(liabilities)*	40,628	(854)	39,774	39,774	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

10 Tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	2023 \$ '000	2022 \$ '000
Temporary difference	16	16
Tax losses - capital	2,086	2,086
Tax losses - revenue	28,930	23,416
	31,032	25,518

The movements in deferred taxes included above are after the offset of deferred tax assets and deferred tax liabilities where there is a legally enforceable right to set off and they relate to income taxes levied by the same taxation authority. The closing deferred tax position above represents the aggregated deferred tax asset or liability position within individual legal entities, with some companies recognising deferred tax assets and others recognising deferred tax liabilities. The closing position is a net deferred tax asset of \$42.3 million (2022: \$39.8 million).

11 Property, plant and equipment

	Freehold land and buildings \$ '000	Leasehold improve- ments \$ '000	Office furniture and fittings \$ '000	Office equipment \$ '000	Capital works in progress \$ '000	Total \$ '000
Year ended 30 June 2023						
Balance at the beginning of year	6,600	60,939	9,530	2,820	593	80,482
Additions	-	14,816	2,162	2,499	(73)	19,404
Disposals	-	(607)	(404)	(522)	-	(1,533)
Depreciation expense	(129)	(14,565)	(2,812)	(1,619)	-	(19,125)
Foreign exchange movements	11	1,000	106	13	-	1,130
Net book value	6,482	61,583	8,582	3,191	520	80,358
Cost	7,489	212,499	39,163	48,706	520	308,377
Accumulated depreciation	(1,007)	(150,916)	(30,581)	(45,515)	-	(228,019)
Balance at the end of the year	6,482	61,583	8,582	3,191	520	80,358

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FOR THE YEAR ENDED 30 JUNE 2023

11 Property, plant and equipment (continued)

	Freehold land and buildings \$ '000	Leasehold improve- ments \$ '000	Office furniture and fittings \$ '000	Office equipment \$ '000	Capital works in progress \$ '000	Total \$ '000
Year ended 30 June 2022						
Balance at the beginning of year	7,188	67,005	11,214	2,402	2,201	90,010
Additions and 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)
Net book value	6,600	60,939	9,530	2,820	593	80,482
Cost	7,501	206,250	38,239	48,804	593	301,387
Accumulated depreciation	(901)	(145,311)	(28,709)	(45,984)	-	(220,905)
Balance at the end of the year	6,600	60,939	9,530	2,820	593	80,482

Leasehold improvements are assessed for indicators of impairment under AASB 136. Refer to note 13 for further details of impairment testing.

12 Intangible asset

Intangible assets relate to assets other than goodwill. For detailed disclosure of goodwill refer to note 14.

	2023 \$ '000	2022 \$ '000
Opening balance		
Additions	2,075	787
Amortisation	1,185	1,768
	(827)	(480)
Balance at the end of the year	2,433	2,075



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FOR THE YEAR ENDED 30 JUNE 2023

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13 Right of use assets

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

	2023 \$ '000	2022 \$ '000
Balance at beginning of year	259,998	293,993
Additions to right of use assets	157,098	71,099
Amortisation charge for the year	(101,943)	(100,020)
Impairment of right of use assets	(15,061)	-
Foreign exchange movements	5,219	(5,074)
	<u>305,311</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 continued inflationary pressure and uncertain economic climate worldwide 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 carried out a comprehensive review for potential impairments across the whole portfolio at a CGUs level.

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 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 6.7% and 10.4% (2022: 7.1% and 12.0%). Impairment charges are recognised within the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

In the approach detailed above, an impairment loss of \$15.1 million was raised in relation to CGUs in Europe and North Asia for the year ended 30 June 2023. As a result of the the extended underperformance, slower than expected recovery from COVID-19 and continued uncertainty in global economic conditions, no previously recognised impairment loss was reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

14 Goodwill

Allocation of goodwill to cash generating units

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 CGU as at 30 June 2023 were as follows:

	2023 \$ '000	2022 \$ '000
Japan	9,161	9,161
Australia	2,636	2,636
New Zealand	785	785
Singapore	706	706
Thailand	326	326
China	161	161
	<u>13,775</u>	<u>13,775</u>

The Consolidated Entity tested goodwill for impairment as at 30 June 2023. The recoverable amount of a CGU or group of CGUs to which goodwill is allocated is determined based on the greater of its value in use and its fair value less costs of disposal. Fair value is determined as being the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. If relevant, this fair value assessment less costs of disposal is conducted by management based on extensive knowledge of the industry including the current market conditions prevailing. The value in use (ViU) assessment is conducted using a discounted cash flow methodology requiring the Directors to estimate the discounted future cash flows expected to arise from the CGU.

When applying the ViU approach to calculate the recoverable amount for each CGU, the Consolidated Entity incorporates the use of projected financial information and a discount rate that are developed using market participant based assumptions. The cash-flow projections are based on financial forecasts for the remainder of the useful life five-year financial forecasts developed by management that include revenue projections, capital spending trends, and investment in working capital to support anticipated revenue growth. The selected discount rate considers the risk and nature of the respective reporting unit's cash flows and the rates of return market participants would require to invest their capital in the Consolidated Entity's reporting units. The Consolidated Entity's methodology for determining recoverable amounts remained consistent for the years presented.

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

- future cash flows are based on forecasts prepared by management. The model excludes cost savings and restructurings that are anticipated but had not been committed to at the date of the determination of the ViU;
- these forecasts exclude the impact of acquisitive growth expected to take place in future periods;
- management considers these forecasts to be a reasonable projection of margins. Cash flows beyond 30 June 2028 have been extrapolated using a nil growth rate which management believes is a reasonable long-term growth rate for any of the markets in which the Consolidated Entity operates.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

17 Provisions (continued)

	Employee benefits \$ '000	Others \$ '000	Total \$ '000
Opening balance at 1 July 2021	8,926	2,084	11,010
Additional provisions raised	6,354	6,926	13,280
Provisions utilised	(6,272)	(6,361)	(12,633)
Foreign exchange translation movement	(262)	1	(261)
Balance at 30 June 2022	8,746	2,650	11,396

18 Commitments for expenditure

	2023 \$ '000	2022 \$ '000
Capital expenditure commitments - property, plant & equipment		
Committed but not provided for and payable		
Not later than 1 year	15,654	6,259
	15,654	6,259

19 Contributed equity

	2023 \$ '000	2022 \$ '000
96,817,888 (2022: 96,817,888) Ordinary shares	151,594	151,594

20 Foreign currency translation reserve (FCTR)

Servcorp has controlled entities operating in 20 countries and its presentation currency is Australian dollars. The assets and liabilities are translated to Australian dollars using the exchange rate at year end; income and expenses are translated using an average exchange rate for the year. On translation of foreign operations, exchange differences are recognised in other comprehensive income and the FCTR.

	2023 \$ '000	2022 \$ '000
Balance 1 July		
Exchange difference on translation of foreign operations	(18,085)	(11,639)
Balance at 30 June	(2,285)	(6,446)
	(20,370)	(18,085)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

21 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 and the Servcorp Employee Incentive Plan. Amounts are transferred out of the reserve and into share capital when the rights vest, the rights are 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 2023. For the year ended 30 June 2023 the following rights were granted:

	Balance 1 July	Issued	Forfeited	Balance 30 June
Total options FY23	2,726,250	1,002,000	(305,000)	3,423,250
Total options FY22	2,783,750	200,000	(257,500)	2,726,250

	-	160,000	-	160,000
Total performance rights FY23	-	-	-	-
Total performance rights FY22	-	-	-	-

Inputs used to determine fair value at grant date

	SRVAE Performance Rights	SRVAF Options	SRVAD Options	SRVAC Options	SRVAB Options
Grant date	1 Dec 2022	1 Dec 2022	11 May 2022	6 Aug 2021	27 Aug 2020
Share price at grant date	\$3.39	\$3.39	\$3.35	\$3.21	\$2.29 - \$2.48
Exercise price	\$Nil	\$3.50	\$3.54	\$3.35	\$2.48
Expected volatility	28.34%	28.34%	30.29%	56.29%	54.78% - 54.87%
Expected life	1,034 days	1,735 days	1,826 days	1,826 days	1,779 - 1,825 days
Expected dividends	6.77%	6.77%	5.60%	10.11%	7.53%
Risk free interest rate	3.42%	3.42%	2.77%	0.66%	0.26% - 0.36%
Fair value at grant date	\$2.7982	\$0.4302	\$0.5145	\$0.7206	\$0.5368 - \$0.5825

On 19 December 2022, 1,002,000 unquoted options over unissued shares in Servcorp Limited were issued to senior executives and managers. The options expire 1 September 2027 with vesting conditions of continual service until 1 September 2025. The contractual life of the options is 4 years and 9 months, with the last exercise date occurring 1 September 2027 (unless the options lapse earlier in accordance with the terms). The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes model.

On 19 December 2022, 160,000 unquoted performance rights over unissued shares in Servcorp Limited were issued to senior executives. The performance rights expire on 30 September 2025 with vesting conditions of cumulative EPS of 10% per annum over the three financial years ending 30 June 2025 and continual service until 1 September 2025 (vesting date). The exercise period is 30 days from vesting date to expiry date. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using Black-Scholes model. Options over unissued ordinary shares in Servcorp Limited, cancelled due to the optionholders ceasing to be an employee of Servcorp Limited, are as follows:

21 December 2022	125,000 options expiring on 18 September 2025
19 May 2023	157,500 options expiring on 18 September 2025
19 May 2023	12,500 options expiring on 3 September 2026
30 June 2023	10,000 options expiring on 18 September 2025



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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21 Equity settled employee benefits reserve (continued)

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

	2023	2022
	\$ '000	\$ '000
Balance 1 July	832	372
Total movement taken to reserve	106	460
Balance 30 June	938	832

The Consolidated Entity recognised \$0.1 million (2022: \$0.5 million) as a share based payment expense for the year ended 30 June 2023. These costs have been included in administrative expenses.

22 Distributions

Recognised distributions

Ordinary distributions paid/payable and distribution per share:

		Cents per share	Total amount \$ '000	Date of payment	Tax rate for franking credits	Percentage franked
2023						
Final	Fully paid ordinary shares	10.00	9,682	6 October 2022	30 %	- %
Interim	Fully paid ordinary shares	10.00	9,682	5 April 2023	30 %	- %
2022						
Final	Fully paid ordinary shares	9.00	8,714	7 October 2021	30 %	- %
Interim	Fully paid ordinary shares	10.00	9,682	6 April 2022	30 %	- %

Unrecognised amounts

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

Final	Fully paid ordinary shares	12.00	11,618	5 October 2023	30 %	20 %
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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

	2023	2022
	\$ '000	\$ '000
30% franking credit available	1,129	3,065

The above available balance is based on the dividend franking account at year-end adjusted for:

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

The tax rate at which paid dividends have been franked at 30 June 2023 is 30% (2022: 30%). Dividends declared and unpaid will be franked at the rate of 30% as at 30 June 2023 (2022: 30%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

23 Capital structure and risks

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

Capital management

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

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

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

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

Financing facilities and liquidity

The Consolidated Entity has access to financing facilities.

Bank guarantees have been issued to secure rental bonds over premises. Details are in note 31.

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

The Consolidated Entity has access to the following finance facilities:

	2023	2022
	\$ '000	\$ '000
Total facilities available		
Bank guarantees	30,000	27,000
Bank overdrafts and loans	559	551
Payroll/other facilities	4,150	4,150
	34,709	31,701
Facilities utilised at reporting date		
Bank guarantees	26,598	23,147
Bank overdrafts and loans	50	90
	26,648	23,237
Facilities not utilised at reporting date		
Bank guarantees	3,402	3,853
Bank overdrafts and loans	509	461
Payroll/other facilities	4,150	4,150
	8,061	8,464



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24 Financial risk management

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

(a) Financial risk management objectives

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

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

The Consolidated Entity does not apply hedge accounting. The use of financial derivatives is governed by policies approved by the Board of Directors.

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

(b) Market risk

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

(i) Foreign exchange risk

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

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

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

Foreign currency assets and liabilities

For accounting purposes, net investment in foreign operations are revalued at the end of each reporting year with the movement reflected as a movement in the foreign currency translation reserve. Borrowings and forward exchange contracts not forming part of the net investment in foreign operations are revalued at the end of each reporting year with the fair value movement reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as exchange gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24 Financial risk management (continued)

Foreign currency sensitivity analysis

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

Sensitivity analysis – foreign exchange risk and interest rate risk

	Impact on profit	Impact on equity	2023	2022	2023	2022
Pre-tax gain/(loss)	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
AUD/USD +6% (2022: +6%)	(676)	(507)	2,842	3,462		
AUD/USD - 6% (2022: -6%)	596	400	(3,148)	(3,926)		
AUD/AED +7% (2022: +6%)	1,151	1,107	72	78		
AUD/AED -7% (2022: -6%)	(1,326)	(1,256)	(81)	(89)		
AUD/JPY +7% (2022: +7%)	(2,088)	(1,384)	3,030	3,710		
AUD/JPY -7% (2022: -7%)	2,382	3,424	(3,434)	(4,290)		
AUD/EUR +4% (2022: +3%)	(54)	(48)	151	166		
AUD/EUR -4% (2022: -3%)	58	51	(87)	(178)		
AUD/HKD +5% (2022: +5%)	379	365	-	-		
AUD/HKD -5% (2022: -5%)	(421)	(406)	-	-		
AUD/RMB +2% (2022: +3%)	(203)	(276)	(276)	4		
AUD/RMB -2% (2022: -3%)	(213)	293	293	(4)		
AUD/SGD +5% (2022: +4%)	(530)	(491)	-	-		
AUD/SGD -5% (2022: -4%)	584	535	-	-		
AUD/QAR +7% (2022: +6%)	(157)	(133)	-	-		
AUD/QAR -7% (2022: -6%)	181	151	-	-		

Forward foreign currency exchange contracts

The following table sets out the details of forward foreign currency exchange contracts in place as at 30 June 2023. These are level 2 fair value measurements derived from inputs as defined in note 25.

	Average exchange rate		Foreign currency		Fair value movement	
	2023	2022	2023	2022	2023	2022
Outstanding contracts						
Sell JPY						
No later than one year	-	81.47	-	100	-	116
Later than one year and not later than five years	-	78.80	-	900	-	732
Sell USD						
No later than one year	0.69	-	1	-	(39)	-
Later than one year and not later than five years	0.67	0.69	4	3	(36)	(82)



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24 Financial risk management (continued)

(ii) Interest rate risk

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

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

	Impact on profit		2023 \$ '000	2022 \$ '000	
	2023 \$ '000	2022 \$ '000			
	Pre-tax gain/(loss)				
AUD balances					
125 basis point increase	435	628			
125 basis point decrease	(218)	(467)			
Other balances					
125 basis point increase	23	63			
125 basis point decrease	(15)	(39)			

(c) Liquidity risk

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

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

2023	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate %
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Non-interest bearing							
Receivables	27,778	-	-	-	-	27,778	
Lease deposits	45	1,584	3,916	22,153	8,536	36,234	
Forward foreign currency exchange contracts	-	-	1,449	5,944	-	7,393	
Listed ordinary shares	6,393	-	-	-	-	6,393	
Interest bearing							
Cash and cash equivalents	69,481	-	-	-	-	69,481	3.53
Bank short term deposits	13,324	22,527	32	-	-	35,883	2.14
Variable rate securities	4,597	-	-	-	-	4,597	3.76
	121,618	24,111	5,397	28,097	8,536	187,759	

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24 Financial risk management (continued)

(c) Liquidity risk (continued)

2022	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate %
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Non-interest bearing							
Receivables	19,958	-	-	-	-	-	19,958
Lease deposits	2,104	3,856	7,923	16,098	8,715	38,696	
Forward foreign currency exchange contracts	-	-	1,227	15,755	-	16,982	
Listed ordinary shares	3,056	-	-	-	-	3,056	
Interest bearing							
Cash and cash equivalents	54,440	-	-	-	-	54,440	0.78
Bank short term deposits	18,211	22,770	5,345	-	-	46,326	1.42
Variable rate securities	4,408	-	-	-	-	4,408	3.77
	102,177	26,626	14,495	31,853	8,715	183,866	

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

2023	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate %
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Non-interest bearing							
Payables	5,427	18,911	-	-	-	-	24,338
Forward foreign currency exchange contracts	-	-	1,501	6,005	-	7,506	
Security deposits	-	-	27,160	-	-	27,160	
Interest bearing							
Lease liability	13,229	16,853	84,179	222,524	70,199	406,984	3.33
	18,656	35,764	112,840	228,529	70,199	465,988	

2022	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate %
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Non-interest bearing							
Payables	2,075	13,527	-	-	-	-	15,602
Forward foreign currency exchange contracts	-	-	1,067	14,196	-	15,263	
Security deposits	-	-	27,288	-	-	27,288	
Interest bearing							
Lease liability	11,643	15,185	69,197	190,989	48,416	335,430	3.00
	13,718	28,712	97,552	205,185	48,416	393,583	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

24 Financial risk management (continued)

(d) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of any counterparties having similar characteristics. Security deposits are received from customers when entering into a contract which reduces the credit risk. Security deposits held are disclosed in the Consolidated Statement of Financial Position.

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

25 Fair value measurement of financial instruments

Fair value hierarchy

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

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 Levels 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 the Consolidated Entity:

	Level 1	Level 2	Level 3	Total
	\$ '000	\$ '000	\$ '000	\$ '000
30 June 2023				
Financial assets				
Bank hybrid variable rate securities	4,597	-	-	4,597
Listed ordinary shares	6,393	-	-	6,393
Forward foreign currency exchange contracts	-	566	-	566
	Level 1	Level 2	Level 3	Total
30 June 2022				
Financial assets				
Bank hybrid variable rate securities	4,408	-	-	4,408
Listed ordinary shares	3,056	-	-	3,056
Forward foreign currency exchange contracts	-	766	-	766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

25 Fair value measurement of financial instruments (continued)

Fair value hierarchy (continued)

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

Asset category	Fair value	Fair value	Valuation technique & key inputs
	2023 \$ '000	2022 \$ '000	
Bank hybrid variable rate securities	4,597	4,408	Level 1 Quoted prices in an active market
Listed ordinary shares	6,393	3,056	Level 1 Quoted prices in an active market
Forward foreign currency exchange contracts	566	766	Level 2 Future cash flows are estimated based on observable forward exchange rates

26 Organisational structure

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

Subsidiary entities

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

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

Name of entity	Country of incorporation	Ownership interest 2023	Ownership interest 2022
Parent entity			
Servcorp Limited	Australia		
Controlled entities			
Servcorp Australian Holdings Pty Ltd	Australia	100	100
Servcorp Offshore Holdings Pty Ltd	Australia	100	100
Servcorp Exchange Square Pty Ltd	Australia	100	100
Servcorp Air Office Pty Ltd	Australia	100	100
Servcorp (North Ryde) Pty Ltd	Australia	100	100
Servcorp Smart Office Pty Ltd	Australia	100	100
Servcorp Smart Homes Pty Ltd	Australia	100	100
Servcorp Business Service (Beijing) Pty Ltd	Australia	100	100
Servcorp Virtual Pty Ltd	Australia	100	100
Servcorp Holdings Pty Ltd	Australia	100	100
Servcorp Administration Pty Ltd	Australia	100	100
Servcorp Adelaide Pty Ltd	Australia	100	100
Servcorp Barangaroo Pty Ltd	Australia	100	100



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

26 Organisational structure (continued)

Subsidiary entities (continued)

Name of entity	Country of incorporation	Ownership interest	
		2023	2022
		%	%
Servcorp Brisbane Pty Ltd	Australia	100	100
Servcorp Mount Street Pty Ltd (formerly Servcorp Workspaces Pty Ltd)	Australia	100	100
Servcorp Gateway Pty Ltd	Australia	100	100
Servcorp Chifley 29 Pty Ltd	Australia	100	100
Servcorp Communications Pty Ltd	Australia	100	100
Servcorp IT Pty Ltd	Australia	100	100
Servcorp Melbourne Virtual Pty Ltd	Australia	100	100
Servcorp MLC Centre Pty Ltd	Australia	100	100
Servcorp Melbourne 27 Pty Ltd	Australia	100	100
Servcorp Sydney Virtual Pty Ltd	Australia	100	100
Servcorp William Street Pty Ltd	Australia	100	100
Servcorp Melbourne 18 Pty Ltd	Australia	100	100
Servcorp Perth Pty Ltd	Australia	100	100
Servcorp Brisbane Riverside Pty Ltd	Australia	100	100
Servcorp Market Street Pty Ltd	Australia	100	100
Office Squared Pty Ltd	Australia	100	100
Servcorp WA Pty Ltd	Australia	100	100
Servcorp Parramatta Pty Ltd	Australia	100	100
Servcorp Sydney 56 Pty Ltd	Australia	100	100
Servcorp Norwest Pty Ltd	Australia	100	100
Servcorp Level 12 Pty Ltd	Australia	100	100
Servcorp Western Australia Pty Ltd	Australia	100	100
Office Squared (Nexus) Pty Ltd	Australia	100	100
Servcorp SA 30 Pty Ltd	Australia	100	100
Servcorp City Square Pty Ltd	Australia	100	100
Servcorp North Sydney 32 Pty Ltd	Australia	100	100
Servcorp Docklands Pty Ltd	Australia	100	100
Servcorp Sydney 22 Pty Ltd	Australia	100	100
Servcorp Hobart Pty Ltd	Australia	100	100
Servcorp Brisbane 400 Pty Ltd	Australia	100	100
Servcorp Southbank Pty Ltd	Australia	100	100
Office Squared (Atlas) Pty Ltd	Australia	100	100
Gnee Pty Ltd	Australia	100	100
Servcorp Enterprise Pty Ltd	Australia	100	100
Servcorp Realm Pty Ltd	Australia	100	-
Servcorp Nishi Canberra Pty Ltd	Australia	100	-
Beechreef (New Zealand) Limited	New Zealand	100	100
Servcorp New Zealand Limited	New Zealand	100	100
Company Headquarters Limited	New Zealand	100	100
Servcorp Wellington Limited	New Zealand	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

26 Organisational structure (continued)

Subsidiary entities (continued)

Name of entity	Country of incorporation	Ownership interest	
		2023	2022
		%	%
Servcorp Queen Street Limited	New Zealand	100	100
Servcorp Quay Street Limited	New Zealand	100	-
Servcorp BFH W.L.L	Bahrain	100	100
Servcorp Brussels Sprl	Belgium	100	100
Servcorp Business Service (Shanghai) Co. Ltd	China	100	100
Servcorp Business Service (Beijing) Co., Ltd	China	100	100
Beijing Servcorp Sihui Business Service Co., Ltd	China	100	100
Guangzhou Servcorp Business Service Co., Ltd	China	100	100
Chengdu Servcorp (OAC) Business Service Co., Ltd	China	100	100
Servcorp Hong Kong Limited	China	100	100
Servcorp HK Central Limited	China	100	100
Shanghai Servcorp Business Service Co., Ltd	China	100	100
Servcorp Paris SARL	France	100	100
Servcorp Edouard VII SARL	France	100	100
Servcorp Berlin GmbH	Germany	100	100
Servcorp Japan KK	Japan	100	100
Servcorp Tokyo KK	Japan	100	100
Servcorp Shinagawa KK	Japan	100	100
Servcorp Co-working GK	Japan	100	100
Servcorp Phoenicia SAL	Lebanon	100	100
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Office Squared Malaysia Sdn Bhd	Malaysia	100	100
SRV KL Sdn Bhd	Malaysia	100	100
SRV Central Sdn Bhd	Malaysia	100	100
Servcorp Manila, Inc. (in liquidation)	Philippines	100	100
Servcorp Bonifacio, Inc.	Philippines	100	100
Jeddah Branch of Servcorp Square Pte Ltd	Saudi Arabia	100	100
Riyadh Branch of Servcorp Square Pte Ltd	Saudi Arabia	100	100
Al Khobar Branch of Servcorp Square Pte Ltd	Saudi Arabia	100	100
Servcorp Serviced Offices Pte. Ltd	Singapore	100	100
Servcorp Franchising Pte. Ltd	Singapore	100	100
Servcorp Battery Road Pte. Ltd	Singapore	100	100
Servcorp Marina Pte. Ltd	Singapore	100	100
Servcorp Singapore Holdings Pte. Ltd	Singapore	100	100
Servcorp Hotdesk Singapore Pte. Ltd	Singapore	100	100
Servcorp Metropolis Pte. Ltd	Singapore	100	100
Servcorp Square Pte. Ltd	Singapore	100	100
Servcorp SR Pte. Ltd	Singapore	100	100
Servcorp Co., Ltd	Thailand	100	100
Servcorp Thai Holdings Ltd	Thailand	100	100
Headquarters Co., Ltd	Thailand	100	100



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

26 Organisational structure (continued)

Subsidiary entities (continued)

Name of entity	Country of incorporation	Ownership interest	Ownership interest
		2023	2022
%	%		
Servcorp Is Merkezi Isletmeciliği Limited Şirketi	Turkey	100	100
Servcorp Sixteen Paylasimli Ofis Isletmeciliği Limited Şirketi	Turkey	100	100
Servcorp Level 54 DMCC	UAE	100	100
Servcorp EMEA Holdings Ltd	UAE	100	100
Servcorp UK Limited	UK	100	100
Servcorp Leadenhall Limited	UK	100	100
Servcorp Mayfair Limited	UK	100	100
Servcorp Europe Holdings Limited	UK	100	100
Servcorp US Holdings, Inc	USA	100	100
Servcorp America LLC	USA	100	100
Servcorp New York LLC	USA	100	100
Servcorp Washington LLC	USA	100	100
Servcorp Houston LLC	USA	100	100
Servcorp State Street LLC	USA	100	100
Servcorp Fulton Street LLC	USA	100	100
Servcorp West Lake LLC	USA	100	100
Servcorp Battery Park LLC	USA	100	100
Servcorp Madison LLC	USA	100	100
Servcorp Manhattan LLC	USA	100	100
Servcorp Philadelphia LLC (in liquidation)	USA	100	100
Servcorp Dallas LLC (in liquidation)	USA	100	100

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

Name of subsidiary	Country of incorporation	Ownership interest	Ownership interest
		2023	2022
%	%		
Servcorp Aswad Real Estate Company WLL	Kuwait	49	49
Servcorp Qatar LLC	Qatar	49	49
Servcorp LLC	UAE	49	49
Servcorp Administration Services WLL	UAE	49	49

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

26 Organisational structure (continued)

Ownership interest

2023 2022

Name of joint venture	Country of incorporation	2023 %	2022 %
Etihad Towers Service Offices LLC	UAE	49	49

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

27 Key management personnel remuneration

Compensation of key management personnel

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

	2023 \$ '000	2022 \$ '000
Long term and short term employee benefits	1,321	3,936
Post-employment benefits	116	213
Termination benefits	-	397
Share-based payments	216	365
	<u>1,653</u>	<u>4,911</u>

Dividends totaling \$19.4 million have been paid during the year (2022: \$18.4 million), which include amounts paid to Directors and other key management personnel.

Details of key management personnel

The Directors of the Company at any time during or since the end of the financial year 30 June 2023 are:

Non-executive Directors

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

Executive Director

Alf Moufarrige AO	Chief Executive Officer	Appointed August 1999
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Other Group-level executive *

David Hunt	Chief Financial Officer & Head of SEA	Appointed April 2022
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* In prior years, the Regional executives were included as KMP. In April 2022, the Directors appointed a new CFO, whose involvement includes elevated levels of responsibility in the business, and encompassed a wider operational focus. As a result, the authority for planning, directing and controlling the activities of the Consolidated Entity have resided with the CEO and CFO from 1 July 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

27 Key management personnel remuneration (continued)

Key management personnel related party transactions

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

From time to time Directors of the Company and its controlled entities, or their Director-related entities, may purchase services from or provide services to the Consolidated Entity. These purchases or sales are on the same terms and conditions as those entered into by other employees, suppliers or customers of the Consolidated Entity and are trivial or domestic in nature. All transactions with Director-related entities are disclosed to the Board and reviewed to ensure they bring a benefit to the Consolidated Entity.

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

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

A relative of Mr. A G Moufarrige has an interest in Enideb Pty Ltd (Enideb). Mr. A G Moufarrige has no interest in the affairs of Enideb. Enideb operates the Servcorp franchise in Canberra on arm's length terms. The Canberra franchise has been operating for more than 29 years, and the Canberra locations bring a benefit to Servcorp's operations. The Board reviews the terms of the franchise agreement on a regular basis to ensure that it is conducted on proper commercial terms, consistent with any other franchise operations. Effective 3 July 2023, companies within the Consolidated Entity acquired the serviced office businesses carried on by Enideb Pty Ltd. The franchise agreement was terminated upon acquisition.

Relatives of Mr. A G Moufarrige have an interest in Refrigerated Display Lighting Pty Ltd (RDL) (formerly Nualight AUSNZ Pty Ltd), Light Energy Australia Pty Ltd (LEA) and Ility Pty Ltd, who are clients of Servcorp in Sydney, Melbourne, Adelaide, Wellington, New York, London and China. Mr A G Moufarrige has no interest in the affairs of RDL, LEA or Ility.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

27 Key management personnel remuneration (continued)

Key management personnel related party transactions (continued)

			2023	2022
Director	Director related entity	Transaction	\$	\$
A G Moufarrige	Tekfon Pty Ltd	Premises rental	103,272	97,544
	Enideb Pty Ltd	Franchisee	513,038	385,301
	Sovori Pty Ltd	Reimbursements	299,389	178,520
	Refrigerated Display Lighting Pty Ltd and Light Energy Australia Pty Ltd	Client	1,365	1,915
	Ility Pty Ltd	Client	95,231	111,303
W Graham	ECP Management, LP	Client	3,067	4,172

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

	2023	2022
Current receivables/(payable)	\$	\$
Tekfon Pty Ltd	-	(8,206)
Enideb Pty Ltd	11,906	29,790
Ility Pty Ltd	9,109	8,769
ECP Management, LP	262	-

28 Auditors' remuneration

KPMG and related network firms

	2023	2022
Core audit fee:	\$	\$
KPMG Australia	896,844	854,138
KPMG Overseas firms	1,093,648	970,501
Total audit fees	1,990,492	1,824,639
Non-audit services: other advisory services	7,541	4,115
	1,998,033	1,828,754

29 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: None).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

30 Events occurring after the reporting date

The Financial Report was authorised for issue on 24 August 2023 by the Board of Directors.

On 24 August 2023 the Directors declared a final dividend of 12.00 cents per share franked to 20%, payable on 5 October 2023.

On 3 July 2023, the Consolidated Entity completed the acquisition of two serviced office businesses in Canberra, ACT, Australia. The businesses were previously owned by Enideb Pty Ltd, a related entity. The purchase price was \$4.2 million which was independently valued and appraised.

No other matters or circumstances have arisen since the end of the financial 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.

31 Parent entity

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

	2023 \$ '000	2022 \$ '000
Statement of Financial Position		
Assets		
Current assets	127,669	132,279
Non-current assets	32,754	32,766
Total Assets	160,423	165,045
Liabilities		
Current liabilities	95	354
Non-current liabilities	1,458	370
Total Liabilities	1,553	724
Net assets		
Equity		
Contributed equity	151,594	151,594
Retained earnings	12,009	17,460
Share buy back reserve	(4,733)	(4,733)
Total Equity	158,870	164,321
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	13,806	2,705
Total comprehensive income	13,806	2,705

As at 30 June 2023:

- Servcorp Limited guaranteed Company Headquarters Limited (a subsidiary) as part of a New Zealand lease;
- Servcorp Limited has a Corporate Guarantee and Indemnity with the Australian and New Zealand Banking Group Limited, pursuant to which the bank agreed to make available to the Consolidated Entity of \$30 million interchangeable facility for general corporate purposes. The liability under the deed by and between the Australian and New Zealand companies is limited to \$52 million. Refer to note 23 for details;
- there were no contingent liabilities of the parent entity;
- there were no commitments for the acquisition of property, plant and equipment by the parent entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

32 Reconciliation of profit to operating cash flow

Reconciliation of result for the year to cashflows from operating activities

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash at bank and short term deposits at call.

	2023 \$ '000	2022 \$ '000
Profit for the year	11,067	28,021
Non-cash flows in profit:		
Increase in provisions	3,243	670
Depreciation and amortisation of non-current assets	19,952	20,140
Share of profits of joint venture	556	334
Impairment of non-current assets	15,061	-
Loss/gain on sales of financial assets	(70)	181
Loss on disposal of non-current assets	789	1,466
Amortisation of right of use assets	101,943	100,020
Decrease/(Increase) in current tax asset	5,596	(8,118)
Decrease/(increase) in deferred tax balances	(2,509)	994
Unrealised foreign exchange gain	2,571	(5,987)
Share based payment expense	106	460
Changes in assets and liabilities:		
(Increase)/Decrease in prepayments	(2,476)	306
Decrease in trade debtors and other receivables	(7,820)	5,243
(Increase)/decrease in current and non-current assets	(941)	(461)
Decrease in client security deposits	(128)	(922)
Increase/(decrease) in accounts payable	8,591	3,236
Cashflows from operations	155,531	145,583



DIRECTORS' DECLARATION

The Directors of the Servcorp Limited declare that:

- a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) the attached Consolidated Financial Statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the Consolidated Financial Report;
- c) in the Directors' opinion, the attached Consolidated Financial Statements and notes thereto and the Remuneration Report on pages 41 to 53 in the Directors' report are in accordance with the *Corporations Act 2001*, including:
 - i. compliance with accounting standards and the Corporations Regulations 2001; and
 - ii. giving a true and fair view of the financial position as at 30 June 2023 and performance for the financial year ended on that date;
- d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

A G Moufarrige AO
Managing Director and CEO

Dated 24 August 2023

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Independent Auditor's Report

To the shareholders of Servcorp Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the **Consolidated Entity's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

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Key Audit Matters

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

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

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

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

Accounting for leases (Right-of-use assets \$305.3m and lease liability \$367.8m)

Refer to Note 13 'Right of use assets' and Note 16 'Lease Liabilities' in the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Accounting for leases is a key audit matter due to the:</p> <ul style="list-style-type: none"> • significance of leases to the financial statements; and • large volume of individualised lease agreements which increase the complexity and judgement required by management in determining the right-of-use asset and lease liability balances. <p>We focused our testing on the accounting for leases that were new, renewed and modified during the financial year.</p> <p>The Consolidated Entity, when calculating the right-of-use asset and lease liability balances, applied judgement to determine the effective date, expected lease term, incremental borrowing rate (IBR), and application of the rent review terms and lease incentives. These were key features subject to our audit testing.</p> <p>We involved our senior audit team members in assessing this key audit matter, along with our debt advisory specialists.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Consolidated Entity's accounting policies against the requirements of the accounting standard (AASB 16 <i>Leases</i>) and our understanding of the business. • Assessing the completeness of the Consolidated Entity's leases by: <ul style="list-style-type: none"> – For each location published on the Servcorp global website, we checked for a corresponding lease at the location to the Consolidated Entity's lease listing. • For new, renewed and modified leases, we: <ul style="list-style-type: none"> – Compared the key inputs used in the Consolidated Entity's lease calculation model including the effective date, expected lease term, fixed rent payments, rent review terms, lease incentives and renewal options, to underlying source documents including the current lease agreements. – Using the above key inputs and adopted incremental borrowing rate (IBR), we recalculated the lease balances including the right-of-use asset, lease liability, depreciation and interest expense. – Compared our re-calculated lease balances to the amounts recorded by the Consolidated Entity for the financial year and investigated any significant variances.

Recoverability of right-of-use assets (\$305.3m) and leasehold improvements (\$61.6m)

Refer to Note 11 'Property, plant and equipment' and Note 13 'Right of use assets' in the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The recoverability of right-of-use assets and leasehold improvements is a key audit matter due to:</p> <ul style="list-style-type: none"> • the significance of these assets to the financial statements; and • the impact of the current economic conditions on the business globally. <p>We focused on the significant forward-looking assumptions the Consolidated Entity applied in its value-in-use (VIU) model, including:</p> <ul style="list-style-type: none"> • Forecast pricing and occupancy growth rates – these assumptions are influenced by duration, renewal and terms of tenant contracts, demand from tenants, competitive market conditions and the current economic outlook on each Cash Generating Unit (CGU); • Forecast operating cash flows – estimating projected cash flow forecasts is inherently subjective and susceptible to differences in outcome, in particular due to external market conditions; and • Discount rates - these are subjective in nature and vary according to the specific conditions and environment of the relevant CGU. We involve our valuations specialists with this assessment. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Together with our valuation specialists, we assessed the appropriateness of the VIU methodology applied by the Consolidated Entity to perform its impairment test against the requirements of the accounting standards (AASB 136 <i>Impairment of assets</i>). • We assessed the integrity of the VIU model used, including the accuracy of the underlying calculation formulas. • We assessed the accuracy of previous Consolidated Entity's forecasts to inform our evaluation of forecasts incorporated in the models. • We compared the forecast cash flows contained in the VIU model to forecasts presented to the Board. • We assessed the Consolidated Entity's indicators of impairment analysis for each cash generating unit (CGU) based on business performance. • We challenged the Consolidated Entity's significant forecast cash flow and growth assumptions, such as pricing and occupancy rates, in light of expected continuation of challenging market conditions. We used our



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The Consolidated Entity has a high number of individual CGUs during the year necessitating our consideration of the Consolidated Entity's determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows.

The Consolidated Entity has recorded a total impairment of \$15.1m in this financial year.

knowledge of the Consolidated Entity, their past performance, business plan and customers, and our industry experience.

- Working with our valuation specialists, we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to the Consolidated Entity and the industry it operates in.
- We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures.
- We considered the Consolidated Entity's determination of their CGUs based on our understanding of the operations of the Consolidated Entity's business, and how independent cash inflows were generated, against the requirements of the accounting standards.
- We assessed the disclosures in the financial report using our understanding of the information obtained from our testing and against the requirements of the accounting standards.

Other Information

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

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

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

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



Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.



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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Servcorp Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 41 to 53 of the Directors' report for the year ended 30 June 2023.

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

KPMG

Kim Lawry

Ashley Trang

Partner

Partner

Sydney

Sydney

24 August 2023

24 August 2023

SHAREHOLDER INFORMATION

The shareholder information set out below is provided in accordance with the Listing Rules and was applicable as at 1 September 2023.

CLASS OF SHARES AND VOTING RIGHTS

Ordinary shares

There were 2,069 holders of the ordinary shares of the Company.

At a general meeting:

- on a show of hands, every member present in person or by direct vote, proxy, attorney or representative has one vote;
- on a poll, every member present has one vote for each fully paid share held.

Options and Performance Rights

There were 69 holders of options and performance rights over 3,583,250 unissued ordinary shares of the Company, granted to employees under the Servcorp Executive Share Option Scheme and the Servcorp Employee Incentive Plan.

There are no voting rights attached to the options or performance rights. Voting rights will be attached to the unissued ordinary shares when the options or performance rights have been exercised. The options and performance rights are unquoted.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

DISTRIBUTION OF EQUITY SECURITIES

Size of Holding	Ordinary Shares	Options SRVAB	Options SRVAC	Options SRVAD	Options SRVAF	Performance Rights SRVAE
1–1,000	No. of Holders	926	—	—	—	—
	No. of Securities	396,433	—	—	—	—
	% of Securities	0.41%	—	—	—	—
1,001–5,000	No. of Holders	687	3	—	—	—
	No. of Securities	1,792,287	13,750	—	—	—
	% of Securities	1.85%	0.62%	—	—	—
5,001–10,000	No. of Holders	209	19	—	—	2
	No. of Securities	1,605,577	150,000	—	—	20,000
	% of Securities	1.66%	6.72%	—	—	2.00%
10,001–100,000	No. of Holders	217	8	4	1	26
	No. of Securities	5,982,273	370,000	87,500	100,000	982,000
	% of Securities	6.18%	16.56%	100%	100%	98.00%
100,000 and over	No. of Holders	30	2	—	—	—
	No. of Securities	87,041,318	1,700,000	—	—	—
	% of Securities	98.90%	76.10%	—	—	—
Totals	No. of Holders	2,069	32	4	1	28
	No. of Securities	96,817,888	2,233,750	87,500	100,000	1,002,000
	% of Securities	100%	100%	100%	100%	100%

There were 259 holders of ordinary shares holding less than a marketable parcel, based on the closing market price at the specified date.



SHAREHOLDER INFORMATION

SUBSTANTIAL SHAREHOLDERS

The following organisations have given a substantial shareholder notice to Servcorp.

Name	Number of shares	% of voting power
FMR LLC	9,262,560	9.57%
Perpetual Limited	6,470,478	6.68%
Sovori Pty Ltd	51,338,105	53.03%

TWENTY LARGEST SHAREHOLDERS

Holder Name	Number of ordinary shares held	% of capital held
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	288,089	0.30%
BNP Paribas Noms (NZ) Ltd <DRP>	430,000	0.44%
BNP Paribas Noms Pty Ltd <DRP>	237,998	0.25%
Citicorp Nominees Pty Limited	2,502,024	2.58%
Eniat Pty Ltd	1,800,000	1.86%
HSBC Custody Nominees (Australia) Limited	19,852,220	20.50%
HSBC Custody Nominees (Australia) Limited A/C 2	4,019,122	4.15%
JP Morgan Nominees Australia Pty Limited	1,504,684	1.55%
Merrill Lynch (Australia) Nominees Pty Limited	655,208	0.68%
MFLE Pty Ltd	1,800,000	1.86%
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	264,288	0.27%
Moufarrige, Alfred George	547,436	0.57%
Mutual Trust Pty Ltd	306,278	0.32%
National Nominees Limited	3,839,620	3.97%
Omnioffices Pty Ltd	2,826,646	2.92%
Reed, John & Janet <Reed Family Superfund A/C>	143,159	0.15%
Sandhurst Trustees Ltd <Wentworth Williamson A/C>	1,927,385	1.99%
Sovori Pty Ltd	43,064,852	44.48%
Uvira Superannuation Pty Limited <Uvira Holdings Employees Super Fund Account>	358,440	0.37%
Vanward Investments Limited	195,663	0.20%
Totals for Top 20	86,563,112	89.41%

CORPORATE INFORMATION

DIRECTORS

The Hon. Mark Vaile	Chairman & non-executive Director, independent
Wallis Graham	Non-executive Director, independent
Tony McGrath	Non-executive Director, independent
Alf Moufarrige	CEO & Managing Director

COMPANY SECRETARY

Gregory Pearce

REGISTERED OFFICE AND PRINCIPAL OFFICE

Level 63
25 Martin Place
Sydney NSW 2000

Telephone: + 61 (2) 92317500
Facsimile: + 61 (2) 92317665

AUDITOR

KPMG
Tower Three, International Towers Sydney
300 Barangaroo Avenue
SYDNEY NSW 2000

SHARE REGISTRY

Boardroom Pty Limited
Level 8
210 George Street
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

Telephone: 1300 737 760
+ 61 (2) 9290 9600

Email: enquiries@boardroomlimited.com.au

STOCK EXCHANGE

Servcorp Limited shares are quoted on the Australian Securities Exchange under the code SRV.
The Home Exchange is Sydney.

ANNUAL GENERAL MEETING

The annual general meeting of Servcorp Limited will be held as a hybrid meeting, at 4.30pm on Wednesday, 15 November 2023.
Shareholders may participate online, or in person at:

Servcorp Limited
Level 63
25 Martin Place
Sydney NSW 2000

Details about how shareholders may attend online are set out in the Notice of Meeting.

Illustrations by Steve Panozzo (The Cartoon Factory)

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