SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

Interim Financial Report
For the six months ended
31 December 2023

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the six months ended 31 December 2023, the 2023 Annual Report and public announcements made during the period in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

Servcorp Limited
ABN 97 089 222 506
Interim Financial Report
31 December 2023

Reporting Period

Current period:	1 July 2023 to 31 December 2023
Previous corresponding period:	1 July 2022 to 31 December 2022

Results for announcement to the market

				$m
Revenue and other income from ordinary activities	up	8%	to	157.7
Profit from ordinary activities after tax attributable to members	up	32%	to	19.6
Net profit for the period attributable to members	up	32%	to	19.6

Dividends	**Total amount** **$m**	**Amount per security** **(cents per share)**	**Franked amount per security** **(cents per share)**
Current period			
Interim dividend declared	11.8	12.00c	2.40c
Previous corresponding period			
Interim dividend paid	9.7	10.00c	none

Record date for determining entitlements to the dividend	7 March 2024
Dividend payment date	4 April 2024

The interim dividend is 80% conduit foreign income.

	31 December 2023 **$**	**30 June 2023** **$**
Net tangible asset backing		
Net tangible asset backing per ordinary security	1.78	1.77

Additional 4D disclosures can be found in the Notes to the Servcorp Consolidated Interim Financial Report for the six months ended 31 December 2023 lodged with the ASX on 22 February 2024.

Management Discussion & Analysis

FY24 Guidance (Upgraded on 15 November 2023)

- Underlying[1] NPBIT between $50.0m and $55.0m – **ON TARGET**
- Underlying Free Cash of more than $70.0m – **ON TARGET**

1H24 Underlying Operating Profit up 25% on pcp; Total Operating Profit[2] up 42%

Servcorp delivered a solid operating performance during the six months ended 31 December 2023, despite ongoing challenges fuelled by elevated economic risks worldwide and a growing sense of caution amongst building owners due to the insolvency risk of a major player in the shared space industry.

Supported by its unique value proposition and business model, Servcorp reported a pleasing 1H24 result, demonstrating substantial improvement across a majority of performance indicators, particularly in revenue growth from sustainable income sources.

Revenue was $12.3m or 8% higher, with most countries experiencing enhanced revenue efficiency and service conversion. The effective execution of Servcorp's business model, centred around delivering prestigious experiences and tailored workspace solutions to meet each client's specific needs, not only propelled revenue growth but also facilitated steady improvements in client satisfaction and retention, resulting in heightened business efficiency and reduced business development costs. Underlying NPBIT produced in 1H24 amounted to $28.3 million, marking a 25% increase on 1H23 and surpassing the higher end of the 6-month pro-rated profit guidance ($50.0m - $55.0m).

Servcorp's strong balance sheet and substantial cash reserves continue to support organic expansion efforts. Over the past 18 months, capital resources totalling $44.9 million have been deployed, resulting in the addition of 11 operations to Servcorp's global portfolio, with another 7 in the pipeline scheduled to commence trading in 2H24.

In addition, the successful completion of stage 1 migration to the new Smart Office platform in 1H24 facilitates a more automated and streamlined billing and client management application with better revenue enhancement features. Continued investment in refreshing Servcorp's IT ecosystem including the establishment of the new data architecture also ensures scalability and flexibility in global expansion in the future.

Overall, 1H24 witnessed the accomplishment of a strategic milestone in building a solid foundation for Servcorp's long-term sustainable growth.

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[1] "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.
[2] Total Operating Profit is also referred to Statutory Operating Profit. The two terms may be used interchangeably in this document and public announcements including the Results Presentation made during this period.

Headline

Disciplined execution of strategy and market leading portfolio quality enabled outperformance in 1H24:

- Underlying NPBIT up 25% to $28.3m from $22.6m[3] in 1H23
- Underlying Operating Revenue up $10.7m or 8% on 1H23
- Underlying EPS 25.4 cents, up 27% from 20.0 cents in 1H23
- Underlying Free Cash $35.8m, up 22% on 1H23
- Cash balance currently in excess of $120.0m
- NTA[4] $1.78 per share, up 1% on FY23
- Statutory NPBT $22.5m, up $5.1m or 29% on 1H23
- Statutory NPAT $19.6m, up $4.7m or 32% on 1H23

Financial Summary

	1H24	1H23
		$'m
Revenue		
Revenue and other income from ordinary activities	**157.7**	**145.4**
Underlying Operating Revenue	**143.6**	**132.9**
Statutory Results		
Statutory NPBT	**22.5**	**17.4**
Less		
Income tax expense	2.9	2.5
Statutory NPAT	**19.6**	**14.9**
Underlying Results		
Underlying NPBIT	**28.3**	**22.6**
Less		
Underlying income tax expense	3.6	3.3
Underlying NPAT	**24.7**	**19.3**
Net cash inflow		
Free Cash	32.7	31.4
Underlying Free Cash	35.8	29.2
Other KPIs		
Unencumbered cash ($'m)	107.8	115.7
Return on Net Funds Employed	61%	46%
NTA per share ($)	1.78	1.77
EPS (cents)	20.2	15.4
Underlying EPS (cents)	25.4	20.0
DPS (cents)	12.0	10.0

[3] *Underlying NPBIT for 1H23 was adjusted to reflect the pre-mature/ post-closure floors in 1H24*
[4] *NTA and Unencumbered cash as at 31 December 2023, comparing to that at 30 June 2023*

Financial Summary - continued

1H24 revenue and other income was $157.7m, up 8% on pcp (1H23: $145.4m). Underlying Operating Revenue increased $10.7m or 8% compared to 1H23.

1H24 Statutory NPBT was $22.5m, up $5.1m or 29% from 1H23 NPBT of $17.4m, attributable to strong momentum in revenue growth. 1H24 Statutory NPAT was $19.6m, up $4.7m or 32% from 1H23 NPAT of $14.9m.

1H24 Underlying NPBIT was $28.3m, up $5.7m or 25% on 1H23.

Basic EPS was 20.2 cps, up 31% year-on-year. Underlying EPS was 25.4 cps, up 27% year-on-year.

Return on net funds employed was 61% in 1H24[5], up 31% from 1H23.

Underlying Free Cash was $35.8m, up $6.6m or 22% on pcp. Unencumbered cash balances at 31 December 2023 of $107.8m, down $7.9m from $115.7m at 30 June 2023, as more capital resources were deployed on global expansion, opened 11 operations in the last 18 months.

As at the date of this report, cash balances are in excess of $120.0m.

[5] *Annualised ROFE*

Operating performance

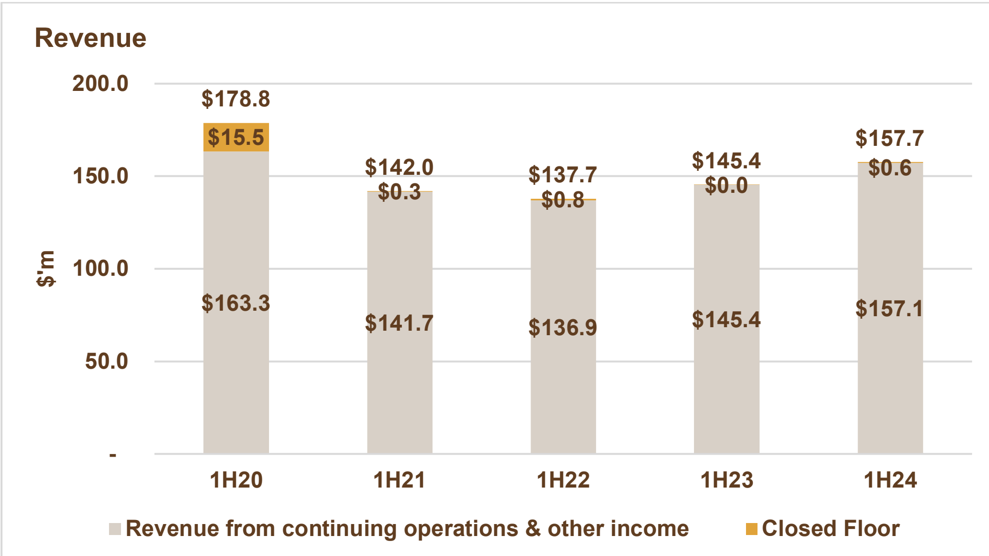
Reconciliation of Statutory and Underlying performance:

	1H24	1H23
		$'m
Statutory NPBT	**22.5**	**17.4**
Add		
Operating loss from new floors pre-maturity or from closed floors post-maturity	1.4	3.4
Impairment loss, closure costs and other non-recurring costs	4.5	1.8
Underlying NPBIT	**28.3**	**22.6**
Less		
Interest & franchise income	(1.6)	(1.4)
Forex gain	(1.6)	(0.9)
Other non-operating items	0.9	0.5
Underlying Operating Profit	**26.1**	**20.9**
Less		
Operating loss from new floors pre-maturity or from closed floors post-closure	(1.4)	(3.4)
Total Operating Profit[6]	**24.8**	**17.5**

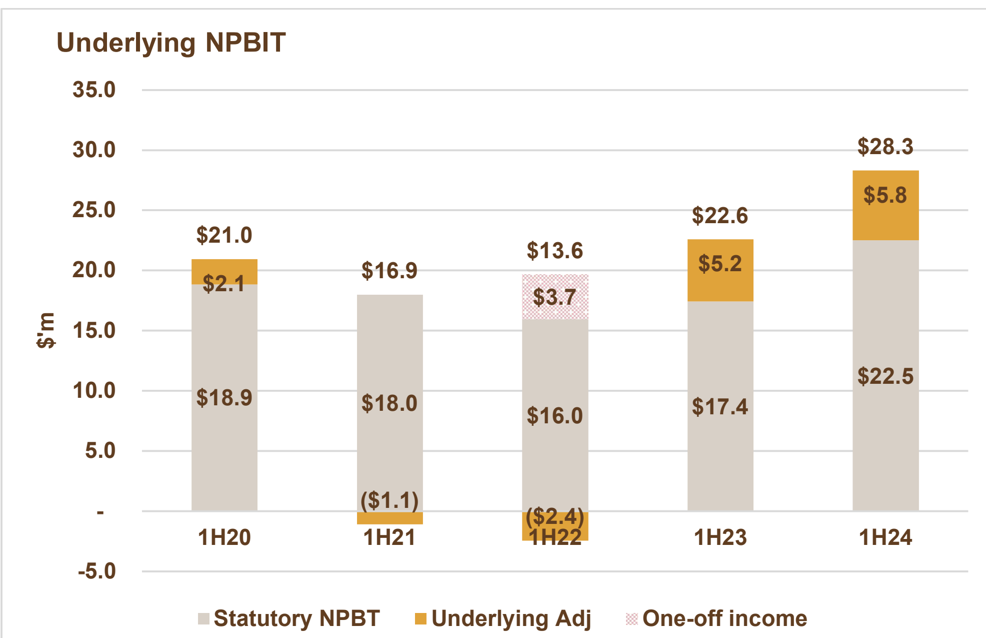
[6] *Total Operating Profit is also referred to Statutory Operating Profit. The two terms may be used interchangeably in this document and public announcements including the Results Presentation made during this period.*

1H24 – Overview

1H24 revenue $157.7m, up 8% on 1H23. Revenue from continuing operations[7] and other income $157.1m, up 8% on 1H23.



1H24 Underlying NPBIT $28.3m, up 25% on 1H23. 1H24 Underlying NPBIT was underpinned by a solid performance in Europe & Middle East ("EME"), and steady recovery in Australia, New Zealand and South East Asia ("ANZ & SEA").



[7] *Calculated as consolidated segment revenue for the period as disclosed in the Note 2 Operating segments in the 1H24 Financial Report, adjusted for Revenue from discontinued operations.*

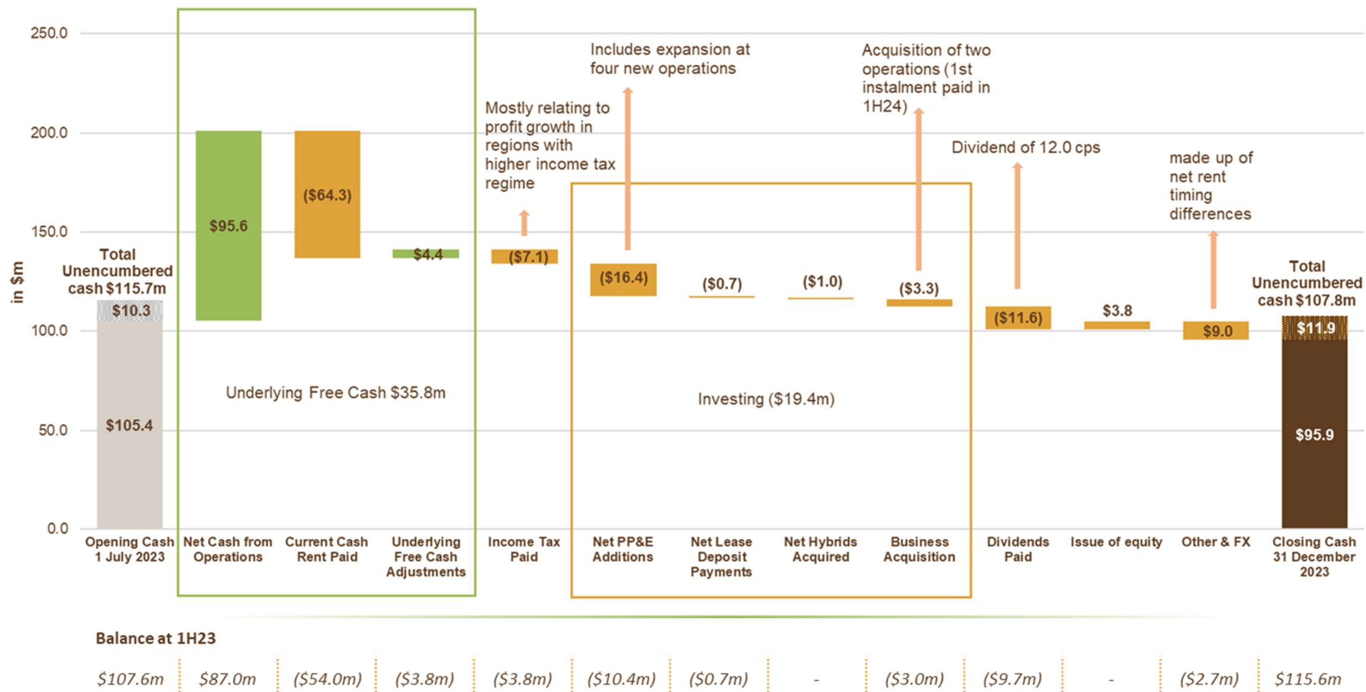
Cash Flow

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

	1H24	1H23
		$'m
Net Operating Cash flow	**81.6**	**78.0**
Add:		
Tax paid	7.1	3.8
Less:		
Lease liability Cash Rent for related period paid in related period	57.4	48.8
Cash Rent timing differences	(1.4)	1.5
Free Cash	**32.7**	**31.4**
Add:		
Cash Rent previously withheld now paid	1.8	-
Less:		
Cash Rent relating to current period withheld	-	1.3
Other timing differences & write-off	(1.2)	0.9
Underlying Free Cash	**35.8**	**29.2**

Free Cash of $32.7m, up 4% compared to 1H23. Underlying Free Cash of $35.8m, up 22% on 1H23.

Cash Flow - continued



Servcorp produced Underlying Free Cash in 1H24 of $35.8m, paid tax of $7.1m and incurred net capital expenditure of $16.4m[8] (up $6.0m from $10.4m in 1H23) representing the investment in the new floors opened in ANZ&SEA, North Asia and Europe & Middle East. Servcorp paid $0.7m in net lease deposits, invested an additional $1.0m in hybrid securities and ordinary shares, and paid $3.3m for a business acquisition. Servcorp also paid $11.6m in dividends in 1H24 and received $3.8m cash from the issue of equity for exercised options.

Other cash outflows of $9.0m include $4.4m of Underlying Free Cash adjustments (refer reconciliation on page 7), $6.8m of Cash Rent relating to future years, $2.4m downward effects of exchange rate changes.

Overall cash decreased by $7.9m from $115.7m at 30 June 2023 to $107.8m at 31 December 2023.

[8] *Includes $20.9m capital expenditure spent on Property, plant & equipment and intangible assets, less $4.5m proceeds from disposal*

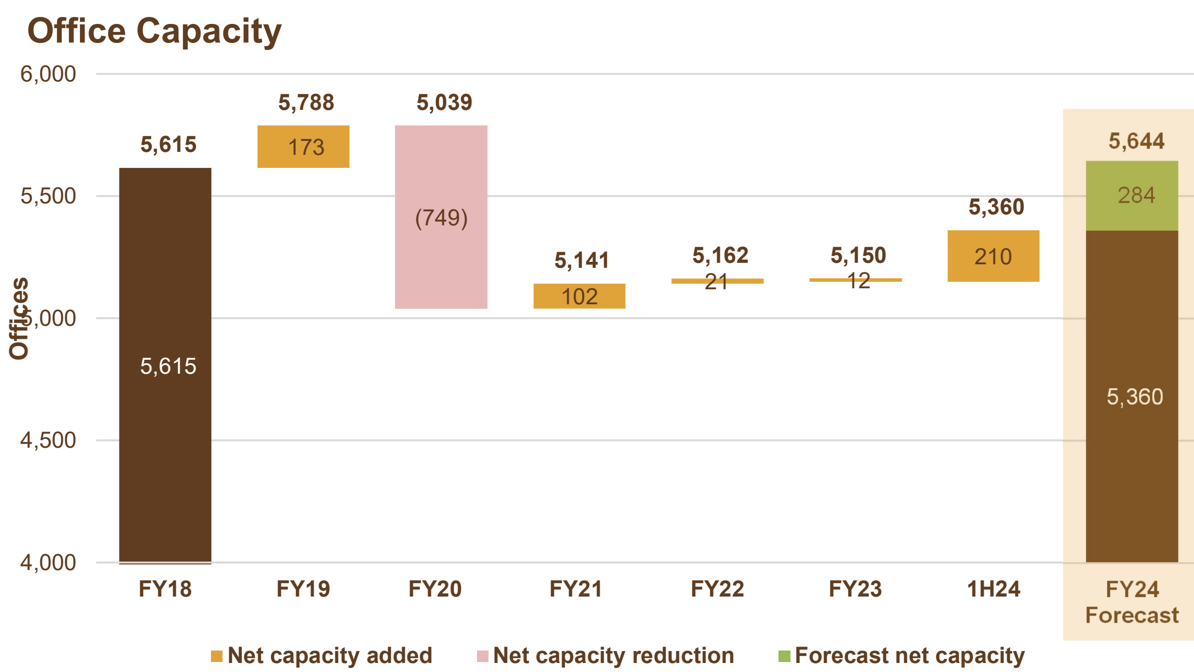
Office Capacity

During 1H24, 6 new operations were open, including 3 in Australia & New Zealand, 2 in North Asia, and 1 in the Middle East. 1 location was closed in Australia & New Zealand in 1H24, replaced by deploying resources to more prestigious locations opened in the same year.

7 more new floors are scheduled to commence operations in 2H24, spanning Australia & New Zealand, Middle East and the USA.

Net capacity increased by 210 offices to 5,360, and capacity for FY24 is forecast, based on the new leases signed or schedule to be signed in the coming weeks, to increase by 284 offices to 5,644.

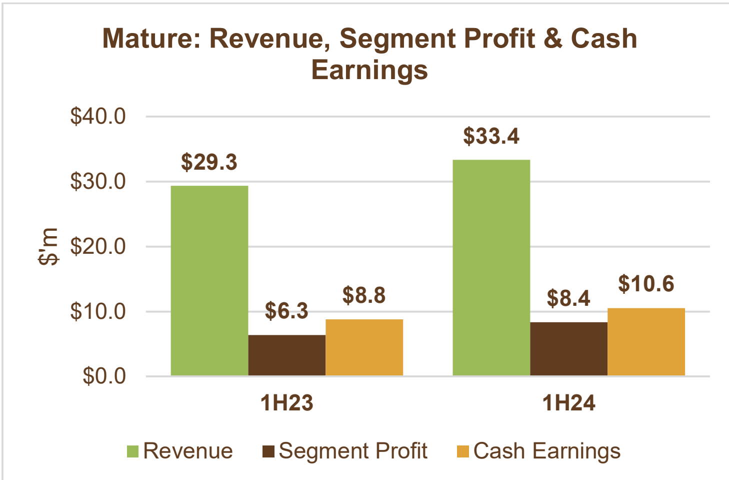
Mature floor occupancy was 71% at 31 December 2023 (72% at 30 June 2023).



Our global footprint encompasses 131 floors, in 40 cities across 20 countries.

Operating Summary by Region[9]

ANZ & South East Asia

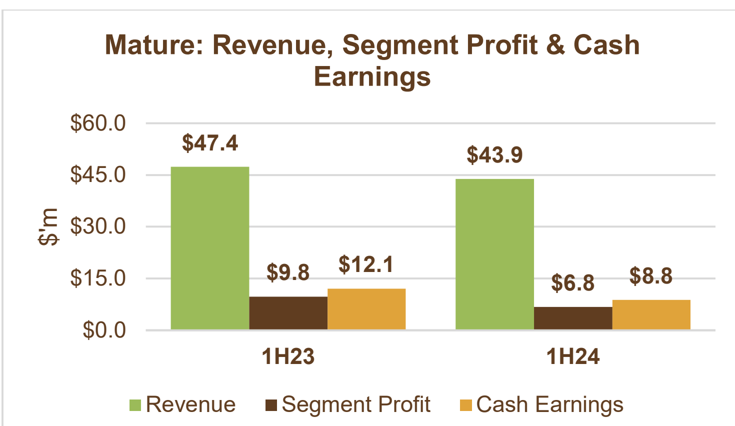


Australia, New Zealand and South East Asia continues to improve and enhance its market position.

Mature revenue is up $4.1m or 14% year-on-year, followed by the similar trend in profit and cash earnings. Enhanced management focus is invested on improving occupancy and service conversion.

Mature profit margin improved to 25% in 1H24 (1H23: 22%).

North Asia



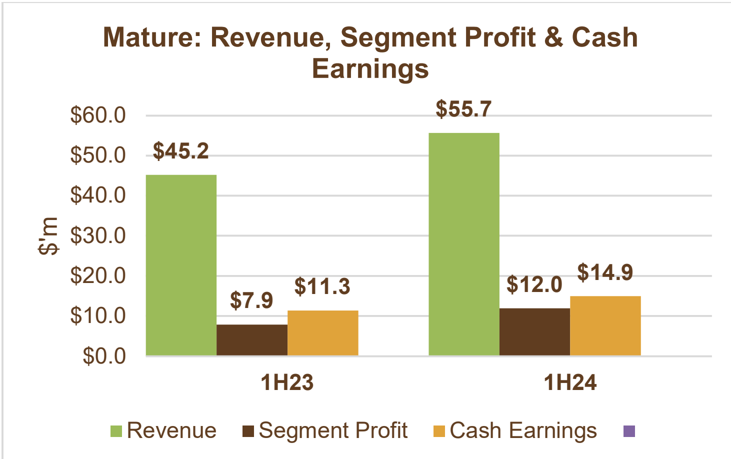
North Asia as a whole continued to deliver a solid result. The decline in revenue was resulted from the extended underperformance in Greater China. A further $1.5m impairment was recognised for China in 1H24.

Competition increased substantially off an already high level in the segment as a growing number of building owners launched shared space programs, particularly in Japan.
The underperformance led to a decline in Mature Revenue by $3.5m on pcp, while operating expenses held largely flat year-on-year. Decreases in Segment Profit and Cash Earnings are largely attributed to the drop in Mature Revenue.

[9] Mature revenue and Mature Segment profit is also known as Underlying Operating Revenue and Underlying Operating Profit. Segment cash earnings from operating activities (exclusive of non-operating activities and any timing difference in cash receipts/ payments).

Operating Summary by Region – continued

Europe & Middle East

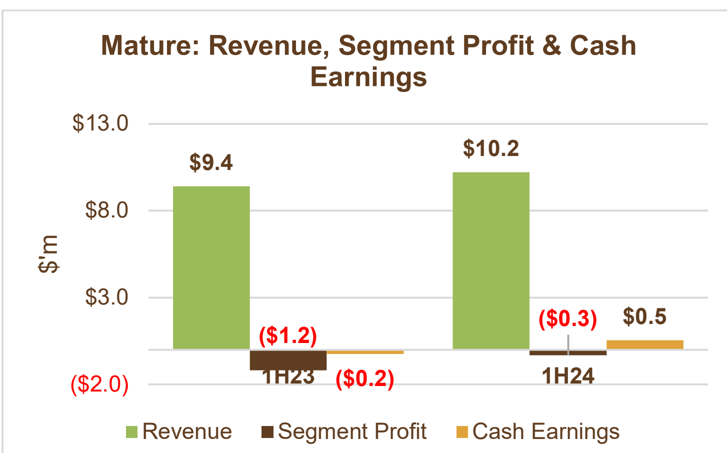


Europe & Middle East continued to perform well.

Mature revenue recorded a healthy growth of $10.5m on pcp off the back of strong demand. Segment Profit and Cash Earnings for the region was up $4.1m and $3.6m respectively on pcp.

Operating expense increased by 17% on pcp, as the segment accelerates strategic expansion.

USA

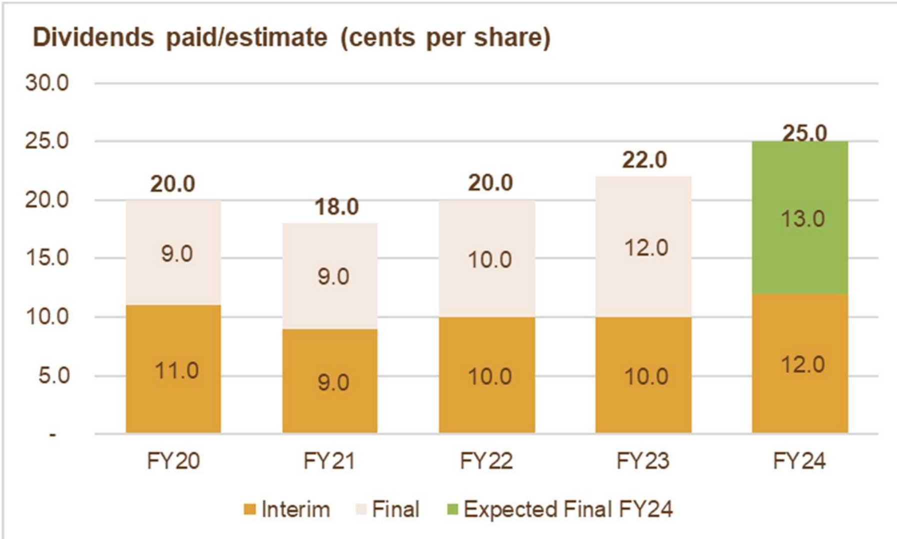


USA continued to show improvements in performance in 1H24, albeit at a slower-than-expected pace.

Following the restructure of the local management team, USA successfully swung its performance to become cash breakeven in 1H24.

All revenue growth was translated into profitability, indicating potential strong profit uplift for further revenue increases.

Dividends



The Directors have declared an interim dividend of 12.0 cps, 20% franked, payable on 4 April 2024.

As previously indicated the final FY24 dividend will be no less than 13.0 cps (franking uncertain). We expect to make dividend payments consistent with our long term history and commitment to shareholders.

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

FY24 Guidance Reaffirmed

FY24 commenced with strong momentum, marked by year-on-year improvements in key performance indicators across our business, despite facing significant competition. While acknowledging the persistent challenges and uncertainties in the global economic sphere, Servcorp approaches the future with tempered optimism, focusing on sustainable income generation through ongoing efforts to enhance revenue efficiency from service conversion.

With the flexibility afforded by a strong Balance Sheet and without geographic constraints, Servcorp has been actively pursuing strategic and organic expansion opportunities. This includes a focus on robust growth market exploration to further solidify our market leadership position. In 1H24, 6 new operations were successfully launched, with an additional 7 slated to commence trading in 2H24. Further expansion opportunities are in the pipeline under negotiation for opening in the next 12-18 months.

Underpinned by a demonstrated track record of strategy execution and the solid 1H24 results, we reaffirm the full year profit guidance of Underlying NPBIT between $50.0m and $55.0m, and at least $70.0m free cash.

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

Glossary

1H	First half of financial year - six months to 31 December
2H	Second half of financial year - six months to 30 June
ANZ	Australia & New Zealand
Cash Earnings	Is profit minus depreciation and other non-cash expenses
cps	Cents per share
EPS	Earnings per share
EME	Europe & Middle East
Free Cash	Is the Net Operating Cash Flows before tax as reported in the Consolidated Statement of Cash Flows contained in the Servcorp Consolidated Financial Report minus Cash Rent paid
FY	Financial year
Immature	Immature means floors that are not mature, excluding closed floors
m or $'m	Million
Mature	Mature means floors that were open in both the current and comparative reporting periods. A floor is categorised as Mature at the earlier of 24 months from the date it becomes operational or 3 months consecutive operating profit For the avoidance of doubt, Mature excludes closed floors
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NPBIT	Net Profit Before non-cash Impairment of Assets and Tax
NTA	Net tangible asset per share
ROFE	Return on Net Funds Employed
SEA	South East Asia
Segment Profit/(Loss)	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
Statutory NPAT/ NPBT	Calculated in accordance with Australian Accounting Standards as reported in the Servcorp Consolidated Financial Report
Underlying Free Cash	Is Free Cash adjusted for significant items (before tax) which relate to the reported financial year however, because of timing, either occurred in the preceding financial year or will occur in the subsequent financial year
Underlying NPAT	Is the Statutory NPAT adjusted for significant items (net of tax) that are one-off in nature and that do not reflect the underlying performance of our business
Underlying 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 our business
Underlying Operating Revenue	Is revenue generated from operating activities from Mature floors. Is also known as Mature Revenue
Total Operating Profit	Is profit generated from operating activities from all floors, excluding any profit or losses generated from non-operating activities. Is also known as Statutory Operating Profit
USA	United States of America

Servcorp Limited

ABN 97 089 222 506

Consolidated Interim Financial Report

For the half-year ended 31 December 2023

Servcorp Limited
For the Half Year Ended 31 December 2023

CONTENTS

Directors' Report
31 December 2023

The Directors of Servcorp Limited ("the Company") submit herewith the consolidated interim financial report for the Company and its consolidated entities ("the Consolidated Entity") for the half-year ended 31 December 2023. In order to comply with the provisions of the Corporations Act 2001 the Directors' report as follows:

1 Principal activities

The Consolidated Entity provides a global network of the finest flexible workspace solutions.

2 Directors

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

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

3 Other

(1) Significant changes in state of affairs

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

(2) Subsequent events

Dividend

On 22 February 2024, the Directors declared an interim dividend of 12.00 cents per share franked to 20%, payable on 4 April 2024.

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

4 Operating results and review of operations for the year

4.1 Review of operations

Revenue and other income from operating activities increased by 8.5% to $157.7 million for the half-year ended 31 December 2023 (31 December 2022: $145.4 million).

Net profit before tax for the half-year ended 31 December 2023 was $22.5 million, an increase of 29.3% from $17.4 million net profit before tax for the half-year ended 31 December 2022.

Operating net profit after tax was $19.6 million (31 December 2022: $14.9 million).

Cash and cash equivalents as at 31 December 2023 was $95.8 million (30 June 2023: $105.4 million).

The Directors have declared an interim dividend of 12.00 cents per share franked to 20%, payable on 4 April 2024.

4.2 Servcorp capacity

As at 31 December 2023, Servcorp operated 131 floors, in 40 cities across 20 countries.

During the half-year ended 31 December 2023, Servcorp closed 1 floor and opened 7 new floors. Net capacity increased by 210 offices to 5,360.

Mature floor occupancy was 71% as at 31 December 2023 (72% at 30 June 2023).

4.3 Operating summary by region

a Australia, New Zealand and Southeast Asia

During the half-year ended 31 December 2023, mature revenue increased $4.1 million, up 14% year on year.

The region's mature profit margin improved by 25% (Dec 2022: 22%).

b North Asia

North Asia as a whole continued to deliver a solid result. The decline in revenue resulted from the underperformance in Greater China. A further $1.5 million impairment was recognised for China during the half-year ended 31 December 2023. Mature revenue was down $3.5 million. Decreases in segment profit and cash earnings were largely attributed to the drop in mature revenue.

c Europe and the Middle East

Europe and the Middle East continued to perform well. Mature revenue was up $10.5 million in the half-year compared to the first half of the previous year. Mature segment profit and cash earnings increased $4.1 million and $3.6 million, respectively.

d United States of America

Mature revenue continued to grow in the United States of America (“USA”), recording an increase of 9% compared to the first half of the previous year. The increase was fully offset by higher operating expenses.

Directors' Report
31 December 2023

5 Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the half-year ended 31 December 2023 has been received and is set out on page 4, and forms part of this report.

6 ASIC Corporations Instrument 2016/191 rounding of amounts

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

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

On behalf of the Directors

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

Dated this 22nd day of February 2024

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

To the Directors of Servcorp Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Servcorp Limited for the half-year ended 31 December 2023 there have been:

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

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

KPMG

KPMG

Paul Thomas
Partner
Sydney
22 February 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Note	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Revenue	8	**155,876**	143,890
Other revenue and income	8	**1,797**	1,481
Total revenue		**157,673**	145,371
Service expenses		**(40,081)**	(34,906)
Marketing expenses		**(9,604)**	(9,079)
Occupancy expenses		**(19,340)**	(17,637)
Administrative expenses		**(12,123)**	(11,784)
Amortisation of right-of-use asset		**(47,403)**	(50,080)
Finance costs attributable to lease liability		**(6,920)**	(5,210)
Impairment losses		**(1,639)**	(1,801)
Net foreign exchange gains realised and unrealised		**1,280**	141
Fair value gains on derivatives		**286**	721
Share of gains of joint venture		**358**	226
Net other gains		**18**	1,468
Total expenses		**(135,168)**	(127,941)
Profit before income tax		**22,505**	17,430
Income tax expense	9	**(2,860)**	(2,527)
Profit for the half-year		**19,645**	14,903
Other comprehensive income, net of income tax			
Items that will be reclassified to profit or loss when specific conditions are met			
Translation of foreign operations (items may be reclassified subsequent to profit or loss)		**(4,863)**	4,373
Other comprehensive income for the half-year, net of tax		**(4,863)**	4,373
Total comprehensive income for the half-year		**14,782**	19,276
		Cents	Cents
Basic EPS	10	**20.2**	15.4
Diluted EPS	10	**20.2**	15.4

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

Consolidated Statement of Financial Position
As at 31 December 2023

	Note	31 Dec 2023 $ '000	30 Jun 2023 $ '000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**95,836**	105,364
Trade and other receivables	11	**36,419**	27,778
Other financial assets	12	**14,621**	13,458
Current tax receivable		**7,528**	5,506
Prepayments and other assets		**5,125**	6,893
TOTAL CURRENT ASSETS		**159,529**	158,999
NON-CURRENT ASSETS			
Other financial assets	12	**37,974**	37,808
Property, plant and equipment	13	**84,305**	80,358
Intangible assets	14	**2,843**	2,433
Right-of-use assets	15	**312,405**	305,311
Deferred tax assets		**43,938**	42,283
Goodwill	16	**17,275**	13,775
TOTAL NON-CURRENT ASSETS		**498,740**	481,968
TOTAL ASSETS		**658,269**	640,967
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**54,171**	43,545
Security deposits		**27,944**	27,160
Lease liabilities		**103,138**	106,037
Provisions		**11,324**	13,057
TOTAL CURRENT LIABILITIES		**196,577**	189,799
NON-CURRENT LIABILITIES			
Lease liabilities		**264,288**	261,808
Provisions		**1,654**	1,582
TOTAL NON-CURRENT LIABILITIES		**265,942**	263,390
TOTAL LIABILITIES		**462,519**	453,189
NET ASSETS		**195,750**	187,778
EQUITY			
Contributed equity	17	**155,568**	151,594
Reserves		**(28,194)**	(24,165)
Retained earnings		**68,376**	60,349
TOTAL EQUITY		**195,750**	187,778

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Contributed Equity	Share Buy-Back Reserve	Foreign Currency Translation Reserve	Employee Equity Settled Benefits Reserve	Retained Earnings	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at 1 July 2023	**151,594**	**(4,733)**	**(20,370)**	**938**	**60,349**	**187,778**
Profit attributable to members of the parent entity	**-**	**-**	**-**	**-**	**19,645**	**19,645**
Translation of foreign operations (net of tax)	**-**	**-**	**(4,863)**	**-**	**-**	**(4,863)**
Transactions with owners in their capacity as owners						
Dividends provided for or paid	**-**	**-**	**-**	**-**	**(11,618)**	**(11,618)**
Share based payment transactions	**3,974**	**-**	**-**	**834**	**-**	**4,808**
Balance at 31 December 2023	**155,568**	**(4,733)**	**(25,233)**	**1,772**	**68,376**	**195,750**

	Contributed Equity	Share Buy-Back Reserve	Foreign Currency Translation Reserve	Employee Equity Settled Benefits Reserve	Retained Earnings	Total
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at 1 July 2022	151,594	(4,733)	(18,085)	832	68,646	198,254
Profit attributable to members of the parent entity	-	-	-	-	14,903	14,903
Translation of foreign operations (net of tax)	-	-	4,373	-	-	4,373
Transactions with owners in their capacity as owners						
Dividends provided for or paid	-	-	-	-	(9,682)	(9,682)
Share based payment transactions	-	-	-	(76)	-	(76)
Balance at 31 December 2022	151,594	(4,733)	(13,712)	756	73,867	207,772

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2023

	31 Dec 2023 $ '000	31 Dec 2022 $ '000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	**168,505**	150,196
Payments to suppliers and employees	**(74,473)**	(64,589)
Interest received	**1,568**	1,262
Franchise fees received	**-**	127
Interest and other costs of finance paid	**(6,920)**	(5,196)
Tax paid	**(7,086)**	(3,803)
Net operating cash inflows	**81,594**	77,997
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	**(19,491)**	(10,447)
Payment for intangible asset	**(1,383)**	(632)
Payment for purchase of business, net of cash acquired	**(3,277)**	-
Proceeds on disposal of property, plant and equipment	**4,457**	14
Payments for securities and shares	**(1,349)**	(2,218)
Proceeds from sale of variable rate bonds and listed ordinary shares	**365**	-
Payments for landlord lease deposits	**(709)**	(795)
Net investing cash outflows	**(21,387)**	(14,078)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of equity securities of the parent	**3,811**	-
Dividends paid	**(11,618)**	(9,682)
Prepayment of leasing liability relating to future occupancy periods	**(6,847)**	(6,370)
Repayment of leasing liabilities relating to current period occupancy	**(57,367)**	(48,825)
Net financing cash outflows	**(72,021)**	(64,877)
Effects of exchange rate changes on cash and cash equivalents	**2,286**	5,257
Net (decrease)/increase in cash and cash equivalents held	**(9,528)**	4,299
Cash and cash equivalents as at 1 July	**105,364**	100,766
Cash and cash equivalents as at 31 December	**95,836**	105,065

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

Notes to the Financial Statements
For the half-year ended 31 December 2023

1 Reporting entity

Servcorp Limited ("the Company") and the subsidiaries ("the Consolidated Entity") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The address of the Consolidated Entity's registered office is Level 63, 25 Martin Place, Sydney NSW 2000. Servcorp Limited is a for-profit entity, and the principial activities of the Consolidated Entity during the half-year were the provision of a global network of the finest flexible workspace solutions.

The financial report of the Consolidated Entity for the half year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 22 February 2024.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2023 is available from the Consolidated Entity's website www.servcorp.com.au or upon request from the Consolidated Entity's registered office.

2 Basis of preparation

The consolidated interim financial statements for the half year ended 31 December 2023 represent a condensed set of financial statements and have been prepared in accordance with *AASB 134 Interim Financial Reporting*.

The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Consolidated Entity's annual consolidated financial statements as at 30 June 2023 and any public announcements made by Servcorp Limited during the half year ended 31 December 2023 in accordance with the continuous disclosure requirements of the ASX listing rules.

3 Judgements and estimates

In preparing this consolidated interim financial report, significant judgements and key sources of estimation of uncertainty were the same as those applied to the annual financial report for 30 June 2023.

4 Principal risks

As a part of the half year risk assessment the Directors considered the impact of geopolitical factors on the principal risks of the Consolidated Entity over the next six months to remain unchanged.

5 Changes to accounting standards

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual consolidated financial statements for the year ended 30 June 2023.

Several amendments and interpretations apply for the first time in the current period but do not have an impact on the interim consolidated financial statements of the Consolidated Entity.

6 Going concern

Occupancy levels through the year have been growing steadily. Growth in Virtual Offices and Coworking has also helped maintain a strong cash positive operating environment.

The Consolidated Entity has prepared an assessment of its ability to continue as a going concern, taking into account information available up to the date of signing the financial report. The Directors have also considered that the Consolidated Entity is in a net current asset deficiency position of $37.0 million at balance date.

The Directors remain confident that the Consolidated Entity will be able to continue as a going concern. This assumes the Consolidated Entity will be able to manage actual and potential risks faced by the Consolidated Entity including those risks related to inflation. In reaching this position, the following factors have been considered.

- The Consolidated Entity has a cash balance totaling $95.8 million;
- The Consolidated Entity produced positive cash from operations of $81.6 million;
- The Consolidated Entity is in a net current liabilities position due to the capitalisation of lease commitments. The corresponding Right of Use Asset ("ROU") is classified as non-current asset in full. Net current liabilities are impacted by the current position of lease liabilities of $103 million;
- The Consolidated Entity has no external debt; and
- The Consolidated Entity has net assets of $195.8 million as at 31 December 2023;

On the basis of these factors, the Directors have a reasonable expectation that the going concern basis of preparation is appropriate and that the mitigating actions to reduce operating costs and maximise cash flows of the Consolidated Entity during ongoing global uncertainties will support its operating existence.

7 Operating segments

Segment information

The Consolidated Entity identifies its operating segments based on the business activities it engages from which it earns revenues and incurs expenses. These are reviewed regularly by the chief operating decision makers of the Consolidated Entity.

The geographic segments are based on the geographic regions in which business units largely share a high level of similarity in regulatory, economic relationships, time zones, market characteristics, cultural similarities, language clusters, which form the basis for geographic results to the chief operating decision maker. Each reportable segment has its own distinct senior manager responsible for the performance of the segment. The chief operating decision maker is responsible for performance and resource allocation amongst operating segments. All reportable segments are involved in the provision of workspace solutions.

In line with the requirements under AASB 8 Operating Segments (AASB 8), the Consolidated Entity is run on a worldwide basis but has four reportable segments: 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 accounting policies of the reportable operating segments are the same as those disclosed in the annual financial report for 30 June 2023.

For the half-year 31 December 2023, the Consolidated Entity's Virtual Office revenue and Serviced Office revenue were $47.5 million and $108.4 million respectively (31 December 2022: $42.6 million and $101.3 million respectively).

7 **Operating segments (continued)**

Segment performance

	Lease revenue 31 Dec 2023 $ '000	**Service and other revenue 31 Dec 2023 $ '000**	**Total revenue 31 Dec 2023 $ '000**	Lease revenue 31 Dec 2022 $ '000	Service and other revenue 31 Dec 2022 $ '000	Total revenue 31 Dec 2022 $ '000	**Segment profit/ (loss) 31 Dec 2023 $ '000**	Segment profit/ (loss) 31 Dec 2022 $ '000
Continuing operations								
Australia, New Zealand and Southeast Asia	**30,975**	**8,663**	**39,638**	27,445	6,905	34,350	**6,819**	5,581
North Asia	**33,906**	**11,454**	**45,360**	40,874	12,119	52,993	**6,057**	7,066
Europe and Middle East	**38,766**	**20,838**	**59,604**	31,461	13,967	45,428	**12,530**	7,374
USA	**8,204**	**2,008**	**10,212**	8,262	1,134	9,396	**(91)**	(746)
Other	**219**	**290**	**509**	1,356	240	1,596	**(2,109)**	(367)
Total continuing operations	**112,070**	**43,253**	**155,323**	109,398	34,365	143,763	**23,206**	18,908
Closed floors (i)								
Australia, New Zealand and Southeast Asia	**444**	**128**	**572**	-	-	-	**32**	(23)
North Asia	**(7)**	**(12)**	**(19)**	-	-	-	**(25)**	-
Europe and Middle East	**-**	**-**	**-**	-	-	-	**(10)**	(11)
USA	**-**	**-**	**-**	-	-	-	**(15)**	(3)
	437	**116**	553	-	-	-	**(18)**	(37)
Franchise fee income	**-**	**-**	**-**	-	127	127	**-**	127
Consolidated total	**112,507**	**43,369**	**155,876**	109,398	34,492	143,890	**23,188**	18,998

7 Operating segments (continued)

Segment performance

	Lease revenue 31 Dec 2023 $ '000	Service and other revenue 31 Dec 2023 $ '000	Total revenue 31 Dec 2023 $ '000	Lease revenue 31 Dec 2022 $ '000	Service and other revenue 31 Dec 2022 $ '000	Total revenue 31 Dec 2022 $ '000	Segment profit/ (loss) 31 Dec 2023 $ '000	Segment profit/ (loss) 31 Dec 2022 $ '000
Other								
Interest revenue	-	1,568	1,568	-	1,262	1,262	1,568	1,262
Foreign exchange gains	-	-	-	-	-	-	1,566	862
Central unrecovered head office overheads	-	-	-	-	-	-	(955)	(3,585)
Share of profits of joint venture	-	-	-	-	-	-	358	226
Gain on asset disposal	-	-	-	-	-	-	18	1,468
Impairment of ROU assets (ii)	-	-	-	-	-	-	(1,639)	(1,801)
Amortisation of customer contracts	-	-	-	-	-	-	(451)	-
Restructure	-	-	-	-	-	-	(1,278)	-
Unallocated	-	229	229	-	219	219	130	-
Income tax expense	-	-	-	-	-	-	(2,860)	(2,527)
Total	112,507	45,166	157,673	109,398	35,973	145,371	19,645	14,903

Note:

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

ii. Refer to note 15 for details on the net impairment of the ROU asset.

Notes to the Financial Statements
For the half-year ended 31 December 2023

7 Operating segments (continued)

Segment net assets

	Segment assets 31 Dec 2023 $ '000	Segment liabilities 31 Dec 2023 $ '000	Net assets 31 Dec 2023 $ '000	Segment assets 30 Jun 2023 $ '000	Segment liabilities 30 Jun 2023 $ '000	Net assets 30 Jun 2023 $'000
Australia, New Zealand and Southeast Asia	**287,654**	**(109,745)**	**177,909**	266,685	(111,337)	155,348
North Asia	**167,891**	**(142,144)**	**25,747**	172,219	(147,026)	25,193
Europe and Middle East	**228,349**	**(126,535)**	**101,814**	224,166	(103,705)	120,461
USA	**(24,901)**	**(84,058)**	**(108,959)**	(21,370)	(91,085)	(112,455)
Other	**(724)**	**(37)**	**(761)**	(733)	(36)	(769)
Total	**658,269**	**(462,519)**	**195,750**	640,967	(453,189)	187,778

8 Revenue and other income

Revenue

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

The majority of the consolidated revenue is not subject to seasonality fluctuations. Addition of new locations or changes in demand or prices drive revenue.

	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Revenue		
- Lease revenue	**112,507**	109,398
- Service revenue	**24,029**	18,740
- Communication revenue	**19,340**	15,625
- Franchise fee income	**-**	127
Total revenue	**155,876**	143,890
Other income		
- Interest income - bank deposits	**1,568**	1,262
- Other income	**229**	219
Total other revenue and income	**1,797**	1,481

Notes to the Financial Statements
For the half-year ended 31 December 2023

9 Tax expense

	31 Dec 2023	31 Dec 2022
	$ '000	$ '000
Profit before income tax	**22,505**	17,430
Tax rate	**30 %**	30 %
Income tax expense calculated at 30%	**6,752**	5,229
Add:		
Tax effect of:		
- Unused tax losses and tax offset not recognised as deferred tax assets	**234**	173
	6,986	5,402
Adjustments:		
Tax effect of:		
- Deductible local taxes	**(79)**	(260)
- Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,867)**	(2,614)
- Other non assessable items	**721**	391
- Income tax under/(over) provision in prior years	**156**	(312)
- Unrecognised tax losses of controlled entities recouped	**(57)**	(80)
Income tax expense	**2,860**	2,527

Notes to the Financial Statements
For the half-year ended 31 December 2023

10 Earnings per share

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

	31 Dec 2023 $ '000	31 Dec 2022 $ '000
Profit attributable to security holders used to calculate basic and diluted EPS ($'000)	**19,645**	14,903

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

	31 Dec 2023 No.	31 Dec 2022 No.
WANOS used in calculating basic EPS ('000)	**97,284**	96,818
WANOS used in calculating diluted EPS ('000)	**97,499**	96,818

The movement in number of shares reflects the exercise of options during the half year end.

	31 Dec 2023 Cents	31 Dec 2022 Cents
Basic EPS	**20.2**	15.4
Diluted EPS	**20.2**	15.4

11 Trade and other receivables

	31 Dec 2023 $ '000	30 Jun 2023 $ '000
At amortised cost		
Trade receivables	**35,029**	28,765
Less: impairment of trade receivables	**(1,248)**	(1,876)
Net trade receivables	**33,781**	26,889
Other receivables	**2,638**	889
Total current trade and other receivables	**36,419**	27,778

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

There has been no change to the Consolidated Entity's accounting policies in relation to trade receivables and provision for expected credit loss (ECL) in the half-year period ended on 31 December 2023. For further explanation of the ECL approach, refer to the annual financial statements for 30 June 2023.

12 Other financial assets

	31 Dec 2023 $ '000	30 Jun 2023 $ '000
CURRENT		
At fair value through profit or loss		
Investment in bank hybrid variable rate securities (i)	**4,678**	4,597
Ordinary listed shares	**7,865**	6,393
At amortised cost		
Lease deposits	**2,078**	2,468
	14,621	13,458
NON-CURRENT		
At fair value through profit or loss		
Forward foreign currency exchange contracts	**210**	566
At amortised cost		
Lease deposits	**36,757**	36,234
Other	**1,007**	1,008
	37,974	37,808
Total other financial assets	**52,595**	51,266

Note:

(i) Australia has $0.7 million in securities which are encumbered (30 June 2023: $0.7 million).

13 Property, plant and equipment

	Freehold land and buildings	Leasehold improvements	Office furniture and fittings	Office equipment	Capital works in progress	Total
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Dec 2023						
Balance at 1 July 2023	**6,482**	**61,583**	**8,582**	**3,191**	**520**	**80,358**
Additions/(transfers)	**-**	**10,340**	**1,220**	**919**	**7,012**	**19,491**
Disposals	**(3,872)**	**(1,027)**	**(48)**	**(62)**	**-**	**(5,009)**
Depreciation expense	**(300)**	**(7,081)**	**(1,236)**	**(798)**	**-**	**(9,415)**
Foreign exchange movements	**(74)**	**(872)**	**(130)**	**(44)**	**-**	**(1,120)**
Net book value at 31 Dec 2023	**2,236**	**62,943**	**8,388**	**3,206**	**7,532**	**84,305**

	Freehold land and buildings	Leasehold improvements	Office furniture and fittings	Office equipment	Capital works in progress	Total
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Cost	2,590	217,738	39,325	48,026	7,532	315,211
Accumulated depreciation	(354)	(154,795)	(30,937)	(44,820)	-	(230,906)
Net book value at 31 Dec 2023	**2,236**	**62,943**	**8,388**	**3,206**	**7,532**	**84,305**

	Freehold land and buildings	Leasehold improvements	Office furniture and fittings	Office equipment	Capital works in progress	Total
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Jun 2023						
Balance as at 1 July 2022	6,600	60,939	9,530	2,820	593	80,482
Additions/(transfers)	-	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 at 30 Jun 2023	6,482	61,583	8,582	3,191	520	80,358

	Freehold land and buildings	Leasehold improvements	Office furniture and fittings	Office equipment	Capital works in progress	Total
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
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 as at 30 Jun 2023	6,482	61,583	8,582	3,191	520	80,358

Leasehold improvements are assessed for indicators of impairment under AASB 136. Refer to note 15 for further details of impairment assessment.

14 Intangible asset

Intangible assets relate to software assets and customer contracts acquired. For detailed disclosure of goodwill refer to note 16.

	31 Dec 2023	30 June 2023
	$ '000	$ '000
Opening balance	**2,433**	2,075
Acquired through business combination (i)	**630**	-
Additions	**753**	1,185
Amortisation	**(973)**	(827)
Closing balance	**2,843**	2,433

(i) Refer to Note 19 for further details.

15 Right of use assets

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

	31 Dec 2023	30 Jun 2023
	$ '000	$ '000
Opening balance	**305,311**	259,998
Acquired through business combination (i)	**6,302**	-
Additions to right-of-use assets	**53,642**	157,098
Amortisation charge for the period	**(47,403)**	(101,943)
Impairment charge	**(1,639)**	(15,061)
Net foreign exchange movement	**(3,808)**	5,219
	312,405	305,311

(i) Refer to Note 19 for further details.

The key assumptions and methodology in calculating right-of-use assets and the corresponding lease liability remain consistent with those noted in the annual financial report for 30 June 2023.

Right-of-use assets and leasehold improvements are assessed for indicators of impairment under AASB 136. Where impairment indicators exist, the CGU is tested for impairment. This test has respective assets grouped into CGUs to determine its “Value in Use” (ViU). The ViU assessment is conducted using a discounted cash flow methodology requiring the Directors to estimate the discounted future cash flows expected to arise from the respective CGU. When applying the ViU approach to calculate the recoverable amount for each CGU, we deduct the carrying amount of the lease liability both from the CGU’s carrying amount and from its ViU.The recoverable amount of ROU Assets is the higher of fair value less costs to sell and value in use ("VIU").

Challenging market conditions are expected to continue to impact the business in the half year to 31 December 2023. As a result of these conditions, the Consolidated Entity continues to review the whole portfolio at a CGUs level for indicators of impairment.

15 Right of use assets (continued)

Impairment tests for right-of-use assets are performed on a CGU basis when impairment triggers arise. CGUs are defined as individual cities, being the smallest identifiable group of assets that generate cash flows that are largely independent of other groups of assets. The Consolidated Entity assesses whether there is an indication that a CGU may be impaired, including persistent operating losses, net cash outflows and poor performance against forecasts. The recoverable amounts of right of use assets are based on the higher of fair value less costs to sell and ViU. The Consolidated Entity considered both fair value less costs to dispose and ViU in the impairment testing on a city by city level. Value in use calculations are based on cash flow projections and discount rates that are developed using market participant based assumptions for items of right of use assets. The post-tax WACC used in the Consolidated Entity’s calculations range between 7.2% and 11.3% (30 June 2023: 6.7% and 10.4%). 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 $1.6 million was raised in relation to CGUs in Europe and North Asia for the half year ended 31 December 2023.

16 Goodwill

For goodwill impairment testing purposes, goodwill is allocated to groups of cash generating units (CGUs) based on the country where the CGUs reside. This represents the lowest level which goodwill is monitored for internal management purposes and is lower than the operating segment level.

The carrying amounts of goodwill relating to each group of cash-generating unit as at 31 December 2023 were as follows:

	31 Dec 2023 $ '000	30 Jun 2023 $ '000
Japan	**9,161**	9,161
Australia(i)	**6,136**	2,636
New Zealand	**785**	785
Singapore	**706**	706
Thailand	**326**	326
China	**161**	161
	17,275	13,775

The Consolidated Entity tests goodwill for impairment annually. A preliminary review of the recoverability of the goodwill has been performed, there has been no indication of impairment of goodwill allocated to the CGUs for the half-year period ended 31 December 2023. The Consolidated Entity will complete and report the annual goodwill impairment testing under AASB 136 Impairment of Assets in the annual financial report for the financial year ending on 30 June 2024.

(i) During the half year, the Goodwill of $3.5 million was recognised as part of the business combination. Refer to Note 19 for further details.

Notes to the Financial Statements
For the half-year ended 31 December 2023

17 Contributed equity

	31 Dec 2023 $ '000	30 Jun 2023 $ '000
31 December 2023: 98,420,388 (30 June 2023: 96,817,888)		
Opening balance	**151,594**	151,594
Exercise of share options (Refer to Note 20)	**3,974**	-
Total issued capital	**155,568**	151,594

18 Bank guarantees and contingent liabilities

The Consolidated Entity has bank guarantees and letters of credit held with certain banks, predominantly in support of leasehold contracts with a variety of landlords, amounting to $27.1 million (30 June 2023: $26.6 million).

There are no contingent liabilities as at 31 December 2023 (30 June 2023: nil).

19 Business combinations

On 3 July 2023, the Consolidated Entity completed the acquisition of two serviced office businesses in Canberra, ACT, Australia, for a net consideration of $4.2 million, payable in two instalments. The terms of the acquisition did not include any contingent consideration.

The businesses were previously owned by Enideb Pty Ltd, a related entity, and were operated under a Servcorp franchise arrangement.

The provisional fair values of the identifiable assets and liabilities acquired as of the date of acquisition were:

	31 Dec 2023 '000 $
Assets:	
Property, plant and equipment	70
Right of use asset	6,302
Intangible asset – customer contracts	630
Intangible asset – goodwill	3,500
Total assets	**10,502**
Liabilities:	
Lease liabilities	6,302
Total liabilities	**6,302**
Identifiable net asset acquired	**4,200**
Cash consideration paid	3,277
Working capital adjustment	713
Deferred cash consideration payable	210
Total consideration	**4,200**

The fair value disclosed are provisional at 31 December 2023, and will be completed within 12 months of the acquisition.

19 Business combinations (continued)

Goodwill of $3.5 million has been provisionally recognised, representing the excess of consideration paid above the provisional fair value of the acquired assets and liabilities. The goodwill is primarily attributable to the complementary business procedures developed and implemented in the businesses acquired, manifest in the outperforming occupancy and profit margin achieved by the businesses. The acquisition is underpinned by the following strategic rationale for the Consolidated Entity:

- Expands the organic footprint of the Consolidated Entity in Canberra, ACT with a strong track record of operating performance and a high brand awareness;
- Brings complementary business procedures and strategies to improve occupancy, client retention, space utilisation and service conversion across the whole Australian portfolio;
- Increases the scale of business in Australia to optimize the benefits of shared services at minimal incremental costs;
- Re-energises the Australian operations with a unified value proposition, product line and service quality;

Post acquisition, the operations in Canberra produces positive net cash flow and contributes profit to the Consolidated Entity.

20 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 Employee Incentive Plan, and previously the Executive Share Option Scheme. Further information about the share-based payments to employees are set out in the Remuneration Report contained in the Annual Report for the year ended 30 June 2023.

During 1 July 2023 to 31 December 2023, options that were issued in September 2020 became exercisable. The total ordinary shares issued upon exercise during this period was 1,602,500 at an exercise price per option of $2.48. The total due upon exercise was $3,974,200 which increased contributed equity. Of this total, $3,810,520 was received in cash and $163,680 was recorded as receivables.

On 14 November 2023, 1,675,000 unquoted options over unissued shares in Servcorp Limited were issued to senior executives and managers at an exercise price of $3.00 per option. The options expire 1 September 2028. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Binomial approximation model.

On 7 December 2023, 1,000,000 unquoted options over unissued shares in Servcorp Limited were issued to the CEO at an exercise price of $3.35 per option. The options expire 1 September 2028. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Binomial approximation model.

21 Distributions

Ordinary distributions paid / payable and distribution per security:

Recognised amounts

		Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
30 June 2023						
Interim	Fully paid ordinary share	10.00	9,682	5 April 2023	30 %	0 %
Final	Fully paid ordinary share	12.00	11,618	5 October 2023	30 %	20 %
30 June 2022						
Interim	Fully paid ordinary share	10.00	9,682	6 April 2022	30 %	0 %
Final	Fully paid ordinary share	10.00	9,682	6 October 2022	30 %	0 %

Unrecognised amounts

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

Interim	Fully paid ordinary share	12.00	11,810	4 April 2024	30 %	20 %

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

Dividend franking account

	31 Dec 2023 $ '000	30 Jun 2023 $ '000
30% Franking credit available	(348)	1,129

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

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

The tax rate at which paid dividends have been franked at 31 December 2023 is 30% (30 June 2023: 30%). Dividends declared and unpaid will be franked at the tax rate of 30% as at 31 December 2023 (30 June 2023: 30%).

22 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
31 December 2023	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Recurring fair value measurements				
Financial assets				
Bank hybrid variable rate securities	**4,678**	**-**	**-**	**4,678**
Listed ordinary shares	**7,865**	**-**	**-**	**7,865**
Forward foreign currency exchange contracts	**-**	**210**	**-**	**210**

22 Fair value measurement (continued)

Fair value hierarchy (continued)

30 June 2023	Level 1 $ '000	Level 2 $ '000	Level 3 $ '000	Total $ '000
Recurring fair value measurements				
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

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

	Fair value at 31 Dec 2023 $ '000	Fair value at 30 Jun 2023 $ '000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Bank hybrid variable rate securities	4,678	4,597	1	Quoted price in an active market
Listed ordinary shares	7,865	6,393	1	Quoted price in an active market
Forward foreign currency exchange contracts	210	566	2	Future cash flows are estimated based on observable forward exchange rates

23 Events occurring after the reporting date

The consolidated financial report was authorised for issue on 22 February 2024 by the Board of Directors.

Dividend

On 22 February 2024, the Directors declared an interim dividend of 12.00 cents per share, franked to 20% and payable on 4 April 2024.

The financial effect of the above transaction has not been brought to account in the financial statements for the half-year ended 31 December 2023.

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

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 5 to 25 are in accordance with the *Corporations Act 2001*, including:

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

    (b) give a true and fair view of the consolidated group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.

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

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

A G Moufarrige AO

Managing Director and CEO

Dated at Sydney this 22nd day of February 2024.

KPMG

Independent Auditor's Review Report

To the shareholders of Servcorp Limited

Conclusion

We have reviewed the accompanying ***Consolidated Interim Financial Report*** of Servcorp Limited.

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

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Consolidated Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 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 half-year ended on that date
- Notes 1 to 23 comprising a summary of material accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

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

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

Responsibilities of the Directors for the Consolidated Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the Consolidated Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Consolidated Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Paul Thomas

Partner

Sydney

22 February 2024