SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2010

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Interim Financial Report for the six months ended 31 December 2010, the 2010 Annual Financial Report and any public announcements made during the period in accordance with continuous disclosure obligations arising under Corporations Act 2001 and ASX Listing Rules.

Reporting Period

Current period:	1 July 2010 to 31 December 2010
Previous corresponding period:	1 July 2009 to 31 December 2009

Results for announcement to the market

				$'000
Revenue and other income	up	6%	to	89,360
Profit from ordinary activities after tax attributable to members	down	50%	to	819
Net profit for the period attributable to members	down	50%	to	819

Dividends (distributions)	Date paid or payable	Total amount $'000	Amount per security (cents)	Franked amount per security (cents)
Current period	6 April 2011	4,922	5.00	5.00
Previous corresponding period				
Interim dividend declared	29 March 2010	4,922	5.00	5.00
Final dividend paid	1 October 2009	7,847	10.00	10.00

Record date for determining entitlements to the dividend	4 March 2011

The interim dividend for the six months ended 31 December 2010 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2010. On the basis that the Directors will continue to publicly recommend dividends subsequent to reporting date, in future half-year reports, the amounts disclosed as 'recognised' will be the final dividends in respect of the prior year.

	31 December 2010 $	31 December 2009 $
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	$1.87	$2.00

Control over entities

On 22 September 2010, control was lost over an entity, i-Office Squared Sdn Bhd, that did not have a material effect on the profit for the period.

Material interest in entities

There are no material interests in entities that are not controlled entities.

Details of associates and joint venture entities

There are no associates or joint venture entities.

Management Discussion & Analysis

SERVCORP GLOBAL PRESENCE NOW ACHIEVED

- Mature floor NPBT of $13,318,000 (in line with guidance) for H1 FY 2011
- Immature floor loss of ($13,342,000) for H1 FY 2011
- NPBT of $123,000 for H1 FY 2011
- Virtual Office package growth of 7% for H1 FY 2011
- Virtual Office constant currency revenue growth of 19% YOY for H1 FY 2011
- Virtual Office package target of 29,000 anticipated to be reached in April 2011
- Cash balance (unencumbered) of $97,000,000 as at 31 December 2010
- Reaffirm mature floor NPBT guidance of $30,000,000 for FY 2011
- Immature floor losses forecast of $30,000,000 (previous guidance $20,000,000) for FY 2011
- 103 floors in 43 cities in 20 countries open at 31 December 2010
- Interim dividend of 5.00 cents per share for H1 FY 2011
- Forecast final dividend of 5.00 cents per share for FY 2011

Servcorp recorded a mature floor NPBT for H1 FY 2011 of $13,318,000 (H1 FY 2010: $12,045,000). Immature floor losses for H1 FY 2011 were $13,342,000 (H1 FY 2010: $8,966,000). The NPBT for Office Squared for H1 FY 2011 was $147,000 (H1 FY 2010 loss was ($1,208,000)).

Consolidated group NPBT was $123,000 for H1 FY 2011 (H1 FY 2010: $1,871,000). Consolidated group NPAT decreased by 50% to $819,000 for H1 FY 2011 (H1 FY 2010: $1,643,000).

OPERATING SUMMARY

The major expansion across multiple regions has been challenging.

It is clear in the last six months that global economic activity in the locations relative to Servcorp has not all recovered as well as we would have expected. We note the continued strong performance of Australia & Greater China. At the same time we are disappointed by the level of recovery experienced, especially in the USA, our largest expansion location.

The greatest opportunity and difficulties have been experienced in the USA where openings have taken longer and acquiring and training new teams has been a challenge. As at 23 February 2011 there are 21 floors open in 11 cities giving us the required presence and scale. The rents negotiated are attractive and as the US economy recovers we are confident this will prove to be a major earner for Servcorp. There is still risk from the speed of economic recovery and the impact of aggressive competition during this period. At the same time this is the best opportunity Servcorp has ever had to establish a meaningful presence in the USA.

We have experienced slower growth for Virtual Office in our new locations but we are seeing clear signs that this business activity is now on track although we are six months behind our initial expectations.

Overall we have experienced costs in line with expansion budgets but have seen revenues lagging behind the plan due to slower global activity recovery, the business opening delays and pressures of managing such a large growth program in such a short period.

Mature Business

As advised at Servcorp's Annual General Meeting in November 2010 trading conditions were very difficult in the first quarter of FY 2011 in the mature business. The second quarter however saw an improvement in revenues and margins in several locations. We expect to see continued improvement and stronger performance in our mature business in H2 FY 2011.

During H1 FY 2011 two of the large traditional floors that were opened in FY 2010 in 2IFC Hong Kong and Abu Dhabi were moved to the mature floor line. Both floors have reached maturity ahead of expectations and their strong performance is encouraging.

Average mature floor occupancy was 78% during H1 FY 2011 (average for H1 FY 2010: 76%).

Mature floor revenues and profits were adversely impacted by the strengthening AUD during H1 FY 2011.

Virtual Office

Virtual Office package growth was 7% (annualised 14%) during H1 FY 2011. Virtual Office revenue increased by 16% YOY for H1 FY 2011. When expressed in constant currency terms revenue increased by 19% for H1 FY 2011.

Virtual Office package and revenue growth proved to be slower than originally anticipated during H1 FY 2011, however we anticipate reaching our original Virtual Office package target of 29,000 during April 2011.

Expansion

A summary of expansion progress to date is outlined in the table below:

Expansion progress	FY 2010 Floors opened	H1 FY 2011 Floors opened	Total new floors open at 31 Dec 2010	Floors committed to open in H2 FY 2011	Total expected floors to be open at 30 June 2011
	Actual	Actual	Actual		
Virtual Office VIP floors	7	27	34	13	47
Traditional floors	6	0	6	3	9
Total floors	13	27	40	16	56

H1 FY 2011 was an exceptionally busy period for Servcorp which saw 27 new Virtual Office VIP floors open across 19 cities in 8 countries. Floors were opened in 14 new cities (new markets) and in 3 new countries, namely Lebanon, Turkey and The Philippines.

During H1 FY 2011 available offices increased by 11% to 3,244 offices. Including the large traditional floors opened during FY 2010, the number of offices available increased by 25% in the 18 months to 31 December 2010.

An additional 16 floors are committed to open in H2 FY 2011 bringing the total expected floor openings to 43 for FY 2011. This is 12 additional floors more than originally projected for FY 2011. In the two year period to 30 June 2011 it is anticipated we will have opened 56 locations in 26 new cities (new markets) in 7 new countries.

We will slow the pace of growth in 2012 and consolidate operations in new and existing markets. We are now restricting new openings, beyond those already committed, to new floors in established and profitable locations where we are confident expansion will be expeditiously profitable.

As at 31 December 2010 there were 103 floors in 43 cities in 20 countries. As at 23 February 2011 there are 110 floors in 46 cities in 20 countries.

Immature Floor Losses

Immature floor losses were $13.34M for H1 FY 2011 (H1 FY 2010: $12.05M). These losses are higher than expected for the following reasons:

1. We have opened 5 more Virtual Office VIP floors than originally expected in H1 FY 2011. (Original target was to have 35 floors open by 31 December 2010).
2. Office sales take up rates were lower than expected for four of the large traditional floors.
3. The Middle East and the USA have substantially underperformed. They are now however showing early signs of improvement in revenues.

Virtual Office VIP floor construction costs and monthly operating running costs for new floors are meeting budget expectations. We have executed the majority of leases at or near the bottom of the market which will ensure that Servcorp should be competitive as global commercial real estate markets recover.

Despite the delays experienced, we now believe we are on the right marketing and sales track.

Of particular note, Europe and the USA are recovering at a slower pace than originally anticipated. As a result our immature floors in these regions have been adversely impacted. Having regard to our recent financial performance we have revised likely outcomes for the balance of FY 2011 which has resulted in an increased level of immature floor losses.

Immature floor losses for FY 2011 are now expected to be approximately $30.00M for the following reasons:

1. An additional 12 floors are now expected to open during FY 2011. This includes 3 large traditional Serviced Office floors opening in Singapore, Guangzhou and Istanbul during H2 FY 2011. (The original projection was 31 new floors, comprising 30 Virtual Office VIP floors and 1 large traditional floor).
2. The difficulties experienced in Serviced and Virtual Office take up in new markets means we are approximately six months behind our revenue projections. This lag in revenue will have a direct impact on our immature floor loss in H2 FY 2011.

Notwithstanding the difficulties experienced, Management continue to have confidence in the Virtual Office VIP business model and we are satisfied with the overall progress of new floor rollouts. Our focus continues to be on growing Office and Virtual Office revenue.

38 traditional and Virtual Office VIP floors were immature at 31 December 2010 in the following regions:

Breakdown of immature floors by region			
Region	Traditional Floors	Virtual Office VIP Floors	Total
Australia & New Zealand	-	4	4
Japan	1	5	6
Middle East	1	5	6
Greater China	-	3	3
Southeast Asia	-	1	1
Europe	1	-	1
USA	1	16	17
Total	4	34	38

<u>Operating summary by Region</u>

Australia & New Zealand

Mature floors

Australia and New Zealand have continued to perform strongly throughout H1 FY 2011. Revenues and margins have continued to increase in most capital cities. Virtual Office package memberships also increased strongly recording double digit annualised growth. During H1 FY 2011 mature floor revenue increased by 15% YOY to $25.07M. Mature floor NPBT increased by 44% YOY to $6.90M for H1 FY 2011. The cost associated with closing one floor in Australia had the effect of reducing the mature floor result by $0.32M.

Immature floors

A new floor opened in the new market of Hobart in H1 FY 2011. Four floors in Australia and New Zealand were immature during H1 FY 2011. Immature floor losses were $0.80M for H1 FY 2011.

H2 FY 2011 Outlook for Australia and New Zealand

An additional 4 floors are scheduled to open in Australia and New Zealand in H2 FY 2011. We expect strong revenue growth in the mature and immature businesses.

Japan

Mature floors

In line with market conditions the Japanese Serviced Office market continued to be competitive and very difficult. However, Virtual Office package memberships continued to grow and given the broader economic climate Management are satisfied with the performance.

Revenue from mature locations decreased by 13% YOY to $24.90M during H1 FY 2011. NPBT decreased by 47% YOY to $1.73M for H1 FY 2011. The cost associated with closing 1.5 floors had the effect of reducing the mature floor result by $0.60M.

Immature floors

Servcorp has taken advantage of the cyclically low commercial real estate market and opened 3 new floors in Japan during H1 FY 2011, including 1 floor in the new market of Yokohama. This brings the total number of immature floors to 6 during H1 FY 2011. Immature floor losses were $1.64M for H1 FY 2011.

H2 FY 2011 Outlook for Japan

It is anticipated that performance of mature and immature floors in Japan will improve modestly during H2 FY 2011.

Middle East

Mature floors

Mature floor revenue from ordinary activities increased by 39% YOY to $7.46M for H1 FY 2011 when compared to H1 FY 2010. Mature floor NPBT YOY was steady at $2.30M for H1 FY 2011. The large increase in revenue is attributable to the new traditional Serviced Office floor in Abu Dhabi reaching maturity during H1 FY 2011. Abu Dhabi was transferred to the mature floor line in H1 FY 2011 and is now making profits. These profits largely offset the erosion in profitability experienced in Dubai, which has softened considerably. The performance of Doha remains challenging and the recent civil unrest in Bahrain may have an adverse impact on its results.

Immature floors

Three new floors were opened in the new markets of Beirut, Istanbul and Riyadh during H1 FY 2011. An additional floor was also opened in Dubai during H1 FY 2011 bringing the total number of immature floors to 6 in the Middle East during H1 FY 2011. Immature floor losses were $2.16M in H1 FY 2011.

H2 FY 2011 *Outlook for the Middle East*

An additional location was opened in January 2011 in the new market of Al Khobar, Saudi Arabia. We expect Tekfen Tower, Turkey to open in April 2011. Despite the unrest in the Middle East we do not anticipate this will have a material affect on our results in FY 2011.

Greater China

Mature floors

Servcorp operations in Greater China, in particular Hong Kong were significantly impacted by the global financial crisis. Depressed business sentiment had a dramatic effect on business confidence and Serviced Office margins. Business confidence has recovered substantially and we are now seeing a marked improvement in revenues and margins in this region. Our new landmark traditional Serviced Office floor in 2IFC Hong Kong with 82 offices became mature during H1 FY 2011 and is generating substantial profits.

Management Discussion & Analysis (continued)

Revenue from ordinary activities increased by 13% YOY to $9.30M in H1 FY 2011. NPBT was $1.24M for H1 FY 2011 (H1 FY 2010: $0.34M).

Immature floors
No new floors were opened in Greater China during H1 FY 2011. Three floors were immature with losses of $0.40M for H1 FY 2011.

H2 FY 2011 Outlook for Greater China
One large traditional floor will open in Guangzhou, and an additional Virtual Office VIP floor opening in Shanghai during H2 FY 2011. We expect both the mature business and the immature floors to perform strongly.

Southeast Asia

Mature floors
Southeast Asia was significantly impacted by the global financial crisis and markets in Singapore and Kuala Lumpur in particular are now recovering. We anticipate an improvement in operating performance in H2 FY 2011. The Serviced Office market in Bangkok continues to be stable.

Revenue from ordinary activities dropped slightly by 4% to $7.06M in H1 FY 2011 and NPBT decreased by 54% YOY to $1.00M for H1 FY 2011(H1 FY 2010: $2.18M).

Immature floors
One floor was opened in the new market of Manila, The Philippines during H1 FY 2011. The immature floor loss for the region was $0.30M in H1 FY 2011.

H2 FY 2011 Outlook for SE Asia
One large traditional floor opened in Singapore during January 2011. We expect strong performance in Singapore from mature and immature operations. We expect Thailand to remain stable and we expect a modest improvement in the performance of Malaysia. Leases in two of our significant mature locations in Singapore were negotiated at rates that are currently 30% below current market rates.

Europe

Mature floors
European business sentiment continues to be depressed and as a result the Serviced Office market continues to be difficult.

Mature floor revenue from ordinary activities improved modestly by 4% YOY to $6.60M for H1 FY 2011. The Net Loss Before Tax on mature floors was $0.42M for H1 FY 2011 (H1 FY 2010: a loss of $1.60M).

Immature floors
One traditional Serviced Office floor in London was immature at 31 December 2010 with a Net Loss Before Tax of $0.72M for H1 FY 2011.

H2 FY 2011 Outlook for Europe
Two Virtual Office VIP floors will open in London and Brussels during H2 FY 2011. We expect a slow improvement in results in Europe for H2 FY 2011.

Management Discussion & Analysis (continued)

USA

Immature floors

The USA is the most valuable addition to the Servcorp global footprint and it is the most significant new geographic market in this expansionary phase. Servcorp has attained critical mass in the USA and as at 31 December 2010 we had opened 17 floors across 9 major cities, 15 of which opened during H1 FY 2011.

One large traditional Serviced Office floor and 16 Virtual Office VIP floors in the USA were immature at 31 December 2010. Immature floor losses were $4.09M for H1 FY 2011. Immature floor losses include the set-up of the USA head office infrastructure.

H2 FY 2011 Outlook for USA

Four additional floors will open in the USA in H2 FY 2011. We expect revenue to continue to increase as we grow our footprint. Losses in the USA are substantially higher than originally anticipated, however we believe that monthly losses will reduce.

Office Squared

The Office Squared business has been significantly scaled back with the closure of operations in Malaysia and China. Management are now focusing on our core business. Office Squared generated a NPBT of $0.16M for H1 FY 2011 (H1 FY 2010 a loss of: $1.21M).

India Franchise

The Indian real estate market has recovered from the effects of the global financial crisis. As a result Servcorp's Franchisee is now seeing an improvement in revenues and profitability. Servcorp has no direct capital exposure to the Indian market and is seeing a modest increase in revenues and profits from the franchise operation.

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue from ordinary activities was up 6% YOY to $89.36M for H1 FY 2011. During H1 FY 2011 the AUD increased by an average of 8% against the USD, 19% against the EUR but decreased by 1% against the JPY. When expressed in constant currency terms, revenue increased by 8% for H1 FY 2011.

NPBT for H1 FY 2011 was $0.12M, down 93% compared to the profit of $1.83M in H1 FY 2010. When expressed in constant currency terms, total expenses increased by approximately 14% resulting in a constant currency net loss before tax of approximately $0.40M for H1 FY 2011.

The strong AUD has enabled management to change AUD to foreign currency at rates more favourable than budget estimates for the purpose of purchasing capex.

The results for H1 FY 2011 include realised and unrealised foreign currency losses in the amount of $0.69M (H1 FY 2010 loss of: $1.04M).

Cash Balance

Cash balances remain strong with a balance of $108.31M as at 31 December 2010 (31 December 2009: $142.96M). Of this balance, $11.30M has been pledged with banks as collateral for bank guarantees and facilities, leaving an unencumbered cash balance of $97.00M in the business as at 31 December 2010 (31 December 2009: $132.60M).

Management Discussion & Analysis (continued)

The business generated strong net operating cash flows during H1 FY 2011 of $8,853,000.

Notwithstanding forecast trading performance, our cash balances at 30 June 2011 are expected to exceed original projections.

DIVIDEND

Reflecting our confidence in the future, the Directors of Servcorp Limited have declared a fully franked interim dividend of 5.0 cents per share in relation to the first half of the FY 2011.

It is anticipated that the dividends will be 5.00 cents per share in relation the second half of the financial year bringing the total dividend for FY 2011 to 10.00 cents per share, subject to currencies remaining constant and the global financial market remaining stable.

Given our expected improvement in performance we anticipate paying an interim dividend of 7.5 cents per share in FY 2012, subject to currencies remaining constant and the global financial market remaining stable.

Dividend levels thereafter will be maintained at this level or increased.

In the medium term we expect to adopt an attractive dividend payout ratio based on growth in earnings and cash flows.

OUTLOOK

As advised at Servcorp's Annual General Meeting in November 2010 trading conditions were showing early signs of improvement in the second quarter of FY 2011. It is anticipated that the improvement in revenues and margins will continue into H2 FY 2011.

FY 2011 was always intended to be a major construction period for the company. In FY 2012 we will consolidate operations in new and existing markets by focusing on improving revenues and efficiencies.

We reaffirm mature floor NPBT guidance for FY 2011 of $30.00M. This forecast assumes currencies remain constant and global financial markets remain stable.

Whilst we are disappointed with our short term earnings we remain confident about the future of the business model.

Given the additional floors that are now opening and the Office and Virtual revenue lag effect that we have experienced, it is now anticipated that forecast immature losses will be approximately $30.00M for FY 2011. This forecast assumes currencies remain constant and global financial markets remain stable.

Key:

H1 FY 2010	Six Months ended 31 December 2009
H1 FY 2011	Six Months ended 31 December 2010
H2 FY 2011	Six Months ending 30 June 2011
FY 2010	Year ended 30 June 2010
FY 2011	Year ending 30 June 2011
FY 2012	Year ending 30 June 2012
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
H1	First Half of Financial Year
H2	Second Half of Financial Year
YOY	Year on Year

SERVCORP LIMITED
and its controlled entities

Interim Financial Report

For the six months ended
31 December 2010

SERVCORP

Contents

Directors’ report

The directors of Servcorp Limited submit herewith the condensed consolidated financial report for the six months ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001 the Directors report as follows:

The names of the directors of the company during or since the end of the six months ended 31 December 2010 are:

Mr Alf Moufarrige (Managing Director and CEO)

Mr Bruce Corlett (Chairman and Independent Non-Executive Director)

Mr Rick Holliday-Smith (Independent Non-Executive Director)

Ms Julia King (Independent Non-Executive Director)

Mr Taine Moufarrige (Executive Director)

Review of Operations

Servcorp recorded a mature floor NPBT for H1 FY 2011 of $13,318,000 (H1 FY 2010: $12,045,000). Immature floor losses for H1 FY 2011 were $13,342,000 (H1 FY 2010: $8,966,000). The NPBT for Office Squared for H1 FY 2011 was $147,000 (H1 FY 2010 loss was ($1,208,000).

Consolidated group NPBT was $123,000 for H1 FY 2011 (H1 FY 2010: $1,871,000). Consolidated group NPAT decreased by 50% to $819,000 for H1 FY 2011 (H1 FY 2010: $1,643,000).

Changes in State of Affairs

During the six months ended 31 December 2010 there were significant changes in state of affairs of the consolidated entity as detailed below.

OPERATING SUMMARY

The major expansion across multiple regions has been challenging.

It is clear in the last six months that global economic activity in the locations relative to Servcorp has not all recovered as well as we would have expected. We note the continued strong performance of Australia & Greater China. At the same time we are disappointed by the level of recovery experienced, especially in the USA, our largest expansion location.

The greatest opportunity and difficulties have been experienced in the USA where openings have taken longer and acquiring and training new teams has been a challenge. As at 23 February 2011 there are 21 floors open in 11 cities giving us the required presence and scale. The rents negotiated are attractive and as the US economy recovers we are confident this will prove to be a major earner for Servcorp. There is still risk from the speed of economic recovery and the impact of aggressive competition during this period. At the same time this is the best opportunity Servcorp has ever had to establish a meaningful presence in the USA.

We have experienced slower growth for Virtual Office in our new locations but we are seeing clear signs that this business activity is now on track although we are six months behind our initial expectations.

Overall we have experienced costs in line with expansion budgets but have seen revenues lagging behind the plan due to slower global activity recovery, the business opening delays and pressures of managing such a large growth program in such a short period.

Mature Business

As advised at Servcorp’s Annual General Meeting in November 2010 trading conditions were very difficult in the first quarter of FY 2011 in the mature business. The second quarter however saw an improvement in revenues and margins in several locations. We expect to see continued improvement and stronger performance in our mature business in H2 FY 2011.

During H1 FY 2011 two of the large traditional floors that were opened in FY 2010 in 2IFC Hong Kong and Abu Dhabi were moved to the mature floor line. Both floors have reached maturity ahead of expectations and their strong performance is encouraging.

Average mature floor occupancy was 78% during H1 FY 2011 (average for H1 FY 2010: 76%).

Mature floor revenues and profits were adversely impacted by the strengthening AUD during H1 FY 2011.

Virtual Office

Virtual Office package growth was 7% (annualised 14%) during H1 FY 2011. Virtual Office revenue increased by 16% YOY for H1 FY 2011. When expressed in constant currency terms revenue increased by 19% for H1 FY 2011.

Virtual Office package and revenue growth proved to be slower than originally anticipated during H1 FY 2011, however we anticipate reaching our original Virtual Office package target of 29,000 during April 2011.

Directors' report cont.

Expansion

A summary of expansion progress to date is outlined in the table below:

Expansion progress	FY 2010 Floors opened	H1 FY 2011 Floors opened	Total new floors open at 31 Dec 2010	Floors committed to open in H2 FY 2011	Total expected floors to be open at 30 June 2011
	Actual	Actual	Actual		
Virtual Office VIP floors	7	27	34	13	47
Traditional floors	6	-	6	3	9
Total floors	**13**	**27**	**40**	**16**	**56**

H1 FY 2011 was an exceptionally busy period for Servcorp which saw 27 new Virtual Office VIP floors open across 19 cities in 8 countries. Floors were opened in 14 new cities (new markets) and in 3 new countries, namely Lebanon, Turkey and The Philippines.

During H1 FY 2011 available offices increased by 11% to 3,244 offices. Including the large traditional floors opened during FY 2010, the number of offices available increased by 25% in the 18 months to 31 December 2010.

An additional 16 floors are committed to open in H2 FY 2011 bringing the total expected floor openings to 43 for FY 2011. This is 12 additional floors more than originally projected for FY 2011. In the two year period to 30 June 2011 it is anticipated we will have opened 56 locations in 26 new cities (new markets) in 7 new countries.

We will slow the pace of growth in 2012 and consolidate operations in new and existing markets. We are now restricting new openings, beyond those already committed, to new floors in established and profitable locations where we are confident expansion will be expeditiously profitable.

As at 31 December 2010 there were 103 floors in 43 cities in 20 countries. As at 23 February 2011 there are 110 floors in 46 cities in 20 countries.

Immature Floor Losses

Immature floor losses were $13.34M for H1 FY 2011 (H1 FY 2010: $12.05M). These losses are higher than expected for the following reasons:

1. We have opened 5 more Virtual Office VIP floors than originally expected in H1 FY 2011. (Original target was to have 35 floors open by 31 December 2010).
2. Office sales take up rates were lower than expected for four of the large traditional floors.
3. The Middle East and the USA have substantially underperformed. They are now however showing early signs of improvement in revenues.

Virtual Office VIP floor construction costs and monthly operating running costs for new floors are meeting budget expectations. We have executed the majority of leases at or near the bottom of the market which will ensure that Servcorp should be competitive as global commercial real estate markets recover.

Despite the delays experienced, we now believe we are on the right marketing and sales track.

Of particular note, Europe and the USA are recovering at a slower pace than originally anticipated. As a result our immature floors in these regions have been adversely impacted. Having regard to our recent financial performance we have revised likely outcomes for the balance of FY 2011 which has resulted in an increased level of immature floor losses.

Immature floor losses for FY 2011 are now expected to be approximately $30.00M for the following reasons:

1. An additional 12 floors are now expected to open during FY 2011. This includes 3 large traditional Serviced Office floors opening in Singapore, Guangzhou and Istanbul during H2 FY 2011. (The original projection was 31 new floors, comprising 30 Virtual Office VIP floors and 1 large traditional floor).
2. The difficulties experienced in Serviced and Virtual Office take up in new markets means we are approximately six months behind our revenue projections. This lag in revenue will have a direct impact on our immature floor loss in H2 FY 2011.

Notwithstanding the difficulties experienced, Management continue to have confidence in the Virtual Office VIP business model and we are satisfied with the overall progress of new floor rollouts. Our focus continues to be on growing Office and Virtual Office revenue.

Directors' report cont.

38 traditional and Virtual Office VIP floors were immature at 31 December 2010 in the following regions:

Region	Traditional Floors	Virtual Office VIP Floors	Total
Australia & New Zealand	-	4	4
Japan	1	5	6
Middle East	1	5	6
Greater China	-	3	3
Southeast Asia	-	1	1
Europe	1	-	1
USA	1	16	17
Total	**4**	**34**	**38**

Operating Summary By Region

Australia & New Zealand

Mature floors
Australia and New Zealand have continued to perform strongly throughout H1 FY 2011. Revenues and margins have continued to increase in most capital cities. Virtual Office package memberships also increased strongly recording double digit annualised growth. During H1 FY 2011 mature floor revenue increased by 15% YOY to $25.07M. Mature floor NPBT increased by 44% YOY to $6.90M for H1 FY 2011. The cost associated with closing one floor in Australia had the effect of reducing the mature floor result by $0.32M.

Immature floors
A new floor opened in the new market of Hobart in H1 FY 2011. Four floors in Australia and New Zealand were immature during H1 FY 2011. Immature floor losses were $0.80M for H1 FY 2011.

H2 FY 2011 Outlook for Australia and New Zealand
An additional 4 floors are scheduled to open in Australia and New Zealand in H2 FY 2011. We expect strong revenue growth in the mature and immature businesses.

Japan

Mature floors
In line with market conditions the Japanese Serviced Office market continued to be competitive and very difficult. However, Virtual Office package memberships continued to grow and given the broader economic climate Management are satisfied with the performance.

Revenue from mature locations decreased by 13% YOY to $24.90M during H1 FY 2011. NPBT decreased by 47% YOY to $1.73M for H1 FY 2011. The cost associated with closing 1.5 floors had the effect of reducing the mature floor result by $0.60M.

Immature floors
Servcorp has taken advantage of the cyclically low commercial real estate market and opened 3 new floors in Japan during H1 FY 2011, including 1 floor in the new market of Yokohama. This brings the total number of immature floors to 6 during H1 FY 2011. Immature floor losses were $1.64M for H1 FY 2011.

H2 FY 2011 Outlook for Japan
It is anticipated that performance of mature and immature floors in Japan will improve modestly during H2 FY 2011.

Middle East

Mature floors
Mature floor revenue from ordinary activities increased by 39% YOY to $7.46M for H1 FY 2011 when compared to H1 FY 2010. Mature floor NPBT YOY was steady at $2.30M for H1 FY 2011. The large increase in revenue is attributable to the new traditional Serviced Office floor in Abu Dhabi reaching maturity during H1 FY 2011. Abu Dhabi was transferred to the mature floor line in H1 FY 2011 and is now making profits. These profits largely offset the erosion in profitability experienced in Dubai, which has softened considerably. The performance of Doha remains challenging and the recent civil unrest in Bahrain may have an adverse impact on its results.

Immature floors
Three new floors were opened in the new markets of Beirut, Istanbul and Riyadh during H1 FY 2011. An additional floor was also opened in Dubai during H1 FY 2011 bringing the total number of immature floors to 6 in the Middle East during H1 FY 2011. Immature floor losses were $2.16M in H1 FY 2011.

H2 FY 2011 Outlook for the Middle East
An additional location was opened in January 2011 in the new market of Al Khobar, Saudi Arabia. We expect Tekfen Tower, Turkey to open in April 2011. Despite the unrest in the Middle East we do not anticipate this will have a material affect on our results in FY 2011.

Directors' report cont.

Greater China

Mature floors
Servcorp operations in Greater China, in particular Hong Kong were significantly impacted by the global financial crisis. Depressed business sentiment had a dramatic effect on business confidence and Serviced Office margins. Business confidence has recovered substantially and we are now seeing a marked improvement in revenues and margins in this region. Our new landmark traditional Serviced Office floor in 2IFC Hong Kong with 82 offices became mature during H1 FY 2011 and is generating substantial profits.

Revenue from ordinary activities increased by 13% YOY to $9.30M in H1 FY 2011. NPBT was $1.24M for H1 FY 2011 (H1 FY 2010: $0.34M).

Immature floors
No new floors were opened in Greater China during H1 FY 2011. Three floors were immature with losses of $0.40M for H1 FY 2011.

H2 FY 2011 Outlook for Greater China
One large traditional floor will open in Guangzhou, and an additional Virtual Office VIP floor opening in Shanghai during H2 FY 2011. We expect both the mature business and the immature floors to perform strongly.

Southeast Asia

Mature floors
Southeast Asia was significantly impacted by the global financial crisis and markets in Singapore and Kuala Lumpur in particular are now recovering. We anticipate an improvement in operating performance in H2 FY 2011. The Serviced Office market in Bangkok continues to be stable.

Revenue from ordinary activities dropped slightly by 4% to $7.06M in H1 FY 2011 and NPBT decreased by 54% YOY to $1.00M for H1 FY 2011(H1 FY 2010: $2.18M).

Immature floors
One floor was opened in the new market of Manila, The Philippines during H1 FY 2011. The immature floor loss for the region was $0.30M in H1 FY 2011.

H2 FY 2011 Outlook for SE Asia
One large traditional floor opened in Singapore during January 2011. We expect strong performance in Singapore from mature and immature operations. We expect Thailand to remain stable and we expect a modest improvement in the performance of Malaysia. Leases in two of our significant mature locations in Singapore were negotiated at rates that are currently 30% below current market rates.

Europe

Mature floors
European business sentiment continues to be depressed and as a result the Serviced Office market continues to be difficult.

Mature floor revenue from ordinary activities improved modestly by 4% YOY to $6.60M for H1 FY 2011. The Net Loss Before Tax on mature floors was $0.42M for H1 FY 2011 (H1 FY 2010: a loss of $1.60M).

Immature floors
One traditional Serviced Office floor in London was immature at 31 December 2010 with a Net Loss Before Tax of $0.72M for H1 FY 2011.

H2 FY 2011 Outlook for Europe
Two Virtual Office VIP floors will open in London and Brussels during H2 FY 2011. We expect a slow improvement in results in Europe for H2 FY 2011.

USA

Immature floors
The USA is the most valuable addition to the Servcorp global footprint and it is the most significant new geographic market in this expansionary phase. Servcorp has attained critical mass in the USA and as at 31 December 2010 we had opened 17 floors across 9 major cities, 15 of which opened during H1 FY 2011.

One large traditional Serviced Office floor and 16 Virtual Office VIP floors in the USA were immature at 31 December 2010. Immature floor losses were $4.09M for H1 FY 2011. Immature floor losses include the set-up of the USA head office infrastructure.

H2 FY 2011 Outlook for USA
Four additional floors will open in the USA in H2 FY 2011. We expect revenue to continue to increase as we grow our footprint. Losses in the USA are substantially higher than originally anticipated, however we believe that monthly losses will reduce.

Office Squared

The Office Squared business has been significantly scaled back with the closure of operations in Malaysia and China. Management are now focusing on our core business. Office Squared generated a NPBT of $0.16M for H1 FY 2011 (H1 FY 2010 a loss of: $1.21M).

India Franchise

The Indian real estate market has recovered from the effects of the global financial crisis. As a result Servcorp's Franchisee is now seeing an improvement in revenues and profitability. Servcorp has no direct capital exposure to the Indian market and is seeing a modest increase in revenues and profits from the franchise operation.

Directors' report cont.

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue from ordinary activities was up 6% YOY to $89.36M for H1 FY 2011. During H1 FY 2011 the AUD increased by an average of 8% against the USD, 19% against the EUR but decreased by 1% against the JPY. When expressed in constant currency terms, revenue increased by 8% for H1 FY 2011.

NPBT for H1 FY 2011 was $0.12M, down 93% compared to the profit of $1.83M in H1 FY 2010. When expressed in constant currency terms, total expenses increased by approximately 14% resulting in a constant currency net loss before tax of approximately $0.40M for H1 FY 2011.

The strong AUD has enabled management to change AUD to foreign currency at rates more favourable than budget estimates for the purpose of purchasing capex.

The results for H1 FY 2011 include realised and unrealised foreign currency losses in the amount of $0.69M (H1 FY 2010 loss of: $1.04M).

Cash Balance

Cash balances remain strong with a balance of $108.31M as at 31 December 2010 (31 December 2009: $142.96M). Of this balance, $11.30M has been pledged with banks as collateral for bank guarantees and facilities, leaving an unencumbered cash balance of $97.00M in the business as at 31 December 2010 (31 December 2009: $132.60M).

The business generated strong net operating cash flows during H1 FY 2011 of $8,853,000.

Notwithstanding forecast trading performance, our cash balances at 30 June 2011 are expected to exceed original projections.

DIVIDEND

Reflecting our confidence in the future, the Directors of Servcorp Limited have declared a fully franked interim dividend of 5.00 cents per share in relation to the first half of FY 2011.

It is anticipated that the dividend will be 5.00 cents per share in relation the second half of the financial year bringing the total dividend for FY 2011 to 10.00 cents per share, subject to currencies remaining constant and the global financial market remaining stable.

Given our expected improvement in performance we anticipate paying an interim dividend of 7.50 cents per share in FY 2012, subject to currencies remaining constant and the global financial market remaining stable.

Dividend levels thereafter will be maintained at this level or increased.

In the medium term we expect to adopt an attractive dividend payout ratio based on growth in earnings and cash flows.

OUTLOOK

As advised at Servcorp's Annual General Meeting in November 2010 trading conditions were showing early signs of improvement in the second quarter of FY 2011. It is anticipated that the improvement in revenues and margins will continue into H2 FY 2011.

FY 2011 was always intended to be a major construction period for the company. In FY 2012 we will consolidate operations in new and existing markets by focusing on improving revenues and efficiencies.

We reaffirm mature floor NPBT guidance for FY 2011 of $30.00 million. This forecast assumes currencies remain constant and global financial markets remain stable.

Whilst we are disappointed with our short term earnings we remain confident about the future of the business model.

Given the additional floors that are now opening and the Office and Virtual revenue lag effect that we have experienced, it is now anticipated that forecast immature losses will be approximately $30.00 million for FY 2011. This forecast assumes currencies remain constant and global financial markets remain stable.

Rounding off of Amounts

The company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the half year financial report have been rounded off to the nearest thousand dollars unless otherwise indicated.

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

On behalf of the Directors

A G Moufarrige
CEO
Dated at Sydney this 23rd day of February 2011

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Servcorp Limited
Level 12, MLC Centre
Martin Place
SYDNEY NSW 2000

23 February 2011

Dear Board Members

Auditor's Independence Declaration to Servcorp Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Servcorp Limited.

As lead audit partner for the review of the financial statements of Servcorp Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, the only contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants

Directors' declaration

The directors declare that:

a. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

b. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

A G Moufarrige
CEO

Sydney, 23 February 2011

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2010

	Note	6 months ended 31 December 2010 $'000	6 months ended 31 December 2009 $'000
Revenue	2	85,604	81,030
Other revenue and income	2	3,756	3,004
		89,360	84,034
Service expenses		(28,515)	(25,822)
Marketing expenses		(6,384)	(6,342)
Occupancy expenses		(42,899)	(39,838)
Administrative expenses		(10,710)	(8,987)
Borrowing expenses		(41)	(81)
Other expenses		(688)	(1,093)
Total expenses		(89,237)	(82,163)
Profit before income tax expense		123	1,871
Income tax benefit / (expense)	3	696	(228)
Profit for the period		819	1,643
Other comprehensive loss			
Translation of foreign operations		(9,417)	(4,038)
Other comprehensive loss		(9,417)	(4,038)
Total comprehensive loss		(8,598)	(2,395)
Earnings per share			
Basic earnings per share	6	$0.008	$0.019
Diluted earnings per share	6	$0.008	$0.019

The Condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to the condensed consolidated financial report.

Condensed consolidated statement of financial position

as at 31 December 2010

	Note	31 December 2010 $'000	30 June 2010 $'000
Current assets			
Cash and cash equivalents	7	108,309	131,948
Trade and other receivables	8	17,403	17,160
Other financial assets	10	1,039	1,008
Current tax assets		345	2,695
Other	9	14,321	8,347
Total current assets		141,417	161,158
Non-current assets			
Other financial assets	10	26,252	31,105
Property, plant and equipment	11	67,785	56,639
Deferred tax assets		16,414	14,544
Goodwill	12	14,805	14,805
Total non-current assets		125,256	117,093
Total assets		266,673	278,251
Current liabilities			
Trade and other payables	13	26,912	29,742
Other financial liabilities	14	18,070	20,015
Current tax liabilities		1,021	1,588
Provisions	15	6,024	5,883
Total current liabilities		52,027	57,228
Non-current liabilities			
Trade and other payables	13	13,488	6,904
Other financial liabilities	14	1,073	169
Provisions	15	388	869
Deferred tax liabilities		607	471
Total non-current liabilities		15,556	8,413
Total liabilities		67,583	65,641
Net assets		199,090	212,610
Equity			
Issued capital	16	154,149	154,149
Reserves		(17,834)	(8,417)
Retained earnings		62,775	66,878
Equity attributable to equity holders of the parent		199,090	212,610
Total equity		199,090	212,610

The Condensed consolidated statement of financial position is to be read in conjunction with the notes to the condensed consolidated financial report.

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2010

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Employee equity settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009	76,118	(8,565)	98	77,640	145,291
Profit for the period	-	-	-	1,643	1,643
Translation of foreign operations	-	(4,038)	-	-	(4,038)
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(4,038)	-	1,643	(2,395)
Share based payment	-	-	37	-	37
Issue of shares	79,894		-	-	79,894
Cost of capital raising	(2,589)		-	-	(2,589)
Tax benefit of capital raising	773	-	-	-	773
Payment of dividends	-		-	(7,847)	(7,847)
Balance at 31 December 2009	154,196	(12,603)	135	71,436	213,164
Balance at 1 July 2010	154,149	(8,562)	145	66,878	212,610
Profit for the period	-	-	-	819	819
Translation of foreign operations	-	(9,417)	-	-	(9,417)
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(9,417)	-	819	(8,598)
Share based payment	-	-	-	-	-
Issue of shares	-	-	-	-	-
Cost of capital raising	-	-	-	-	-
Tax benefit of capital raising	-	-	-	-	-
Payment of dividends	-	-	-	(4,922)	(4,922)
Balance at 31 December 2010	154,149	(17,979)	145	62,775	199,090

The Condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated financial report.

Condensed consolidated statement of cash flows

for the six months ended 31 December 2010

	Note	6 months ended 31 December 2010 $'000	6 months ended 31 December 2009 $'000
Cash flows from operating activities			
Receipts from customers		88,205	88,888
Payments to suppliers and employees		(82,591)	(83,673)
Income tax paid		(287)	(5,259)
Interest and other costs of finance paid		(32)	(199)
Interest and other items of similar nature received		3,558	1,035
Net operating cash flows	17(b)	8,853	792
Cash flows from investing activities			
Payments for property, plant and equipment		(18,934)	(10,166)
Payments for lease deposits		(1,243)	(4,894)
Proceeds from sale of property, plant and equipment		34	47
Proceeds from refund of lease deposits		1,505	796
Net investing cash flows		(18,638)	(14,217)
Cash flows from financing activities			
Proceeds from issue of equity securities of the parent		-	79,894
Payments for share issue costs		-	(2,589)
Proceeds of borrowings		2,473	-
Repayment of borrowings		(1,049)	(108)
Dividends paid		(4,922)	(7,847)
Net financing cash flows		(3,498)	69,350
Net (decrease)/ increase in cash and cash equivalents		(13,283)	55,925
Cash and cash equivalents at the beginning of the period		131,331	83,726
Effect of exchange rate changes on cash transactions in foreign currencies		(10,270)	2,486
Cash and cash equivalents at the end of the period	17(a)	107,778	142,137

The Condensed consolidated statement of cash flows is to be read in conjunction with the notes to the condensed consolidated financial report.

Notes to the Condensed consolidated financial report

1 Summary of accounting policies

Statement of compliance
The half year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB134 Interim Financial Reporting. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS34 Interim Reporting. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation
The condensed financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Adoption of new and revised Accounting Standards
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the following Standards and Interpretations relevant to the Group were on issue but not yet effective:

- AASB9 'Financial Instruments' AASB2009-11 Amendments to Australian Accounting Standards arising from AASB9. Effective for annual reporting periods beginning 1 January 2013.

The directors anticipate that the adoption of these Standards and Interpretations and any other Standards and Interpretations on issue but not yet effective in future periods will have no material financial impact on the financial statements of the Consolidated Entity.

Notes to the Condensed consolidated financial report

		6 months ended 31 December 2010 $'000	6 months ended 31 December 2009 $'000
2	**Profit from operations**		
a	**Revenue**		
	Revenue from continuing operations consisted of the following:		
	Revenue from the rendering of services	85,604	81,030
b	**Other revenue and income**		
	Interest income - bank deposits	2,854	1,604
	Franchise fees - other	358	303
	Other income	544	1,097
	Total other income	3,756	3,004
	Profit before income tax		
	Profit before income tax was arrived at after charging/(crediting) the following from/(to) continuing operations:		
c	**Other expenses**		
	Net foreign exchange loss (realised and unrealised)	690	1,045
	Other	-	48
	Total other expenses	690	1,093
d	**Floor closure costs**	919	515
	Total floor closure costs	919	515

3 Income taxes

Income tax recognised in the Condensed consolidated statement of comprehensive income

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax benefit/(expense) in the Condensed consolidated financial report as follows:

	6 months ended 31 December 2010 $'000	6 months ended 31 December 2009 $'000
Profit before income tax expense	123	1,871
Income tax expense calculated at 30%	37	561
Deductible local taxes	(64)	(49)
Effect of different tax rates on overseas income	(837)	(810)
Other non-assessable / (deductible) items	181	(254)
Tax losses of controlled entities recovered	(65)	(25)
Income tax over provision in prior years	(91)	(188)
Unused tax losses and tax offsets not recognised as deferred tax assets	143	993
Income tax (benefit) / expense	(696)	228

Notes to the Condensed consolidated financial report

4 Segment information

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

Servcorp Serviced Offices are fully-managed, fully-furnished CBD office suites in a prime location, with a receptionist, meeting rooms, IT infrastructure and support services available. Servcorp Virtual Office provides the services, facilities and IT to business without the cost of a physical office.

In prior years, segment information reported externally was analysed on the basis of a primary and secondary segments. The primary segment was the geographic location of assets and the secondary segment was the provision of executive serviced and virtual offices and associated communications and secretarial services.

The Group's information reported to the Board of Directors is based on each segment manager directly responsible for the functioning of the operating segment. The segment manager has regular contact with members of the Board of Directors to discuss operating activities, forecasts and financial results. Segment managers are also responsible for disseminating management planning materials as directed by the Chief Operating Decision Maker. The segment manager motivates and rewards team members who meet/exceed sales targets. Seven reportable operating segments have been identified: Australia and New Zealand, Greater China, Southeast Asia, Japan, Europe, the Middle East and the United States of America which reflected the segment requirements under AASB 8.

The Group's reportable operating segments under AASB 8 are presented below. Amounts reported for the prior period have been restated to conform with the requirements of AASB 8. The accounting policies of the new reportable operating segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment Profit / (Loss)	
	31 December 2010 $'000	**31 December 2009 $'000**	**31 December 2010 $'000**	**31 December 2009 $'000**
Continuing operations				
Australia and New Zealand	25,817	23,183	6,104	4,223
Greater China	9,575	8,756	851	(308)
Southeast Asia	7,080	7,379	1,003	2,175
Japan	26,917	29,072	84	2,580
Europe	7,049	6,326	(1,146)	(1,791)
Middle East	8,637	6,981	141	141
USA	531	-	(4,093)	(33)
Other	510	382	162	(1,207)
	86,116	82,079	3,106	5,780
Finance costs	-	-	(41)	(81)
Interest revenue	2,854	1,604	2,854	1,604
Foreign exchange losses	-	-	(690)	(1,045)
Unrecovered management fees	-	-	(5,020)	(3,592)
Franchise fees	358	303	358	303
Unallocated	32	48	(444)	(1,098)
Profit before tax	-	-	123	1,871
Income tax benefit / (expense)	-	-	696	(228)
Consolidated segment revenue and profit for the period	89,360	84,034	819	1,643

Notes to the Condensed consolidated financial report

4 Segment information continued

The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full.

For the 6 months ended 31 December 2010, the Group's Virtual Office revenue and Serviced Office revenue were $22,625,000 and $62,979,000, respectively (31 December 2009: $19,475,000 and $61,555,000, respectively).

AASB 8 was amended in May 2009 by AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'. The effect of this amendment is that the entities applying the revised standard are not required to disclose information regarding segment assets and liabilities where that information is not required to the Chief Operating Decision Maker. The directors resolved to early adopt the amendment in accordance with s.334(5) of the Corporations Act 2001.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

5 Dividends

Dividends paid (recognised) during the six month period or proposed (unrecognised) in respect of the period by the Company are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Recognised amounts					
2010					
Final - fully paid ordinary shares					
Interim - fully paid ordinary shares	5.00	4,922	29 Mar 2010	30%	100%
2009					
Final - fully paid ordinary shares	10.00	7,847	1 Oct 2009	30%	100%
Unrecognised amounts					
Since the end of the six months ended 31 December 2010, the directors have declared the following dividend:					
Interim - fully paid ordinary shares	5.00	4,922	6 April 2011	30%	100%

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 Company 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.

6 Earnings per share

	6 months ended 31 December 2010 $'000	6 months ended 31 December 2009 $'000
Net profit	819	1,643
Earnings used in the calculation of basic and diluted EPS	819	1,643
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic EPS	98,440,807	85,541,663
Weighted average number of ordinary shares used in calculation of diluted EPS	98,440,807	85,541,663
Basic earnings per share	$0.008	$0.019
Diluted earnings per share	$0.008	$0.019

Notes to the Condensed consolidated financial report

		31 December 2010 $'000	30 June 2010 $'000
7	**Cash and cash equivalents**		
	Cash	24,185	16,955
	Bank short term deposits	84,124	114,993
		108,309	131,948
8	**Trade and other receivables**		
	Current		
	At amortised cost		
	Trade receivables	13,260	16,115
	Less: allowance for doubtful debts	(683)	(575)
	Other debtors	4,826	1,620
		17,403	17,160
9	**Other assets**		
	Current		
	Prepayments	7,668	6,733
	Other	6,653	1,614
		14,321	8,347
10	**Other financial assets**		
	Current		
	At amortised cost		
	Lease deposits	1,039	1,008
		1,039	1,008
	Non-current		
	At amortised cost		
	Lease deposits	26,183	29,898
	Licence fees	-	1,131
	Other	69	76
		26,252	31,105

Notes to the Condensed consolidated financial report

11 Property, plant and equipment

	Land and buildings at cost $'000	Leasehold improve-ments owned at cost $'000	Leasehold improve-ments leased at cost $'000	Office furniture & fittings owned at cost $'000	Office furniture & fittings leased at cost $'000	Office equip-ment owned at cost $'000	Office equip-ment leased at cost $'000	Motor vehicles owned at cost $'000	Total $'000
Gross carrying amounts									
Balance at 30 June 2010	5,648	76,574	1,273	13,691	575	22,435	2,195	671	123,062
Additions	-	14,609	-	1,586	-	2,638	-	101	18,934
Disposals	-	(1,113)	-	(219)	-	(366)	(1,718)	-	(3,416)
Net foreign currency differences on translation of foreign operations	(393)	(2,606)	(113)	(847)	(12)	(812)	(234)	(41)	(5,058)
Balance at 31 December 2010	5,255	87,464	1,160	14,211	563	23,895	243	731	133,522
Accumulated depreciation									
Balance at 30 June 2010	328	38,924	1,225	7,033	575	16,941	1,134	263	66,423
Depreciation expense	62	4,554	-	779	-	1,028	-	49	6,472
Disposals	-	(1,049)	-	(137)	-	(140)	(891)	-	(2,217)
Net foreign currency differences on translation of foreign operations	(7)	(3,218)	(112)	(664)	(12)	(910)	-	(18)	(4,941)
Balance at 31 December 2010	383	39,211	1,113	7,011	563	16,919	243	294	65,737
Net book value									
Balance at 31 December 2010	4,872	48,253	47	7,200	-	6,976	-	437	67,785
Balance at 30 June 2010	5,320	37,650	48	6,658	-	5,494	1,061	408	56,639

Notes to the Condensed consolidated financial report

	31 December 2010 $'000	30 June 2010 $'000
12 Goodwill		
Gross carrying amount and net book value		
Balance at the beginning of the period	14,805	15,962
Impairment of goodwill - France	-	(1,157)
Balance at the end of the period	14,805	14,805
13 Trade and other payables		
Current		
At amortised cost		
Trade creditors	4,470	5,498
Deferred income	11,611	12,188
Deferred lease incentive	5,782	6,466
Other creditors and accruals	5,049	5,590
	26,912	29,742
Non-current		
At amortised cost		
Deferred lease incentive	13,488	6,904
	13,488	6,904
14 Other financial liabilities		
Current		
At amortised cost		
Finance lease	-	1,373
Bank loans - secured	1,398	121
Security deposits	16,141	17,925
Bank overdraft	531	496
At fair value through profit or loss		
Forward foreign currency exchange contracts	-	100
	18,070	20,015
Non-current		
At amortised cost		
Finance lease	-	156
Bank loans - secured	1,073	-
At fair value through profit or loss		
Forward foreign currency exchange contracts	-	13
	1,073	169

Notes to the Condensed consolidated financial report

	31 December 2010 $'000	30 June 2010 $'000
15 Provisions		
Current		
Employee benefits	4,952	5,211
Other	1,072	672
	6,024	5,883
Non-current		
Employee benefits	388	428
Other	-	441
	388	869

16 Issued capital

	31 December 2010 $'000	30 June 2010 $'000
Fully paid ordinary shares 98,440,807 (June 2010: 98,440,807)	154,149	154,149
Movements in issued capital		
Balance at the beginning of the period	154,149	76,118
Issue of shares (i)	-	79,894
Cost of capital raising (i)	-	(2,662)
Tax benefit of capital raising	-	799
Balance at the end of the period	154,149	154,149

(i) Equity capital raising
Servcorp Limited completed an equity capital raising of $79,893,988 to fund global expansion. Capital raising costs amounted to $2,662,000 for the twelve months ended 30 June 2010. A total of 19,973,497 shares were issued.

The components of the capital raising were as follows:
Institutional component - during October 2009 $75,390,324 was raised from institutional investors following completion of the institutional offer including $51,360,420 under the institutional placement and $24,029,904 under the institutional entitlement offer.

Retail component - during November 2009, $4,503,664 was raised under the retail entitlement offer.

Notes to the Condensed consolidated financial report

	6 months ended 31 December 2010 $'000	6 months ended 31 December 2009 $'000
17 Notes to the Condensed consolidated cash flow statement		
(a) Reconciliation of cash and cash equivalents		
For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash flow statement are reconciled to the related items in the Balance sheet as follows:		
Cash	24,185	21,965
Short term deposits	84,124	120,995
Bank overdraft	(531)	(823)
	107,778	142,137
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	819	1,643
Add/(less) non-cash items:		
Movements in provisions	(660)	50
Depreciation of non-current assets	6,472	6,025
Loss on disposal of non-current assets	184	869
(Decrease) in current tax liability	(1,679)	(3,307)
Increase/ (decrease) in current tax asset	2,350	(11)
(Decrease) in deferred tax balances	(1,533)	(2,046)
Unrealised foreign exchange gain	908	(1,944)
Equity - settled share based payment	-	37
Licence fee amortisation	62	48
Change in assets and liabilities during the financial period:		
(Increase) in prepayments	(745)	(3,108)
(Increase)/ decrease in trade debtors	(1,767)	3,037
(Increase) in other current assets	(5,742)	(782)
Increase/ (decrease) in deferred income	534	(708)
(Decrease) in client security deposits	(284)	(1,102)
Increase in trade and other payables	9,934	2,091
Net cash provided from operating activities	8,853	792

18 Subsequent events

Dividend

On 23 February 2011, the directors declared a fully franked dividend of 5.00 cents per share, payable on 6 April 2011.

Deloitte.

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Independent Auditor's Review Report to the Members of Servcorp Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Servcorp Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Servcorp Limited's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Servcorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Servcorp Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 23 February 2011