SERVCORP

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SERVCORP LIMITED
ABN: 97 089 222 506

24 February 2005

The Manager
Company Announcements Office
Australian Stock Exchange Limited
By Electronic Lodgement

Dear Sir

Servcorp Limited (SRV)
Half-Year Report & Half-Year Accounts

In accordance with Listing Rule 4.2A, Servcorp Limited lodges Appendix 4D and its half-year financial report for the six months ended 31 December 2004.

Yours faithfully

Greg Pearce
Company Secretary

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SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

Half Year Report
For the six months ended
31 December 2004

Provided to the ASX under listing rule 4.2A.

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 2004, the 2004 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

Servcorp Limited
ABN 97 089 222 506
Appendix 4D
31 December 2004

Reporting Period

Current period:	1 July 2004 to 31 December 2004.
Previous corresponding period:	1 July 2003 to 31 December 2003.

Results for announcement to the market

				$A'000
Revenues from ordinary activities	up	13%	to	59,971
Profit from ordinary activities after tax attributable to members	up	138%	to	7,675
Net profit for the period attributable to members	up	138%	to	7,675

Dividends (distributions)	Date paid or payable	Total amount $'000	Amount per security	Franked amount per security
Current period				
Interim dividend declared	1 April 2005	3,015	3.75c	3.75c
Final dividend paid	1 October 2004	3,022	3.75c	3.75c
Previous corresponding period				
Interim dividend	8 April 2004	3,005	3.75c	3.75c
Final dividend paid	1 October 2003	2,998	3.75c	3.75c

Record date for determining entitlements to the dividend	8 March 2005

The interim dividend for the half-year ended 31 December 2004 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2004. 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 2004 $	31 December 2003 $

Net Tangible Asset Backing

	31 December 2004 $	31 December 2003 $
Net tangible asset backing per ordinary security	$0.85	$0.76

Control over entities

The following controlled entities were acquired during the six month period.

	Date Acquired
Servcorp Japan Holdings KK	21 July 2004
Servcorp Otemachi KK	30 July 2004
Servcorp Umeda KK	30 July 2004
Servcorp Brisbane Riverside Pty Ltd	21 September 2004

None of these entities had a material effect on the profit for the period.

No entities were disposed of during 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 recorded an increase in Net Profit Before Tax of 123.2% to $10,689,000 for the six months ended 31 December 2004 (six months to December 2003 - $4,788,000). Cash generated from operating activities before tax payments increased by 106.6% to $15,898,000 for the six month period (six months to December 2003 - $7,695,000).

Profit attributable to mature floors for the six month period was $12,030,000 whereas the operating loss on immature floors was $1,341,000.

Immature floors during the period were Level 6 Oriental Plaza, Beijing and Level 4 Nikko Shoken Building, Nagoya.

Operating Summary

As at December 2004, Servcorp operated 50 floors in 18 cities in 11 countries. Average occupancy during the period was 83%. During the period there was a continued focus on maintaining a strong position in the marketplace and on securing additional space in existing markets. Seven new leases were signed in Tokyo, Osaka, Shanghai, Bangkok and Kuala Lumpur. These locations are currently being constructed and will be fully operational prior to June 2005.

Significant items included in the operating profit were as follows:

- $ 460,000 in costs directly related to the closure and relocation of floors.

<u>Australia & New Zealand</u>

Performance in the Australian and New Zealand segment was strong, recording 29.7% of total operating revenue. Operating profit for the segment was $2.59M which is up 32.7% on the comparative prior period. Australia performed well, while New Zealand experienced difficulties. One floor in Auckland closed during December and the reduced cost base will contribute to an improved performance in New Zealand in the second half.

<u>Japan & Asia</u>

The Japan and Asia segment continues to perform strongly, recording 58.8% of total operating revenue. Operating profit increased by 131.0% to $7.92M. The new floor in Nagoya is performing to forecast. Additional space secured in Tokyo and Osaka during the period will further consolidate Servcorp's position in the Japanese market.

All locations in Asia performed strongly. Oriental Plaza in Beijing is performing to forecast. In Bangkok one floor is closing in March, with clients relocating to two new locations. In Shanghai an additional floor is being constructed in the Puxi district.

<u>Europe & Middle East</u>

The performance of the Europe and Middle East segment has improved, reporting 11.5% of total operating revenue. The loss for the current period dropped to $0.12M, which is an improvement on the loss of $0.99M recorded in the comparative prior period.

The Dubai location performed exceptionally, with nearly 100% occupancy throughout the entire period. This consistent strong performance highlights the strength of the current economic climate in the Middle East region.

The performance of Paris has improved significantly with higher occupancy levels now having a positive impact on the business. The Brussels market continues to be tough.

Servcorp Products

Virtual Office continues to grow with memberships up 9.0% in the six month period since June 2004. The change in marketing methodology adopted last year has largely contributed to the continued sound performance of this product. The uptake of Servcorp Hottdesk® by existing clients during the period has been strong.

Financial Summary

Operating revenue for the six months ended 31 December 2004 increased by $6.76M to $59.97M, up 12.7% in absolute terms when compared to the six months ended December 2003. When the exchange effect is stripped out, revenue increased in real terms by 14.7% when compared to December 2003. Immature floor revenue accounted for $0.35M.

For the six month period, 74.1% of Servcorp's revenue was earned in currencies other than the Australian dollar. Servcorp actively manages the risk of adverse movements in exchange rates by entering into forward currency hedge contracts. The gains and losses from hedged revenues are recorded in revenue from ordinary activities, whereas unhedged revenues are recorded at spot rates. When compared to December 2003 average exchange rates for December 2004 remained relatively stable against the Yen, USD and Euro. The increase in revenue recorded for this period is largely attributable to the underlying growth of the business through higher occupancy levels and increased services provided to clients.

Operating costs in the six month period increased by 1.8% or $0.85M in absolute terms, or by 3.3% when the currency exchange effect is stripped out.

Cash balances and interest earning financial assets were $47.19M as at 31 December 2004, compared with $44.32M as at 30 June 2004. Total interest-bearing debt decreased by $0.41M to $2.11M in the six months to 31 December 2004.

International Financial Reporting Standards

The Board is currently reviewing the application of the Australian equivalent of International Financial Reporting Standards (A-IFRS) for first time adoption in the year ending June 2006. The most significant impact for Servcorp will be in relation to Accounting for Goodwill. Under current Australian Accounting Standards goodwill is amortised over a period of twenty years. Under A-IFRS amortisation is not required. The value of goodwill can be preserved provided that there is no evidence of impairment.

Dividend

The Directors of Servcorp Limited have declared a fully franked interim dividend in the amount of 3.75 cents per share.

Outlook

Management is optimistic for the outlook of the company and is currently investigating additional capacity in Japan, France, Singapore, Australia, New Zealand and the Middle East. Forecast Net Profit Before Tax on mature floors is $12.50M for the second half of 2005, subject to market conditions remaining similar to those now being experienced. This will bring forecast mature floor Net Profit Before Tax for the year ending June 2005 to $24.50M. This result will be tempered by losses in new locations as Servcorp continues to grow its business.

SERVCORP LIMITED
ABN 97 089 222 506

FINANCIAL REPORT

For the six months ended 31 December 2004

Contents

Directors' Report

The Directors of Servcorp Limited submit herewith the financial report for the six months ended 31 December 2004. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The Directors of the Company during or since the end of the half year are:

Mr Alf Moufarrige (Managing Director and CEO)

Mr Bruce Corlett (Chairman and independent non-executive Director)

Mr Roderic Holliday-Smith (Independent non-executive Director)

Ms Julia King (Independent non-executive Director)

Mr Taine Moufarrige (Executive Director) (Appointed 25 November 2004)

Review of Operations

Servcorp Limited recorded a profit before taxation of $10,688,826 for the six months ended 31 December 2004. The profit attributable to mature floors for the six-month period was $12,030,041 whereas the operating loss on immature floors was $1,341,215. Immature floors during the period were Beijing and Nagoya.

Operating Summary

As at December 2004, Servcorp operated 50 floors in 18 cities in 11 countries. Average occupancy during the period was 83%. During the period there was a continued focus on maintaining a strong position in the marketplace and on securing additional space in existing markets. Seven new leases were signed in Tokyo, Osaka, Shanghai, Bangkok and Kuala Lumpur. These locations are currently being constructed and will be fully operational prior to June 2005.

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Dividend

The Directors of Servcorp Limited have declared a fully franked interim dividend in the amount of 3.75 cents per share.

Auditors Independence Declaration

A copy of the auditor's declaration under section 307C of the Corporations Act 2001 in relation to the review for the half year is included on page 5.

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 24th day of February 2005.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

A G Moufarrige
Director

Deloitte

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
Servcorp Limited
Level 17, 60 Castlereagh Street
SYDNEY NSW 2000

Dear Board Members

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 2004, I declare that to the best of my knowledge and belief, there have been no 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 faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants

24 February 2005

Directors' Declaration

The Directors declare that:

a) the attached financial statements and notes thereto comply with Accounting Standards;

b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;

c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

d) in the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 24th day of February 2005.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

A G Moufarrige
Director

Consolidated Statement of Financial Performance
For the six months ended 31 December 2004

	Note	6 Months Ended 31 December 2004 $A'000	6 Months Ended 31 December 2003 $A'000
Revenues from rendering of services		58,860	51,689
Interest revenue		947	733
Other revenues from ordinary activities		164	793
Total revenues		59,971	53,215
Service expenses		(16,966)	(16,255)
Marketing expenses		(2,989)	(2,566)
Occupancy expenses		(23,737)	(24,446)
Administrative expenses		(4,648)	(3,828)
Borrowing expenses		(106)	(141)
Other expenses from ordinary activities		(836)	(1,191)
Total expenses		(49,282)	(48,427)
Profit from ordinary activities before income tax expense		**10,689**	**4,788**
Income tax expense relating to ordinary activities	**4**	(3,014)	(1,563)
Net profit for the period attributable to members of the parent entity		**7,675**	**3,225**
Non-owner transaction changes in equity			
Net movements in foreign currency translation reserve		(2,217)	(1,001)
Total changes in equity not resulting from transactions with owners as owners		**5,458**	**2,224**

Earnings per Share

Basic Earnings per Share		$0.095	$0.040
Diluted Earnings per Share		$0.095	$0.040

Consolidated Statement of Financial Position
As at 31 December 2004

	Note	31 December 2004 $A'000	30 June 2004 $A'000
Current assets			
Cash assets		44,244	38,396
Receivables		10,511	11,756
Other financial Assets	**6**	2,945	5,921
Other	**5**	4,071	3,184
Total current assets		**61,771**	**59,257**
Non-current assets			
Receivables		266	-
Property, plant and equipment (net)		19,872	22,496
Intangibles (net)		14,809	15,265
Deferred tax assets		5,973	5,774
Other	**7**	18,615	17,594
Total non-current assets		**59,535**	**61,129**
Total assets		**121,306**	**120,386**
Current liabilities			
Payables		25,479	25,947
Interest bearing liabilities		1,738	1,778
Current tax liabilities		2,712	2,638
Provisions		2,351	2,023
Total current liabilities		**32,280**	**32,386**
Non-current liabilities			
Payables		4,452	4,823
Interest bearing liabilities		372	741
Deferred tax liabilities		473	675
Provisions		515	495
Total non-current liabilities		**5,812**	**6,734**
Total liabilities		**38,092**	**39,120**
Net assets		**83,214**	**81,266**
Equity			
Contributed equity		80,694	81,182
Reserves		(7,026)	(4,809)
Retained profits		9,546	4,893
Total equity	**8**	**83,214**	**81,266**

Consolidated Statement of Cash Flows
For the six months ended 31 December 2004

	Note	6 Months Ended 31 December 2004 $A'000	6 Months Ended 31 December 2003 $A'000
Cash flows related to operating activities			
Receipts from customers		59,554	50,931
Payments to suppliers and employees		(44,367)	(44,019)
Interest and other items of similar nature received		818	910
Interest and other costs of finance paid		(107)	(127)
Income taxes paid		(3,522)	(2,021)
Net operating cash flows		**12,376**	**5,674**
Cash flows related to investing activities			
Payment for purchases of plant and equipment		(2,543)	(3,007)
Payment for lease deposits		(2,100)	(687)
Proceeds from disposal of investments		3,000	2,261
Proceeds from disposal of plant and equipment		-	322
Proceeds from refund of lease deposits		-	869
Net investing cash flows		**(1,643)**	**(242)**
Cash flows related to financing activities			
Proceeds from issues of securities (shares, options,)		1,201	-
Share buy back		(2,254)	-
Repayment of borrowings		(670)	(1,050)
Dividends paid		(3,022)	(2,998)
Net financing cash flows		**(4,745)**	**(4,048)**
Net increase in cash held		**5,988**	**1,384**
Cash at beginning of period		38,049	26,125
Exchange rate adjustments to cash		(543)	(360)
Cash at end of period	**9**	**43,494**	**27,149**

Non-cash financing and investing activities

Finance leases amounting to Nil were entered into during the period ended 31 December 2004 to purchase items of property, plant and equipment ($Nil in prior period)

Notes to the Financial Statements
For the six months ended 31 December 2004

1. Basis of Preparation

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 “Interim Financial Reporting”, the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. 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 30 June 2004 Annual Financial Report and any other public announcements by Servcorp Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rules.

The financial statements have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or fair values of non-current assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report

2. Impact of adopting Australian equivalent of International Financial Reporting Standards (A-IFRS)

For the year ending 30 June 2006, the Consolidated Entity must comply with A-IFRS as issued by the Australian Accounting Standards Board. Accordingly, Servcorp Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

This financial report has been prepared in accordance with current Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and A-IFRS identified to date as potentially having a significant effect on the Consolidated Entity’s financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and A-IFRS as the company continues to assess the full impact of the adoption of A-IFRS on its financial reporting. An exhaustive list would require identification of all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

At the date of this report, the Directors of Servcorp Limited are in the process of finalising a high-level assessment of the impact of A-IFRS on the Consolidated Entity, and determining how the transition to A-IFRS will be fully implemented. The Directors continue to monitor the developments in A-IFRS and the potential impact it will have on the Consolidated Entity. The Directors expect to complete an impact study, and expect to commence a plan to prepare the Consolidated Entity to be A-IFRS compliant shortly.

Notes to the Financial Statements (continued)

2. **Impact of adopting Australian equivalent of International Financial Reporting Standards (A-IFRS)** (continued)

Regulatory bodies that promulgate Australian GAAP and A-IFRS have significant ongoing projects that could affect the differences between Australian GAAP and A-IFRS, and the impact of these differences relative to the Consolidated Entity's financial reports in the future. The potential impacts on the Consolidated Entity's financial performance and financial position on the adoption of A-IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004. The impact of A-IFRS on future years will depend on the particular circumstances prevailing in those years. The Consolidated Entity has not quantified the effects of the potential implications discussed below. Accordingly, no assurances can be made that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with A-IFRS.

Significant potential implications of the conversion to A-IFRS on the Consolidated Entity are as follows:

First Time Adoption of A-IFRS
On first time adoption of A-IFRS, the Consolidated Entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As most adjustments on first time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the Consolidated Entity on first time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from necessary restatement of past business combinations, expense share-based payments granted before 7 November 2002, and permits the identification of a 'deemed cost' for property, plant and equipment.

The impact on the Consolidated Entity of the changes in accounting policies on first time adoption of A-IFRS will be affected by the choices made. The Consolidated Entity is evaluating the effect of the options available on first time adoption in order to determine the best possible outcome.

Business Combinations
The Consolidated Entity is evaluating whether it will elect to adopt the exemption available to not reopen past acquisitions and retrospectively account for them.

Notes to the Financial Statements (continued)

2. Impact of adopting Australian equivalent of International Financial Reporting Standards (A-IFRS) (continued)

Impairment of assets
Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets. The Consolidated Entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Hedge accounting
The Consolidated Entity enters into forward foreign exchange contracts to manage foreign exchange exposure of revenue transactions generated offshore. Under A-IFRS, hedges are designated as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity, and the accounting differs depending on the designation. Where a hedge is designated as a fair value hedge, changes in the fair value of the hedged item to the extent of the risk hedged are recognised in profit or loss. Changes in the fair value of hedging instruments classified as cash flow hedges or hedges of a net investment in a foreign entity are recognised in equity to the extent they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in fair value of the hedged instrument that is not effective is recognised immediately in profit and loss.

The designation, documentation and effectiveness requirements under A-IFRS may result in some hedges no longer qualifying for hedge accounting. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the standard (including no longer accounting for hedging instruments under hedge accounting) has been conducted.

Share-based payment
Share-based compensation forms part of the remuneration of employees of the Consolidated Entity (including executives) as disclosed in the annual report. The Consolidated Entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the Consolidated Entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The entity will not retrospectively recognise share-based payments vested before 1 July 2005 as permitted under A-IFRS first time adoption.

The recognition of the expense will decrease the Consolidated Entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 7 November 2002 but not vested before 1 July 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing share options granted as remuneration has not been completed at the reporting date.

Notes to the Financial Statements (continued)

2. Impact of adopting Australian equivalent of International Financial Reporting Standards (A-IFRS) (continued)

Income tax

The Consolidated Entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

The Consolidated Entity also has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria under current Australian GAAP. Under A-IFRS, it may be easier to recognise these tax losses as deferred tax assets as they are recognised based on a 'probable' recognition criteria. The impact of this difference may be to increase deferred tax assets and opening retained earnings, and result in a higher level of recognised deferred tax assets on a go-forward basis.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

Goodwill

Goodwill is currently amortised over a 20 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. The basis for identifying cash-generating units is still being considered. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

	6 Months Ended 31 December 2004 $A'000	6 Months Ended 31 December 2003 $A'000
3. Significant Transactions		
Individually significant transactions included in profit from ordinary activities before income tax expense:		
Floor closure costs	455	877
Closure costs of 10 & 20 Bridge St	-	456

Notes to the Financial Statements (continued)

	6 Months Ended 31 December 2004 $A'000	6 Months Ended 31 December 2003 $A'000

4. Income Tax Expense

In the current period income tax expense does not differ by more than 15% from the amount of income tax prima facie payable on the profits before tax.

Prima facie income tax expense on operating profit at 30% (2003: 30%)	3,207	1,436
Assessable/(deductible) local taxes	(231)	(80)
Effect of different tax rates on overseas income	(429)	2
Other non (assessable)/deductible items	217	39
Tax losses of controlled entities recovered	(148)	-
Income tax under/(over) provision in prior years	136	(86)
Future income tax benefit not recognised	262	252
Income tax expense	**3,014**	**1,563**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Australian Group of companies.

The directors have elected for those entities within the consolidated entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2002. The adoption of the tax consolidation system has been formally notified to the Australian Taxation Office. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Servcorp Limited.

Entities within the tax consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Servcorp Limited and each of the entities in the tax consolidated group agrees to pay a tax equivalent payment to or from the head entity.

Due to the adoption of the transitional provisions, the impact on the financial statements of the economic entity, arising from adoption of the tax consolidation regime, was not material. The tax consolidation regime has been applied with effect from 1 July 2003.

	31 December 2004 $A'000	30 June 2004 $A'000

5. Other Current Assets

Prepayments	2,732	2,491
Lease Deposits	213	189
Other	1,126	504
	4,071	**3,184**

Notes to the Financial Statements (continued)

	31 December 2004 $A'000	30 June 2004 $A'000
6. Other Financial Assets		
Current		
Investment in fixed rate bonds at realisable value	2,945	5,921
	2,945	**5,921**
7. Other Non-Current Assets		
Lease deposits	18,559	17,536
Other	56	58
	18,615	**17,594**
8. Equity Reconciliation		
Opening equity	81,266	76,729
Movement in foreign currency translation reserve	(2,217)	812
(Decrease)/increase in capital	*(488)	286
Current period profit	7,675	9,443
Dividends paid	(3,022)	(6,004)
	83,214	**81,266**

* The Company commenced a buy-back in December 2004. During the month of December the Company bought back 926,044 shares for a total consideration of $2,254,173.

	31 December 2004 $A'000	31 December 2003 $A'000
9. Notes to the Consolidated Statement of Cash Flows		
Reconciliation of cash		
Cash on hand and at bank	19,395	10,614
Deposits on call	24,849	16,535
Bank overdraft	(750)	-
	43,494	**27,149**

Notes to the Financial Statements (continued)

	6 Months Ended 31 December 2004	6 Months Ended 31 December 2003
10. Earnings per Share		
Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
(a) Basic EPS	$0.095	$0.040
(b) Diluted EPS	$0.095	$0.040
	$A'000	**$A'000**
(c) Earnings reconciliation		
Net profit/(loss) after income tax	7,675	3,225
Basic earnings	7,675	3,225
Diluted earnings	7,675	3,225
	Number of shares	**Number of shares**
(d) Weighted average number of ordinary shares outstanding during the period used in the calculation of:		
Number of basic earnings per share	80,493,861	79,955,354
Effect of share options on issue	30,000	1,379,000
Number of diluted earnings per share	80,523,861	81,334,354

11. Dividends

	Total amount $'000	Cents per share	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:				
Current year	3,015	3.75c	3.75c	N/a
Previous year	3,005	3.75c	3.75c	N/a
Final dividend paid in respect of previous financial year:				
Final dividend	3,022	3.75c	3.75c	N/a

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.

Notes to the Financial Statements (continued)

	31 December 2004 $A'000	31 December 2003 $A'000

11. Dividends (continued)

Dividend Franking Account

The balance of the franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in the payment of the above dividends and those dividends required to be treated as interest expense, is as follows:

30% franking credits available	1,533	2,032

	31 December 2004 $A'000	30 June 2004 $A'000

12. Contingent Liabilities

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The Directors are not aware of any circumstance or information that would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

a) Fly Away Programme

The Company has a contingent liability for unredeemed Fly Away programme points. The Fly Away Programme is an incentive program for agents to refer business to the Company. The Company provides awards to agents who reach a set level of points. The contingent liability is based on average cost of awards for agents in each band of points with points accruing incrementally within bandings.

Unredeemed Fly Away liability	246	246

Notes to the Financial Statements (continued)

13. Segment Information

The group operates in a single business segment, serviced offices, from three main geographic locations.

6 Months ended 31 December 2004

Services	Australia and New Zealand $'000	Japan and Asia $'000	Europe & Middle East $'000	Elims $'000	Consol $'000
Revenue					
External segment revenue	17,585	34,781	6,782	-	59,148
Inter-segment revenue	5,009	604	6	(5,619)	-
Total segment revenue	22,594	35,385	6,788	(5,619)	59,148
Other unallocated revenue					823
Total revenue					59,971
Segment result	2,585	7,922	(117)	-	10,390
Unallocated result					299
Operating profit before tax					10,689
Income tax expense					(3,014)
Operating profit after tax					7,675
Net profit					7,675

6 Months ended 31 December 2003

Services	Australia and New Zealand $'000	Japan and Asia $'000	Europe & Middle East $'000	Elims $'000	Consol $'000
Revenue					
External segment revenue	17,203	29,823	5,238	-	52,264
Inter-segment revenue	5,029	480	-	(5,509)	-
Total segment revenue	22,232	30,303	5,238	(5,509)	52,264
Other unallocated revenue					951
Total revenue					53,215
Segment result	1,947	3,429	(985)	-	4,391
Unallocated result					397
Operating profit before tax					4,788
Income tax expense					(1,563)
Operating profit after tax					3,225
Net profit					3,225

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Independent review report to the members of Servcorp Limited

Scope

We have reviewed the financial report of Servcorp Limited for the half-year ended 31 December 2004 as set out on pages 7 to 18. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Rod Smith
Partner
Chartered Accountants
Sydney, 24 February 2005