SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended
31 December 2009

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 2009, the 2009 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 2009 to 31 December 2009
Previous corresponding period:	1 July 2008 to 31 December 2008

Results for announcement to the market

				$'000
Revenue and other income	down	29%	to	84,034
Profit from ordinary activities after tax attributable to members	down	92%	to	1,643
Net profit for the period attributable to members	down	92%	to	1,643

Dividends (distributions)	Date paid or payable	Total amount $'000	Amount per security (cents)	Franked amount per security (cents)
Current 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
Previous corresponding period				
Interim dividend declared	2 April 2009	8,046	10.00	10.00
Special dividend paid	10 December 2008	4,023	5.00	5.00
Final dividend paid	2 October 2008	6,035	7.50	7.50

Record date for determining entitlements to the dividend	12 March 2010

The interim dividend for the six months ended 31 December 2009 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2009. 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 2009 $	31 December 2008 $
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	$2.00	$1.71

Control over entities

Control was not lost over any entity during the current period that had 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

GLOBAL EXPANSION ON TRACK

- Mature floor NPBT of $12,045,000 (in line with forecast) for H1 2010
- Group Net Profit Before Tax of $1,871,000 for H1 2010
- Virtual Office package increase of 5% for H1 2010
- Virtual Office revenue growth of 7% in constant currency for H1 2010
- Cash Balance of $142,960,000 as at 31 December 2009
- Interim dividend of 5.00 cents per share declared

Servcorp recorded a decrease in Net Profit Before Tax attributable to mature floors for the six months ended 31 December 2009 of 62% to $12,045,000 (six months ended 31 December 2008: $31,666,000). Immature floor expansion costs for the six months ended 31 December 2009 were $8,966,000 (six months ended 31 December 2008: $1,515,000). The loss for Office Squared for the period ended 31 December 2009 was $1,208,000 (six months ended 31 December 2008: $2,058,000).

Net Profit Before Tax was $1,871,000 for the six months ended 31 December 2009 (six months ended 31 December 2008: $28,093,000). Net Profit After Tax decreased by 92% to $1,643,000 for the six months ended 31 December 2009 (six months ended 31 December 2008: $20,328,000).

OPERATING SUMMARY

The Business

As foreshadowed at Servcorp's Annual General Meeting in November, trading conditions in the Serviced Office business were very difficult in the first half of Financial Year 2010. An increase in competition and tough commercial property conditions caused a drop in office pricing and occupancy rates in all markets. The combination of the drop in revenues and the fixed cost nature of the business combined to compress operating margins.

Serviced Office revenue has dropped by 32% compared to the period ending 31 December 2008. When the effect of changes in foreign currency are stripped out revenue dropped by 28% compared to the comparative prior period.

Average mature floor occupancy for the six month period has softened to 76% (six months ended 31 December 2008: 81%).

Five floors were opened during the first half of 2010.

The following floors were immature as at 31 December 2009:

1.	Level 14, Commercialbank Plaza, Doha	
2.	Level 15, Commercialbank Plaza, Doha	
3.	Level 24, China Central Place, Beijing	
4.	Level 30, Westpac House, Adelaide	
5.	Level 32, Optus Centre, North Sydney	
6.	Level 4, Al Mamoura Building, Abu Dhabi	Opened September 2009
7.	Level 9, Jameel Square, Jeddah	Opened December 2009
8.	Level 20, Marunouchi Trust Tower, Tokyo	Opened December 2009
9.	Level 17, Dashwood House, London	Opened December 2009
10.	Level 15, Da Vinci Building, Fukuoka	Opened December 2009

The performance of immature floors are tracking to expectations.

Management Discussion & Analysis (continued)

Virtual Office

Virtual Office recorded an increase in package memberships of 5% for the six month period. Virtual Office revenue increased by 2% in the six months to 31 December 2009. When the effect of changes in currency are stripped out, Virtual Office revenue increased by 7% compared to the prior comparative period.

Management are happy with Virtual Office growth to date and remain encouraged by the future growth and development of the Virtual Office business.

Expansion

As outlined at Servcorp's Annual General Meeting in November, management intend to rapidly expand the Servcorp footprint into a number of new markets, in particular to North America. Whilst the existing mature Serviced Office business is impacted by the global financial crisis, the current depressed state of the market, the development of the Virtual Office business model, and the availability of quality space all combine to make the current business climate ideal for expansion.

Five new floors were opened in the first half of the 2010 financial year. Since 31 December 2009 an additional two floors have been opened and a further 13 leases have been committed to. A further additional 20 leases are in the advanced stages of negotiation.

Cash flow that will be produced by the mature business for the 2010 calendar year of approximately $30,000,000, plus the cash balance of $142,960,000 held as at 31 December 2009 should ensure that we have adequate cash resources to complete our planned expansion program. The strong AUD combined with the current weak real estate market should ensure that the cost of opening new floors should be below original cost estimates.

The purchase of the *virtualoffice.com* domain name should also assist our American expansion push.

Servcorp Management are on track to reach our floor opening target of 100 additional floors by 2012 – 2013.

Office Squared

The Office Squared business has been scaled back considerably. We are currently terminating our involvement in Malaysia in the I-City venture. Going forward Office Squared will only continue to operate in Sydney and in Hangzhou, China. The Office Squared loss for the six months ended 31 December 2009 was $1,208,000 (31 December 2008: $2,058,000). Actions to reduce Office Squared losses have been undertaken.

Operating Summary By Region

Australia & New Zealand

Mature floors
Australia and New Zealand have held up well throughout the global financial crisis and have not been impacted to the same extent as other markets. Mature floor revenue from ordinary activities decreased by 14% to $21.89M when compared to the prior period. Mature floor Net Profit Before Tax decreased by 31% to $4.81M. The closure of one floor in Australia had the effect of reducing the mature floor result by $0.57M. We intend to open four new floors in this region by the end of 2010.

Immature floors
Two floors in Australia and New Zealand were immature during the period. Immature floor losses in the six month period were $0.59M

Japan

Mature floors
The Japanese market continues to be very tough as the recession impacts business confidence and heightens price competition. Revenue from ordinary activities decreased by 18% to $28.49M and Net Profit Before Tax decreased by 23% to $3.24M for the six months ended 31 December 2009. The Japanese management team are confident that there is a market upswing underway.

Immature floors
Two floors in Japan were immature as at 31 December 2009. The Net Loss Before Tax on immature floors was $0.66M.

Middle East

Mature floors
The Middle East market is currently mixed. The Dubai market which was in boom for the last five years has suffered a material downturn. Servcorp still operates a profitable business in this city, but no where near the profits of boom time. Other major cities in the Middle East are performing as expected.

Mature floor revenue from ordinary activities decreased by 39% to $5.35M when compared to the prior period. Mature floor Net Profit Before Tax decreased by 55% to $2.34M.

Immature floors
Floors were opened in Abu Dhabi and Jeddah during the six months ended 31 December 2009 and the performance of these floors is encouraging. Four floors in the Middle East were immature during the period. Immature floor losses in the six month period were $2.20M. We intend to open six floors in this region by the end of 2010.

Greater China

Mature floors
Challenging market conditions have led to the loss of some large clients in Shanghai and Beijing. Management has been restructured in China and the region is on track to recover in the second half of 2010. The Hong Kong market was impacted by the global financial crisis but the market is now in the early stages of recovery.

Revenue from ordinary activities decreased by 48% to $8.23M and Net Profit Before Tax decreased by 93% to $0.34M for the six months ended 31 December 2009.

Immature floors
One floor in Greater China was immature as at 31 December 2009 with a Net Loss Before Tax of $0.65M for the six month period.

Southeast Asia

Mature floors
The Singapore and Kuala Lumpur markets have seen a dramatic fall in commercial property values and these drops are reflected in our margins. A recovery in both the Singapore and Kuala Lumpur markets is now evident. The Bangkok market has so far proved to be resilient to the global economic downturn and has produced consistently strong results.

Revenue from ordinary activities decreased by 38% to $7.33M and Net Profit Before Tax decreased by 52% to $2.18M for the six months ended 31 December 2009.

Immature floors
There were no immature floors in Southeast Asia during this period.

Europe

Mature floors

The European market was very difficult during the first half of 2010. The Paris Serviced Office market continues to be soft, whereas Brussels surprised on the upside. This location is in profits and continues to see an improvement in margins.

Mature floor revenue from ordinary activities decreased by 31% to $6.33M. The Net Loss Before Tax on mature floors was $1.60M for the six month period.

Immature floors

A new location was opened in London in December 2009. The lease has been signed at the bottom, or close to the bottom of the market which will enable the operation to compete very favourably. Immature floor losses for Europe were $0.19M for the six months ended 31 December 2009.

India Franchise

The Indian real estate market continues to be depressed, but occupancy in our 2 locations has improved in the last two months. Both locations will be profitable in February.

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue from ordinary activities for the six months ended 31 December 2009 was $84.03M, down 29% from the previous corresponding period. During the reporting period the AUD appreciated against all major currencies. The AUD increased by an average of 10% against the USD, 8% against the EUR. The AUD was flat against the JPY. The appreciation in the AUD over the period has had a negative impact on the AUD consolidated revenues and profit for the six month period ended 31 December 2009. When expressed in constant currency terms, revenue decreased by 21% compared to the comparative prior period.

Net Profit Before Tax for the six months to December 2009 was $1.87M down 93% compared to the prior comparative period. When expressed in constant currency terms, Net Profit Before Tax decreased by 92% compared to the six months ended 31 December 2008.

The strong AUD has made our expansion push more easily achievable and keeps capital costs for expansion at or below budget estimates.

Realised and unrealised foreign exchange gains and losses – Income statement

The result for the six months ended 31 December 2009 included realised and unrealised foreign currency losses in the amount of $1.04M (Gain for six months ended 31 December 2008: $5.28M).

Balance Sheet foreign currency gains and losses

A strong AUD at 31 December 2009 compared to 30 June 2009 has weakened Servcorp's Balance Sheet as assets held in foreign currencies were translated into AUD at weaker rates than at 30 June 2009. The foreign currency translation reserve has moved from a deficit of $8.60M at 30 June 2009 to a deficit of $12.60M at 31 December 2009.

Cash balances were $142.96M at 31 December 2009 (June 2009: $83.96M).

Management Discussion & Analysis (continued)

DIVIDEND

The directors of Servcorp Limited have declared a fully franked interim dividend of 5.00 cents per share. The directors anticipate paying a final fully franked dividend of 5.00 cents per share in relation to the 2010 financial year.

OUTLOOK

Management anticipate that trading conditions will continue to be challenging in the medium term but we believe that we have reached and passed the bottom of our earnings cycle. Management anticipates that mature floor net profit before tax will continue to be approximately $2,000,000 per month, assuming currencies remain constant, for the second half of the 2010 financial year subject to unforseen circumstances and global financial markets remaining stable.

The expansion costs associated with the substantial number of new floors opening will continue to have a material negative impact on group net profits until they reach maturity.

Servcorp's new business model market expansion push is running to schedule as we aim to open 100 floors by 2012 - 2013. We reaffirm our intention to open no less than 35 new floors by 31 December 2010 and have 29,000 virtual packages by this stage. Our on-line sales continue to break in-house records, giving us confidence that Servcorp's decision to expand will, in the future, produce a real return for investors.

SERVCORP LIMITED
ABN 97 089 222 506

Interim Financial Report

For the six months ended
31 December 2009

SERVCORP

Contents

Directors' report

The directors of Servcorp Limited submit herewith the condensed consolidated financial report for the six months ended 31 December 2009. 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 2009 are:

Name

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 decrease in Net Profit Before Tax attributable to mature floors for the six months ended 31 December 2009 of 62% to $12,045,000 (six months ended 31 December 2008: $31,666,000). Immature floor expansion costs for the six months ended 31 December 2009 were $8,966,000 (six months ended 31 December 2008: $1,515,000). The loss for Office Squared for the period ended 31 December 2009 was $1,208,000 (six months ended 31 December 2008: $2,058,000).

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Changes in State of Affairs

During the six months ended 31 December 2009 there were significant changes in state of affairs of the consolidated entity as detailed below.

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Directors' report cont.

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Cash balances were $142.96M at 31 December 2009 (June 2009: $83.96M).

DIVIDEND

The directors of Servcorp Limited have declared a fully franked interim dividend of 5.00 cents per share. The directors anticipate paying a final fully franked dividend of 5.00 cents per share in relation to the 2010 financial year.

Directors' report cont.

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 25th day of February 2010

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

25 February 2010

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 consolidated financial report of Servcorp Limited for the half-year ended 31 December 2009, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S 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

Dated at Sydney this 25th day of February 2010.

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2009

	Note	6 months ended 31 December 2009 $'000	6 months ended 31 December 2008 $'000
Revenue	2	81,030	109,476
Other revenue and income	2	3,004	8,822
		84,034	118,298
Service expenses		(25,822)	(31,574)
Marketing expenses		(6,342)	(6,135)
Occupancy expenses		(39,838)	(43,905)
Administrative expenses		(8,987)	(8,546)
Borrowing expenses		(81)	(45)
Other expenses		(1,093)	-
Total expenses		(82,163)	(90,205)
Profit before income tax expense	2	1,871	28,093
Income tax expense	3	(228)	(7,765)
Profit for the period		1,643	20,328
Other comprehensive (loss) / income			
Deferred exchange differences arising from monetary items considered part of the investment in foreign operations		(396)	2,412
Exchange differences arising on translation of foreign operations		(3,642)	13,254
Income tax relating to components of other comprehensive (loss)/ income		-	-
Other comprehensive (loss) / income for the period (net of tax)		(4,038)	15,666
Total comprehensive (loss) / income for the period		(2,395)	35,994
Earnings per share			
Basic earnings per share	6	$0.019	$0.253
Diluted earnings per share	6	$0.019	$0.253

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 2009

	Note	31 December 2009 $'000	30 June 2009 $'000
Current assets			
Cash and cash equivalents	7	142,960	83,958
Trade and other receivables	8	13,888	16,916
Other financial assets	10	1,443	1,555
Current tax assets		204	193
Other current assets	9	9,392	6,528
Total current assets		167,887	109,150
Non-current assets			
Other financial assets	10	27,096	26,021
Property, plant and equipment	11	48,766	47,261
Deferred tax assets		12,648	10,741
Goodwill	12	15,962	15,962
Total non-current assets		104,472	99,985
Total assets		272,359	209,135
Current liabilities			
Trade and other payables	13	25,819	24,454
Other financial liabilities	14	18,104	19,466
Current tax liabilities		582	3,889
Provisions	15	5,574	5,894
Total current liabilities		50,079	53,703
Non-current liabilities			
Trade and other payables	13	7,248	7,708
Other financial liabilities	14	469	843
Provisions	15	740	796
Deferred tax liabilities		659	794
Total non-current liabilities		9,116	10,141
Total liabilities		59,195	63,844
Net assets		213,164	145,291
Equity			
Issued capital	16	154,196	76,118
Reserves		(12,468)	(8,467)
Retained earnings		71,436	77,640
Equity attributable to equity holders of the parent		213,164	145,291
Total equity		213,164	145,291

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 2009

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Employee equity settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	80,948	(14,973)	29	61,648	127,652
Profit for the period	-	-	-	20,328	20,328
Deferred exchange differences arising from monetary items considered part of the investment in foreign operations	-	2,412	-	-	2,412
Translation of foreign operations	-	13,254	-	-	13,254
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	15,666	-	20,328	35,994
Share based payment	-	-	57	-	57
Payment of dividends	-	-	-	(10,058)	(10,058)
Balance at 31 December 2008	80,948	693	86	71,918	153,645
Balance at 1 July 2009	76,118	(8,565)	98	77,640	145,291
Profit for the period	-	-	-	1,643	1,643
Deferred exchange differences arising from monetary items considered part of the investment in foreign operations	-	(396)	-	-	(396)
Translation of foreign operations	-	(3,642)	-	-	(3,642)
Income tax relating to components of other comprehensive income	-	-	-	-	-
Total comprehensive income 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

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 2009

	Note	6 months ended 31 December 2009 $'000	6 months ended 31 December 2008 $'000
Cash flows from operating activities			
Receipts from customers		88,888	118,243
Payments to suppliers and employees		(83,673)	(83,512)
Income tax paid		(5,259)	(6,848)
Interest and other costs of finance paid		(199)	(44)
Interest and other items of similar nature received		1,035	1,960
Net operating cash flows	17(b)	792	29,799
Cash flows from investing activities			
Payments for property, plant and equipment		(10,166)	(5,559)
Payments for lease deposits		(4,894)	(478)
Proceeds from sale of property, plant and equipment		47	2
Proceeds from refund of lease deposits		796	533
Net investing cash flows		(14,217)	(5,502)
Cash flows from financing activities			
Proceeds from issue of equity securities of the parent		79,894	-
Payments for share issue costs		(2,589)	-
Repayment of borrowings		(108)	(261)
Dividends paid		(7,847)	(10,058)
Net financing cash flows		69,350	(10,319)
Net increase in cash and cash equivalents		55,925	13,978
Cash and cash equivalents at the beginning of the period		83,726	73,449
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		2,486	3,896
Cash and cash equivalents at the end of the period	17(a)	142,137	91,323

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
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards

- AASB8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009.
- AASB101 'Presentation of Financial Statements' (revised September 2007). Effective for annual reporting periods beginning on or after 1 January 2009.
- AASB3 'Business Combinations'. Effective for annual reporting periods beginning on or after 1 July 2009.
- AASB127 'Consolidated and Separate Financial Statements'. Effective for annual reporting periods beginning on or after 1 July 2009.

The application of AASB101 (revised) and AASB8 does not affect any of the amounts recognised in the financial statements, but changes the disclosures made in relation to the Consolidated Entity's financial statements and segment information.

		6 months ended 31 December 2009 $'000	6 months ended 31 December 2008 $'000
2	**Profit from operations**		
a	**Revenue**		
	Revenue from continuing operations consisted of the following:		
	Revenue from the rendering of services	81,030	109,476
b	**Other revenue and income**		
	Interest income:		
	Bank deposits	1,604	1,972
	Franchise fees:		
	Other	303	346
	Net foreign exchange gain	-	5,283
	Other income	1,097	1,221
	Total other income	3,004	8,822
	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	1,045	-
	Other	48	-
	Total other expenses	1,093	-
	Floor closure costs	515	2,898

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 expense in the Condensed consolidated financial report as follows:

Profit before income tax expense	1,871	28,093
Income tax (benefit)/ expense calculated at 30%	561	8,428
Deductible local taxes	(49)	(122)
Effect of different tax rates on overseas income	(810)	(2,993)
Other (non-assessable)/ non-deductible items	(254)	1,040
Tax losses of controlled entities recovered	(25)	(739)
Income tax (over)/ under provision in prior years	(188)	294
Unused tax losses and tax offsets not recognised as deferred tax assets	993	1,857
Income tax expense	228	7,765

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. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of the Group's reportable segments.

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. Six reportable operating segments have been identified: Australia and New Zealand, Greater China, South East Asia, Japan, Europe and the Middle East 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	
	31 December 2009 $'000	31 December 2008 $'000	31 December 2009 $'000	31 December 2008 $'000
Continuing operations				
Australia and New Zealand	23,183	26,877	4,223	6,020
Greater China	8,756	16,762	(308)	4,693
Southeast Asia	7,379	11,771	2,175	4,519
Japan	29,072	34,712	2,580	4,184
Europe	6,326	9,210	(1,791)	1,176
Middle East	6,981	10,479	141	5,029
Other	382	299	(1,240)	(2,041)
	82,079	110,110	5,780	23,580
Finance costs			(81)	(45)
Unallocated	1,955	8,188	(3,828)	4,558
Profit before tax			1,871	28,093
Income tax expense			(228)	(7,765)
Consolidated segment revenue and profit for the period	84,034	118,298	1,643	20,328

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

For the six months ended 31 December 2009, the Group's Virtual Office revenue and Serviced Office revenue were $19,475,000 and $61,555,000, respectively.

Segment profit represents the profit earned by each segment without allocation of central management administration costs and directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4 Segment information (continued)

The following is an analysis of the Group's assets by reportable operating segment:

	31 December 2009 $'000	30 June 2009 $'000
Operating segment assets		
Australia and New Zealand	29,560	28,546
Greater China	15,042	16,479
Southeast Asia	10,824	12,297
Japan	57,294	54,248
Europe	15,729	13,972
Middle east	13,961	11,263
Other	3,567	3,957
Total segment assets	145,977	140,762
Unallocated assets	126,382	68,373
Total assets	272,359	209,135

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					
2009					
Final - fully paid ordinary shares	10.00	7,847	1 Oct 2009	30%	100%
2008					
Special - fully paid ordinary shares	5.00	4,023	10 Dec 2008	30%	100%
Final - fully paid ordinary shares	7.50	6,035	2 Oct 2008	30%	100%
Unrecognised amounts					
Since the end of the six months ended 31 December 2009, the directors have declared the following dividend:					
Interim - fully paid ordinary shares	5.00	4,922	29 Mar 2010	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 2009 $'000	6 months ended 31 December 2008 $'000
Net profit	1,643	20,328
Earnings used in the calculation of basic and diluted EPS	1,643	20,328
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic EPS	85,541,663	80,467,310
Weighted average number of ordinary shares used in calculation of diluted EPS	85,541,663	80,467,310
Basic earnings per share	$0.019	$0.253
Diluted earnings per share	$0.019	$0.253

		31 December 2009 $'000	30 June 2009 $'000
7	**Cash and cash equivalents**		
	Cash	21,965	18,952
	Bank short term deposits	120,995	65,006
		142,960	83,958
8	**Trade and other receivables**		
	Current		
	At amortised cost		
	Trade receivables	12,541	16,618
	Less: allowance for doubtful debts	(727)	(697)
	Other debtors	2,074	995
		13,888	16,916
9	**Other assets**		
	Current		
	Prepayments	8,382	5,676
	Other	1,010	852
		9,392	6,528
10	**Other financial assets**		
	Current		
	At amortised cost		
	Lease deposits	1,061	1,555
	At fair value through profit or loss		
	Forward foreign currency exchange contracts	382	-
		1,443	1,555
	Non-current		
	At amortised cost		
	Lease deposits	26,133	24,881
	Licence fees	894	1,067
	Other	69	73
		27,096	26,021

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 2009	5,314	62,800	2,603	12,180	583	19,561	2,135	690	105,866
Additions	-	7,825	-	1,005	-	1,287	-	49	10,166
Disposals	-	-	(1,368)	(26)	-	(85)	-	-	(1,479)
Net foreign currency differences on translation of foreign operations	(59)	(4,179)	(75)	(738)	(8)	(934)	(139)	(26)	(6,158)
Balance at 31 December 2009	5,255	66,446	1,160	12,421	575	19,829	1,996	713	108,395
Accumulated depreciation									
Balance at 30 June 2009	200	33,226	2,554	6,157	583	15,088	586	211	58,605
Depreciation expense	62	3,700	-	682	-	1,344	237	49	6,074
Disposals	-	-	(1,368)	(10)	-	(50)	-	-	(1,428)
Net foreign currency differences on translation of foreign operations	(3)	(2,317)	(73)	(445)	(8)	(742)	(22)	(12)	(3,622)
Balance at 31 December 2008	259	34,609	1,113	6,384	575	15,640	801	248	59,629
Net book value									
Balance at 31 December 2009	4,996	31,837	47	6,037	-	4,189	1,195	465	48,766
Balance at 30 June 2009	5,114	29,574	49	6,023	-	4,473	1,549	479	47,261

	31 December 2009 $'000	30 June 2009 $'000
12 Goodwill		
Gross carrying amount and net book value		
Balance at the beginning of the period	15,962	15,962
Balance at the end of the period	15,962	15,962
13 Trade and other payables		
Current		
At amortised cost		
Trade creditors	6,462	3,743
Deferred income	10,778	12,135
Deferred lease incentive	3,130	2,195
Other creditors and accruals	5,449	6,381
	25,819	24,454
Non-current		
At amortised cost		
Deferred lease incentive	7,248	7,708
	7,248	7,708
14 Other financial liabilities		
Current		
At amortised cost		
Finance lease	944	702
Bank loans - secured	110	117
Security deposits	16,391	18,533
Bank overdraft	659	-
At fair value through profit or loss		
Forward foreign currency exchange contracts	-	114
	18,104	19,466
Non-current		
At amortised cost		
Finance lease	415	728
Bank loans - secured	54	115
At fair value through profit or loss		
Forward foreign currency exchange contracts	-	-
	469	843

	31 December 2009 $'000	30 June 2009 $'000
15 Provisions		
Current		
Employee benefits	4,359	5,234
Provision for floor closure costs (i)	1,172	646
Other	43	14
	5,574	5,894

Notes:
(i) An amount of $1,172,000 (June 2009: $646,000) has been provided for 3 floors.

	31 December 2009 $'000	30 June 2009 $'000
Non-current		
Employee benefits	341	367
Other	399	429
	740	796

16 Issued capital

	31 December 2009 $'000	30 June 2009 $'000
Fully paid ordinary shares 98,440,807 (June 2009: 80,467,310)	154,196	76,118
Movements in issued capital		
Balance at the beginning of the period	76,118	80,948
Share buy back (i)	-	(4,830)
Issue of shares (ii)	79,894	-
Cost of capital raising	(2,589)	-
Tax benefit of capital raising	773	-
Balance at the end of the period	154,196	76,118

(i) Share buy-back

On 20 April 2009, Servcorp Limited completed the on market buy-back of 2,000,000 ordinary shares, representing approximately 2.5% of ordinary shares on issue at that date. These shares were subsequently cancelled.

(ii) Equity capital raising

Servcorp Limited completed an equity capital raising of $79,893,988 to fund global expansion. Capital raising costs amounted to $2,589,000 for the six months ended 31 December 2009.

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.

		6 months ended 31 December 2009 $'000	6 months ended 31 December 2008 $'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	21,965	32,674
	Short term deposits	120,995	59,011
	Bank overdraft	(823)	(362)
		142,137	91,323
(b)	**Reconciliation of profit for the period to net cash flows from operating activities**		
	Profit after income tax	1,643	20,328
	Add/(less) non-cash items:		
	Movements in provisions	50	3,246
	Depreciation of non-current assets	6,025	7,201
	Loss on disposal of non-current assets	869	51
	(Decrease)/increase in current tax liability	(3,307)	2,031
	(Increase) in current tax asset	(11)	(147)
	Increase in deferred tax balances	(2,046)	(3,091)
	Unrealised foreign exchange gain	(1,944)	(5,257)
	Equity - settled share based payment	37	57
	Licence fee amortisation	48	-
	Change in assets and liabilities during the financial period:		
	(Increase) in prepayments	(3,108)	(5,027)
	Decrease/(increase) in trade debtors	3,037	(3,384)
	(Increase) in other current assets	(782)	(866)
	(Decrease)/increase in deferred income	(708)	4,869
	(Decrease)/increase in client security deposits	(1,102)	7,118
	Increase in trade and other payables	2,091	2,670
	Net cash provided from operating activities	792	29,799

18 Subsequent events

Dividend

On 25 February 2010 the directors declared a fully franked interim dividend of 5.00 cents per share, payable on 29 March 2010.

Deloitte.

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

We have reviewed the accompanying half-year consolidated financial report of Servcorp Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of cash flows, and 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 8 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company_are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 consolidated entity's financial position as at 31 December 2009 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 consolidated financial report of Servcorp Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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

DELOITTE TOUCHE TOHMATSU

S Gustafson
Partner
Chartered Accountants
Sydney, 25 February 2010