SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended
31 December 2011

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 2011, the 2011 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 2011 to 31 December 2011
Previous corresponding period:	1 July 2010 to 31 December 2010

Results for announcement to the market

				$'000
Revenue and other income	up	11%	to	99,381
Profit from ordinary activities after tax attributable to members	up	681%	to	6,399
Net profit for the period attributable to members	up	681%	to	6,399

Dividends (distributions)	Date paid or payable	Total amount $'000	Amount per security (cents)	Franked amount per security (cents)
Current period	4 April 2012	7,383	7.50	3.75
Previous corresponding period				
Interim dividend declared	6 April 2011	4,922	5.00	5.00
Final dividend paid	5 October 2011	4,922	5.00	5.00

Record date for determining entitlements to the dividend	7 March 2012

There is no foreign conduit income attributed to the dividend

The interim dividend for the six months ended 31 December 2011 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2011. 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.

Management Discussion & Analysis

SERVCORP REPORTS NPBT OF $8,164,000 FOR H1 FY 2012

- NPBT of $8,164,000 for H1 FY 2012, up from $123,000 in H1 FY 2011
- Mature floor NPBT up 38% to $18,523,000 for H1 FY 2012
- Operating cash flow up 72% to $15,187,000 for H1 FY 2012
- Unencumbered cash balances of $96,996,000 at 31 December 2011
- NTA backing of $1.87 per share at 31 December 2011
- Interim dividend up 50% to 7.5 cents per share, 50% franked for H1 FY 2012
- Forecast dividend up 50% to 7.5 cents per share, partially franked for H2 FY 2012
- Reaffirm guidance for FY 2012
  - Mature floor NPBT of $37,000,000
  - Immature floor loss of $20,000,000
- 119 floors in 51 cities in 21 countries open at 31 December 2011

OPERATING SUMMARY

Mature floor NPBT for H1 FY 2012 increased by 38% to $18.52M compared to the previous corresponding period (H1 FY 2011: $13.46M). This result is in line with guidance of $37.00M for FY 2012.

Immature floor losses for H1 FY 2012 were $10.36M, which is in line with full year guidance, and down 22% compared to H1 FY 2011 (H1 FY 2011: loss of $13.34M).

Consolidated group NPBT was $8.16M for H1 FY 2012 (H1 FY 2011: $0.12M). Consolidated group NPAT increased to $6.40M for H1 FY 2012 (H1 FY 2011: $0.82M).

Mature Business

Revenues and margins improved across most geographic segments during H1 FY 2012. This is despite the strength of the AUD throughout the period. The benefit of cost cutting and streamlining initiatives undertaken during FY 2011 has also positively impacted the results for the half.

During H1 FY 2012, 3 floors reached maturity in Jeddah, London and Fukuoka. The floors in both Jeddah and London are contributing positively at the mature profit line. Fukuoka is trading close to cash flow breakeven. The performance of these floors is encouraging.

Average mature floor occupancy remained stable for H1 FY 2012 at 78% (H1 FY 2011: 78%).

The mature floor result for H1 FY 2012 includes a profit of $0.06M for Office Squared (H1 FY 2011: $0.15M).

Global Expansion

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

	Floors opened in 24 months to 30 June 2011	Floors opened in H1 FY 2012	Floors to open in H2 FY 2012	Floors to open in 36 months to 30 June 2012
	Actual	Actual	Forecast	Forecast
Total floors	53	4	5	62

As previously stated, our current strategy is to slow the pace of expansion in FY 2012 and consolidate operations in new and existing markets. We are limiting new openings, beyond those already committed, to new floors in established locations where expansion is expected to be expeditiously profitable.

Our original intention was to open no more than 15 floors in FY 2012. Given the continued volatility in global markets and the continuing uncertainty in the USA and Europe, we have slowed the pace of growth and now anticipate opening a total of 9 floors in FY 2012. This brings the total expected floor openings to 62 by 30 June 2012 as part of this expansion phase. In addition to new floor openings, we are also expanding two current floors in New York and Jeddah in H2 FY 2012.

As at 31 December 2011 there were 119 floors in 51 cities in 21 countries.

Immature Business

Immature floor revenue continues to increase modestly each month. Management is satisfied with the overall progress of the immature floor portfolio.

47 floors were immature at 31 December 2011 in the following regions:

Breakdown of immature floors by region	
Region	Total
Australia & New Zealand	8
Japan	3
Middle East	8
Greater China	4
Southeast Asia	1
Europe	2
USA	21
Total	47

Operating summary by Region

Australia & New Zealand

Mature floors

The performance of Australia and New Zealand continues to be strong. During H1 FY 2012 mature floor revenue was $24.78M, consistent with H1 FY 2011. Mature floor NPBT increased by 12% to $7.75M for H1 FY 2012. No floors were closed in H1 FY 2012 (closure costs H1 FY 2011: $0.32M).

Immature floors

One new floor opened in Brisbane during H1 FY 2012, bringing the total number of immature floors to 8 in Australia & New Zealand. Immature floor losses were $1.00M for H1 FY 2012 (H1 FY 2011: loss of $0.80M).

Japan

Mature floors

Given the significant impacts on businesses in Japan following the Fukushima earthquake in March 2011 and ensuing radiation issues, Management is very satisfied with the performance in this market. The floors recently opened in FY 2010 in Tokyo are performing well and are now contributing to mature floor profits.

During H1 FY 2012, revenue from mature locations remained stable at $24.89M. In H1 FY 2012, mature floor NPBT increased by 102% to $3.49M (H1 FY 2011: $1.73M). No floors were closed in H1 FY 2012 (closure costs H1 FY 2011: $0.60M).

Immature floors

No new floors were opened in Japan during H1 FY 2012. Immature floor losses were $0.42M for H1 FY 2012 (H1 FY 2011: loss of $1.64M).

Middle East

Mature floors

The Middle Eastern region continues to perform strongly. The performance of both Dubai and Abu Dhabi continues to be solid. Doha has seen a marked increase in profitability and margins. A floor in Jeddah became mature during H1 FY 2012 and is now contributing to mature profits. The market in Bahrain continues to be difficult, but Servcorp is breakeven in this city.

Mature floor revenue increased by 16% to $8.65M for H1 FY 2012, (H1 FY 2011: $7.46M). Mature floor NPBT increased by 18% to $2.72M during H1 FY 2012 (H1 FY 2011: $2.30M).

Immature floors

One new floor opened in Doha during H1 FY 2012, bringing the total number of immature floors to 8 in this region. Immature floor losses were $1.50M in H1 FY 2012 (H1 FY 2011: loss of $2.16M).

Greater China

Mature floors

The growth experienced in Servcorp's Greater China business during FY 2011 continued throughout H1 FY 2012. During H1 FY 2012, revenue increased by 8% to $10.05M (H1 FY 2011: $9.30M). Mature floor NPBT increased by 50% to $1.86M for H1 FY 2012 (H1 FY 2011: $1.24M). One floor closed in Greater China at a cost of $0.14M (H1 FY 2011: Nil).

Immature floors

Two floors were opened in Greater China during H1 FY 2012. Four floors were immature with losses of $0.40M for H1 FY 2012 (H1 FY 2011: loss of $0.39M).

Southeast Asia

Mature floors

Servcorp in Southeast Asia performed strongly during H1 FY 2012. Revenue and margins increased across the entire region. Our new traditional floor that opened in Singapore in January 2011 is now making significant contributions to mature profits.

Revenue from ordinary activities increased by 38% to $9.73M in H1 FY 2012 (H1 FY 2011: $7.06M) and mature floor NPBT increased by 190% to $2.91M for H1 FY 2012 (H1 FY 2011: $1.00M).

Immature floors

One floor was immature during H1 FY 2012. The immature floor loss for the region was $0.14M in H1 FY 2012 (H1 FY 2011: $0.30M).

Europe

Mature floors

The Serviced Office market in Paris continues to be difficult. Margins however in both London and Brussels increased during H1 FY 2012. One traditional floor in London became mature during H1 FY 2012 and is now contributing to mature floor profits.

Mature floor revenue remained steady at $6.91M for H1 FY 2012. The Net Loss Before Tax on mature floors was $0.48M for H1 FY 2012 (H1 FY 2011: loss of $0.42M).

Immature floors

Two floors in this region were immature at 31 December 2011 with a Net Loss Before Tax of $0.43M for H1 FY 2012 (H1 FY 2011: loss of $0.72M).

USA

Immature floors

Servcorp continues to gain sales traction in the USA and revenue continues to increase on a monthly basis. There continues to be a risk that the economy of the USA will not recover as quickly as anticipated, and that aggressive competition will impact the rate at which the business matures. We are however confident that our business model will succeed in this market.

Immature floor losses were $6.06M for H1 FY 2012 (H1 FY 2011: loss of $4.09M).

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue from operating activities was up 11% to $99.38M for H1 FY 2012 (H1 FY 2011: $89.36M). During H1 FY 2012 the AUD increased by an average of 11% against the USD, 5% against the EUR and 3% against the JPY. In constant currency terms revenue increased by 16% compared to H1 FY 2011.

NPBT for H1 FY 2012 was $8.16M, up from $0.12M in H1 FY 2011. When expressed in constant currency terms NPBT was down 2% to $7.96M for H1 FY 2012.

Cash Balance

Cash balances as at 31 December 2011 remained strong at $105.71M (30 June 2011: $99.99M). Of this balance, $8.71M is lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash balance of $97.00M in the business as at 31 December 2011 (30 June 2011: $91.27M).

The business generated strong net operating cash flows during H1 FY 2012 of $15.19M, up 72% compared to H1 FY 2011 (H1 FY 2011: $8.85M).

DIVIDEND

The Directors have declared an interim dividend payable of 7.5 cents per share, 50% franked in relation to H1 FY 2012.

A final dividend of 7.5 cents per share is expected to be paid for FY 2012. This payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Total dividends payable in relation to FY 2012 are expected to be 15 cents per share, an increase of 50% compared to dividends paid in relation to FY 2011.

FY 2012 dividends will be partially franked to 50%.

OUTLOOK

Notwithstanding the continued volatility and uncertainty in global markets, Management continues to remain cautiously optimistic about the outlook for Servcorp. Revenue and margins across the mature business improved in H1 FY 2012 compared to FY 2011 and margins are expected to hold at these levels for H2 FY 2012.

For the remainder of FY 2012, Management will focus on consolidating the immature business and on increasing occupancy and utilisation of services across all floors.

Management Discussion & Analysis (continued)

Management reaffirms mature floor NPBT guidance for FY 2012 of $37.00M. This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

Management reaffirms forecast immature losses of approximately $20.00 million for FY 2012. This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

Key:

H1 FY 2011	Six Months ended 31 December 2010
H2 FY 2011	Six Months ended 30 June 2011
H1 FY 2012	Six Months ended 31 December 2011
H2 FY 2012	Six Months ended 30 June 2012
FY 2011	Year ended 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 2011

Contents

Directors' report

The directors of Servcorp Limited submit herewith the condensed consolidated financial report for the six months ended 31 December 2011. 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 2011 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 - resigned 16 November 2011)

Mr Taine Moufarrige (Executive Director)

Mr Mark Vaile (Independent Non-Executive Director)

Review of Operations

Servcorp's Mature floor NPBT for H1 FY 2012 increased by 38% to $18.52M compared to the previous corresponding period (H1 FY 2011: $13.46M). This result is in line with guidance of $37.00M for FY 2012.

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Changes in State of Affairs

During the six months ended 31 December 2011 there were significant changes in state of affairs of the consolidated entity as detailed below.

OPERATING SUMMARY

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Directors' report cont.

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Directors' report cont.

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The business generated strong net operating cash flows during H1 FY 2012 of $15.19M, up 72% compared to H1 FY 2011 (H1 FY 2011: $8.85M).

DIVIDEND

The Directors have declared an interim dividend payable of 7.5 cents per share, 50% franked in relation to H1 FY 2012.

A final dividend of 7.5 cents per share is expected to be paid for FY 2012. This payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Total dividends payable in relation to FY 2012 are expected to be 15 cents per share, an increase of 50% compared to dividends paid in relation to FY 2011.

FY 2012 dividends will be partially franked to 50%.

OUTLOOK

Notwithstanding the continued volatility and uncertainty in global markets, Management continues to remain cautiously optimistic about the outlook for Servcorp. Revenue and margins across the mature business improved in H1 FY 2012 compared to FY 2011 and margins are expected to hold at these levels for H2 FY 2012.

For the remainder of FY 2012, Management will focus on consolidating the immature business and on increasing occupancy and utilisation of services across all floors.

Management reaffirms mature floor NPBT guidance for FY 2012 of $37.00M. This forecast assumes currencies remain constant, and global financial markets remain stable and no unforeseen circumstances.

Management reaffirms forecast immature losses of approximately $20.00 million for FY 2012. This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

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 21st day of February 2012

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

21 February 2012

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 2011, 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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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, 21 February 2012

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2011

	Note	6 months ended 31 December 2011 $'000	6 months ended 31 December 2010 $'000
Revenue	2	94,978	85,604
Other revenue and income	2	4,403	3,756
		99,381	89,360
Service expenses		(29,315)	(28,515)
Marketing expenses		(6,786)	(6,384)
Occupancy expenses		(44,827)	(42,899)
Administrative expenses		(10,281)	(10,710)
Borrowing expenses		(8)	(41)
Other expenses		-	(688)
Total expenses		(91,217)	(89,237)
Profit before income tax expense		8,164	123
Income tax (expense) / benefit	3	(1,765)	696
Profit for the period		6,399	819
Other comprehensive profit/ (loss)			
Translation of foreign operations		4,371	(9,417)
Other comprehensive profit/ (loss)		4,371	(9,417)
Total comprehensive profit/ (loss)		10,770	(8,598)
Earnings per share			
Basic earnings per share	6	$0.065	$0.008
Diluted earnings per share	6	$0.065	$0.008

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 2011

	Note	31 December 2011 $'000	30 June 2011 $'000
Current assets			
Cash and cash equivalents	7	105,706	99,993
Trade and other receivables	8	18,665	20,131
Other financial assets	10	-	167
Current tax assets		96	334
Other	9	8,087	8,467
Total current assets		132,554	129,092
Non-current assets			
Other financial assets	10	27,182	25,008
Property, plant and equipment	11	73,622	73,987
Deferred tax assets		21,239	18,838
Goodwill	12	14,805	14,805
Total non-current assets		136,848	132,638
Total assets		269,402	261,730
Current liabilities			
Trade and other payables	13	28,997	27,877
Other financial liabilities	14	18,264	17,724
Current tax liabilities		3,266	2,474
Provisions	15	4,573	5,437
Total current liabilities		55,100	53,512
Non-current liabilities			
Trade and other payables	13	14,811	14,600
Provisions	15	502	173
Deferred tax liabilities		529	833
Total non-current liabilities		15,842	15,606
Total liabilities		70,942	69,118
Net assets		198,460	192,612
Equity			
Issued capital	16	154,149	154,149
Reserves		(16,693)	(21,064)
Retained earnings		61,004	59,527
Equity attributable to equity holders of the parent		198,460	192,612
Total equity		198,460	192,612

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 2011

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Employee equity settled benefits reserve $'000	Retained earnings $'000	Total $'000
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)
Total comprehensive loss for the period	-	(9,417)	-	819	(8,598)
Payment of dividends	-	-	-	(4,922)	(4,922)
Balance at 31 December 2010	154,149	(17,979)	145	62,775	199,090
Balance at 1 July 2011	154,149	(21,209)	145	59,527	192,612
Profit for the period	-	-	-	6,399	6,399
Translation of foreign operations	-	4,371	-	-	4,371
Total comprehensive income for the period	-	4,371	-	6,399	10,770
Payment of dividends	-	-	-	(4,922)	(4,922)
Balance at 31 December 2011	154,149	(16,838)	145	61,004	198,460

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 2011

	Note	6 months ended 31 December 2011 $'000	6 months ended 31 December 2010 $'000
Cash flows from operating activities			
Receipts from customers		102,655	88,205
Payments to suppliers and employees		(87,242)	(82,591)
Income tax paid		(2,569)	(287)
Interest and other costs of finance paid		(8)	(32)
Interest and other items of similar nature received		2,351	3,558
Net operating cash flows	17(b)	15,187	8,853
Cash flows from investing activities			
Payments for property, plant and equipment		(6,723)	(18,934)
Payments for lease deposits		(532)	(1,243)
Proceeds from sale of property, plant and equipment		2	34
Proceeds from refund of lease deposits		347	1,505
Proceeds from Licence Fee		542	-
Net investing cash flows		(6,364)	(18,638)
Cash flows from financing activities			
Proceeds of borrowings		-	2,473
Repayment of borrowings		-	(1,049)
Dividends paid		(4,922)	(4,922)
Landlord capital incentives received		704	-
Net financing cash flows		(4,218)	(3,498)
Net increase/ (decrease) in cash and cash equivalents		4,605	(13,283)
Cash and cash equivalents at the beginning of the period		99,993	131,331
Effect of exchange rate changes on cash transactions in foreign currencies		1,108	(10,270)
Cash and cash equivalents at the end of the period	17(a)	105,706	107,778

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 2011 $'000	6 months ended 31 December 2010 $'000
2	**Profit from operations**		
a	**Revenue**		
	Revenue from continuing operations consisted of the following:		
	Revenue from the rendering of services	94,978	85,604
b	**Other revenue and income**		
	Interest income - bank deposits	2,416	2,854
	Franchise fees - other	316	358
	Net foreign exchange gain (realised and unrealised)	1,014	-
	Other income	657	544
	Total other income	4,403	3,756
	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
	Total other expenses	-	690
d	**Floor closure costs**	141	919
	Total floor closure costs	141	919

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:

Profit before income tax expense	8,164	123
Income tax expense calculated at 30%	2,449	37
Deductible local taxes	(133)	(64)
Effect of different tax rates on overseas income	(995)	(837)
Other non-assessable	406	181
Tax losses of controlled entities recovered	(112)	(65)
Income tax over provision in prior years	(72)	(91)
Unused tax losses and tax offsets not recognised as deferred tax assets	222	143
Income tax expense/(benefit)	1,765	(696)

Notes to the Condensed consolidated financial report

4 Segment information

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

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, South East Asia, Japan, Europe, the Middle East, the United States of America and other which reflect the segment requirements under AASB 8.

The Group's reportable operating segments under AASB 8 are presented below. The accounting policies of the 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 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Continuing operations				
Australia and New Zealand	26,836	25,817	6,748	6,104
Greater China	10,665	9,575	1,457	851
Southeast Asia	9,950	7,080	2,771	1,003
Japan	26,014	26,917	3,076	84
Europe	7,336	7,049	(912)	(1,146)
Middle East	10,582	8,637	1,220	141
USA	3,710	531	(6,056)	(4,093)
Other	450	510	56	162
	95,543	86,116	8,360	3,106
Finance costs	-	-	(8)	(41)
Interest revenue	2,415	2,854	2,415	2,854
Foreign exchange gains/ (losses)	1,014	-	1,014	(690)
Centralised unrecovered head office overheads	-	-	(3,033)	(5,020)
Franchise fees	316	358	326	358
Unallocated	93	32	(910)	(444)
Profit before tax	-	-	8,164	123
Income tax (expense)/ benefit	-	-	(1,765)	696
Consolidated segment revenue and profit for the period	99,381	89,360	6,399	819

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.

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 DecisionMaker. 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					
2011					
Final - fully paid ordinary shares	5.00	4,922	5 Oct 2011	30%	100%
Interim - fully paid ordinary shares	5.00	4,922	6 April 2011	30%	100%
2010					
Final - fully paid ordinary shares	5.00	4,922	6 Oct 2010	30%	100%
Unrecognised amounts					
Since the end of the six months ended 31 December 2011, the directors have declared the following dividend:					
Interim - fully paid ordinary shares	7.50	7,383	4 April 2012	30%	50%

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 2011 $'000	6 months ended 31 December 2010 $'000
Net profit	6,399	819
Earnings used in the calculation of basic and diluted EPS	6,399	819
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic EPS	98,440,807	98,440,807
Weighted average number of ordinary shares used in calculation of diluted EPS	98,440,807	98,440,807
Basic earnings per share	$0.065	$0.008
Diluted earnings per share	$0.065	$0.008

Notes to the Condensed consolidated financial report

		31 December 2011 $'000	30 June 2011 $'000
7	**Cash and cash equivalents**		
	Cash	22,762	26,216
	Bank short term deposits	82,944	73,777
		105,706	99,993
8	**Trade and other receivables**		
	Current		
	At amortised cost		
	Trade receivables	16,855	17,041
	Less: allowance for doubtful debts	(615)	(667)
	Other debtors	2,425	3,757
		18,665	20,131
9	**Other assets**		
	Current		
	Prepayments	6,129	7,096
	Other	1,958	1,371
		8,087	8,467
10	**Other financial assets**		
	Current		
	At fair value through profit or loss		
	Forward foreign currency exchange contracts	-	167
		-	167
	Non-current		
	At amortised cost		
	Lease deposits	27,069	24,943
	Other	72	65
	At fair value through profit or loss		
	Forward foreign currency exchange contracts	41	-
		27,182	25,008

Notes to the Condensed consolidated financial report

11 Property, plant and equipment

	Land and buildings at cost $'000	Leasehold improvements owned at cost $'000	Leasehold improvements leased at cost $'000	Office furniture & fittings owned at cost $'000	Office furniture & fittings leased at cost $'000	Office equipment owned at cost $'000	Office equipment leased at cost $'000	Motor vehicles owned at cost $'000	Total $'000
Gross carrying amounts									
Balance at 30 June 2011	5,217	97,988	1,113	14,466	539	24,479	227	704	144,733
Additions	-	3,859	-	811	-	2,053	-	-	6,723
Disposals	-	(788)	-	(201)	-	(888)	-	-	(1,877)
Net foreign currency differences on translation of foreign operations	85	3,362	107	571	12	693	11	16	4,857
Balance at 31 December 2011	5,302	104,421	1,220	15,647	551	26,337	238	720	154,436
Accumulated depreciation									
Balance at 30 June 2011	442	43,102	1,065	7,489	539	17,546	227	336	70,746
Depreciation expense	62	6,561	-	836	-	1,693	-	52	9,204
Disposals	-	(643)	-	(189)	-	(866)	-	-	(1,698)
Net foreign currency differences on translation of foreign operations	7	1,751	107	248	12	421	11	5	2,562
Balance at 31 December 2011	511	50,771	1,172	8,384	551	18,794	238	393	80,814
Net book value									
Balance at 31 December 2011	4,791	53,650	48	7,263	-	7,543	-	327	73,622
Balance at 30 June 2011	4,775	54,886	48	6,977	-	6,933	-	368	73,987

Notes to the Condensed consolidated financial report

	31 December 2011 $'000	30 June 2011 $'000
12 Goodwill		
Gross carrying amount and net book value		
Balance at the beginning of the period	14,805	14,805
Balance at the end of the period	14,805	14,805
13 Trade and other payables		
Current		
At amortised cost		
Trade creditors	3,556	3,183
Deferred income	13,387	12,731
Deferred lease incentive	4,910	5,965
Other creditors and accruals	7,124	5,998
	28,977	27,877
Non-current		
At amortised cost		
Deferred lease incentive	14,811	14,600
	14,811	14,600
14 Other financial liabilities		
Current		
At amortised cost		
Security deposits	17,998	17,580
Bank overdraft	-	144
At fair value through profit or loss		
Forward foreign currency exchange contracts	266	-
	18,264	17,724

Notes to the Condensed consolidated financial report

	31 December 2011 $'000	30 June 2011 $'000
15 Provisions		
Current		
Employee benefits	4,523	5,137
Other	50	300
	4,573	5,437
Non-current		
Employee benefits	502	173
	502	173
16 Issued capital		
Fully paid ordinary shares 98,440,807 (June 2011: 98,440,807)	154,149	154,149
Movements in issued capital		
Balance at the beginning of the period	154,149	154,149
Balance at the end of the period	154,149	154,149

Notes to the Condensed consolidated financial report

		6 months ended 31 December 2011 $'000	6 months ended 31 December 2010 $'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	22,762	24,185
	Short term deposits	82,944	84,124
	Bank overdraft	-	(531)
		105,706	107,778
(b)	**Reconciliation of profit for the period to net cash flows from operating activities**		
	Profit after income tax	6,399	819
	Add/(less) non-cash items:		
	Movements in provisions	(708)	(660)
	Depreciation of non-current assets	9,204	6,472
	Loss on disposal of non-current assets	172	184
	Increase /(decrease) in current tax liability	1,000	(1,679)
	Increase/ (decrease) in current tax asset		2,350
	(Decrease) in deferred tax balances	(2,523)	(1,533)
	Unrealised foreign exchange gain	1,006	908
	Licence fee amortisation	-	62
	Change in assets and liabilities during the financial period:		
	Decrease/ (increase) in prepayments	685	(745)
	Decrease/ (increase)/ decrease in trade debtors	1,861	(1,767)
	Increase in other current assets	(490)	(5,742)
	Increase in deferred income	122	534
	Decrease in client security deposits	(200)	(284)
	(Decrease)/ increase in trade and other payables	(1,341)	9,934
	Net cash provided from operating activities	15,187	8,853

18 Subsequent events

Dividend

On 21 February 2012, the directors declared an interim dividend of 7.50 cents per share, franked to 50% payable on 4 April 2012.

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 2011, 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 2011 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Servcorp Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 2011 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 C Gustafson
Partner
Chartered Accountants
Sydney, 21 February 2012