SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2013

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 2013, the 2013 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

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Reporting Period

Current period:	1 July 2013 to 31 December 2013
Previous corresponding period:	1 July 2012 to 31 December 2012

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	up	15%	to	118,517
Profit from ordinary activities after tax attributable to members	up	20%	to	11,819
Net profit for the period attributable to members	up	20%	to	11,819

Dividends	Total amount $'000	Amount per security	Franked amount per security
Current period	8,859	9.00	0.00
Previous corresponding period Interim dividend paid	7,382	7.50	7.50

Record date for determining entitlements to the dividend	5 March 2014

	31 December 2012 $	31 December 2013 $
Net tangible asset backing		
Net tangible asset backing per ordinary security	$1.86	$2.04

The interim dividend for the six months ended 31 December 2013 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2013. 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 INCREASE OF 21%

- Revenue of $118,517,000, up 15%
- NPBT of $15,057,000, up 21%
- NPAT of $11,819,000, up 20%
- Operating Cash Flow of $18,127,000, up 63%
- Unencumbered cash and investment balances of $91,038,000
- NTA backing of $2.04 per share
- EPS of $0.12, up 20%
- Interim dividend of 9.00 cps, declared for H1 FY 2014, unfranked
- Forecast H2 FY 2014 dividend of 9.00 cps, fully franked

Like for Like Floor performance H1 FY 2013 vs H1 FY 2014

Servcorp has historically reported both mature floor and immature floor performance. When a floor opens it is categorised as immature. It reaches maturity after the earlier of cash flow break even or after 18 months of trading. Servcorp has more than doubled its size over the past five years, and due to the respective size of the immature losses, it was historically appropriate to segregate the performance of the existing mature business from the new immature business.

Now, with more than 120 mature floors, we believe that it is more appropriate to describe the performance of the floors in Like for Like terms. Like for Like results will only include the results for floors that were open in both the current and comparative reporting periods i.e. it will exclude new floor openings in the 12 months ended 31 December 2013, and any floors that were closed in the six months ended 31 December 2012.

Management believe that Like for Like reporting provides more clarity on the performance of the business. Moving forward we will no longer be reporting mature and immature floor performance.

A summary of the Like for Like floor performance for H1 FY 2013 compared to H1 FY 2014 is as follows:

	H1 FY 2013 $AUD 000's	H1 FY 2014 $AUD 000's	Variance $AUD 000's	%
Total Revenue	102,668	118,517	15,849	15%
NPBT - Like for Like Floors	13,146	16,693	3,547	27%
NPBT - Floors closed H1 FY 2013	(674)		674	
NPBT - New floors H1 FY 2014		(1,636)	(1,636)	
Total NPBT	12,472	15,057	2,585	21%

H1 FY 2014 - Overview

Management is satisfied with the Group's performance for H1 FY 2014. Revenue is up 15% compared to the corresponding prior period and the NPBT on Like for Like floors was up 27%.

Growth in our Virtual Office business continues in line with expectations. We now have approximately 37,000 packages, which represents growth of approximately 9% in the 2013 calendar year.

It was our stated objective to increase occupancy to a range of 82% - 85% by the end of the 2013 calendar year. Actual mature floor occupancy had achieved 80% by December 2013. Occupancy in both the USA and EME was within the target range, while North Asia was slightly below the target range. Occupancy in the ANZ / SEA segment was however lower than expected, mainly in Singapore, Perth, Kuala Lumpur and Wellington. Management is now pricing offices in these locations to compete.

Like for Like occupancy at 31 December 2013 was 78% (31 December 2012: 78%). We view our current vacancy levels as a significant opportunity to improve our margins and operating results.

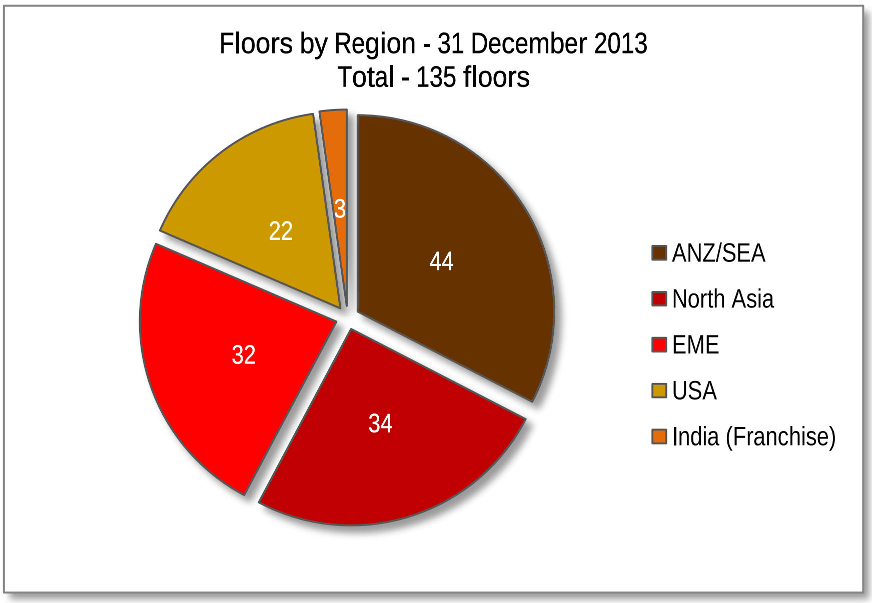
Management Discussion & Analysis

During the period the AUD weakened across all major currencies and this had a positive impact on overseas translated revenues and profits.

The Servcorp Footprint

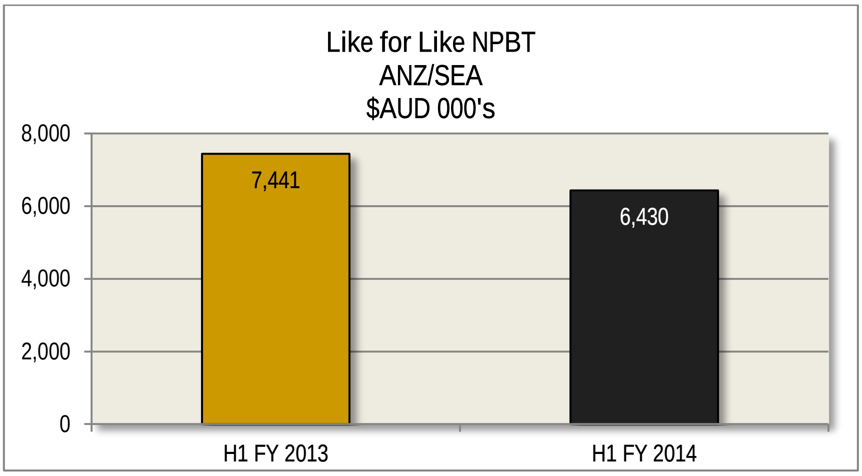
A total of 3 new floors were opened and 2 floors were expanded in H1 FY 2014. This brings the total new floor openings to 75 floors in the 54 months to 31 December 2013. There are plans to open a further 5 floors in H2 FY 2014 which will add approximately 10% to office capacity in FY 2014.

As at 31 December 2013 there were 135 floors in 52 cities in 21 countries.



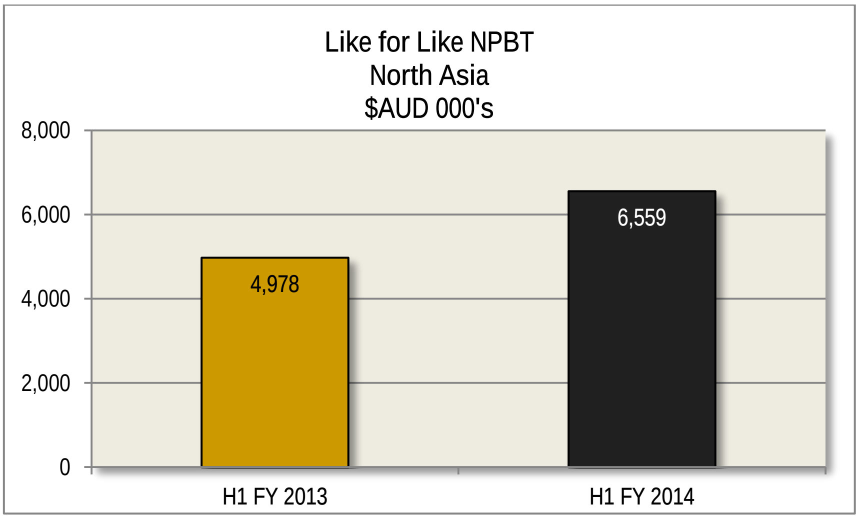
Operating Summary by Region

ANZ / SEA



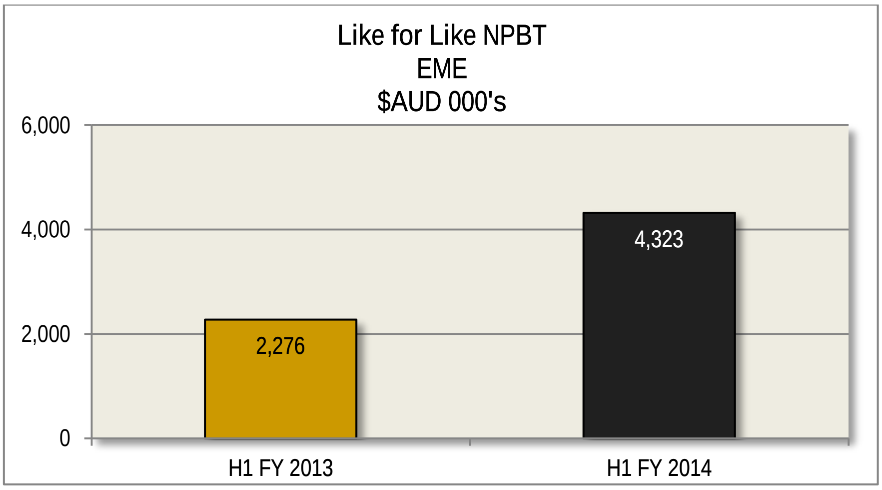
On a Like for Like basis NPBT performance in ANZ / SEA was down 14% when compared to the prior period. Trading conditions in Australia remained difficult, especially in Perth, where conditions were very challenging. Lack of leads and above average vacancy has increased price competition and compressed margins in this city. Australian east coast cities performed in line with expectations. The performance of both Singapore and Kuala Lumpur was disappointing but we have rectified the management issues identified in these cities. Notwithstanding civil unrest, Thailand continues to produce solid results.

NORTH ASIA



North Asia as a whole produced a solid result in H1 FY 2014, reporting Like for Like NPBT growth of 32%. We are satisfied with the performance of all locations in this segment, with the exception of Hong Kong, where revenue and margins can improve. The performance of Japan exceeded our expectations.

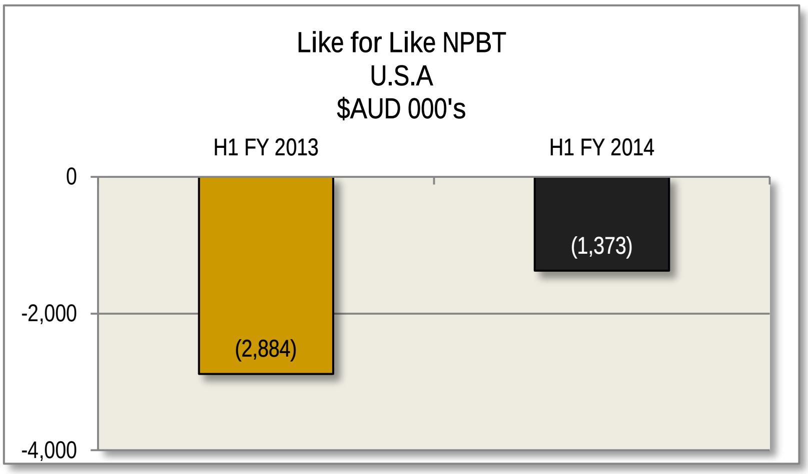
EME



Like for Like NPBT growth in the EME segment was 90% and Management is very pleased with this outcome. Four floors reached maturity during the half, two of which matured in just 12 months in the Kingdom of Saudi Arabia. Qatar, London, Dubai and Bahrain all produced solid results. Management is now focusing on maximising profit in these areas.

Management Discussion & Analysis

USA



The USA business continues to improve and our losses continue to decrease. The Virtual Office package base is growing and margins are improving. As a whole the USA produced a net cash excess for H1 FY 2014, and it is anticipated that the whole USA portfolio will reach NPBT profitability over the coming months.

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue and other income from operating activities was up 15% to $118,517,000 for H1 FY 2014 (H1 FY 2013: $102,668,000). During H1 FY 2014 the AUD decreased by an average of 12% and 16% against the USD and EUR respectively, and appreciated by 10% against the JPY. In constant currency terms revenue increased by 11% compared to H1 FY 2013.

NPBT for H1 FY 2014 was $15,057,000, up 21% from a NPBT of $12,472,000 in H1 FY 2013. When expressed in constant currency terms NPBT increased by 19%.

Cash and Investment Balances

Cash and investment balances as at 31 December 2013 remained strong at $101,630,000 (30 June 2013: $102,739,000). Of this balance, $10,592,000 was lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash and investment balance of $91,038,000 in the business as at 31 December 2013 (30 June 2013: $93,597,000).

The business produced operating cash flows during H1 FY 2014 of $18,127,000 (H1 FY 2013: $11,101,000), up 63%.

Management Discussion & Analysis

DIVIDEND

The Directors have declared an interim unfranked dividend payable of 9.00 cents per share, payable on 2 April 2014

A final dividend of 9.00 cents per share, fully franked is expected to be paid for FY 2014, bringing total dividends payable in relation to FY 2014 to 18.00 cents per share, 50% franked.

This payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

OUTLOOK

Initial indications are that business conditions are starting to recover around the world. Over the last four years we have substantially enhanced our footprint and as the global economy improves we are very well positioned to take advantage of the recovery in global business sentiment.

Our current vacancy levels give us a significant opportunity to improve our margins from our existing business. We also remain focused on growing our footprint in strategic locations, and expect to add 10% to office capacity in FY 2014.

As previously stated we will not be providing a financial forecast for FY 2014, however we do expect our earnings growth to continue.

Key:

H1 FY 2014	Six Months ended 31 December 2013
H1 FY 2013	Six Months ended 31 December 2012
FY 2014	Year ending 30 June 2014
FY 2013	Year ended 30 June 2013
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
H1	First Half of Financial Year
H2	Second Half of Financial Year

SERVCORP LIMITED

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

SERVCORP

AUSTRALIA NEW ZEALAND JAPAN CHINA SOUTH EAST ASIA INDIA MIDDLE EAST EUROPE USA UK

Interim Financial Report

Contents

Directors' report

The directors of Servcorp Limited ('the Company') submit herewith the condensed consolidated financial report for the six months ended 31 December 2013. 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 2013 are:

Name	**Date Appointed**
Mr Alf Moufarrige (Managing Director and CEO)	August 1999
Mr Bruce Corlett (Chairman and Independent Non-Executive Director)	October 1999
Mr Rick Holliday-Smith (Independent Non-Executive Director)	October 1999
Mr Taine Moufarrige (Non-Executive Director)	November 2004
The Hon. Mark Vaile (Independent Non-Executive Director)	June 2011

Review of operations

Revenue and other income from operating activities was up 15% to $118.52 million for the half year ended 31 December 2013 (31 December 2012: $102.67 million). During the half year ended 31 December 2013, the Australian dollar decreased by an average of 12% against the US dollar and 16% against the Euro, and appreciated 10% against the Japanese yen. In constant currency terms, revenue increased by 11% compared to the half year ended 31 December 2012.

Net profit before tax for the half year ended 31 December 2013 was $15.06 million, up 21% from $12.47 million for the half year ended 31 December 2012. When expressed in constant currency terms, net profit before tax increased by 19%. Net profit after tax was $11.82 million.

Cash and investment balances as at 31 December 2013 remained strong at $101.63 million (30 June 2013: $102.74 million). Of this balance, $10.59 million is lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash and investment balance of $91.04 million in the business as at 31 December 2013 (30 June 2013: $93.60 million).

The business produced net operating cash flows during the half year ended 31 December 2013 of $18.13 million (31 December 2012: $11.10 million), an increase of 63%.

The directors have declared an interim dividend of 9.00 cents per share, unfranked, payable on 2 April 2014.

Like for Like floor performance

Servcorp has historically reported both mature floor and immature floor performance. When a floor opens, it is categorised as immature. It reaches maturity after the earlier of cash flow break even or after 18 months of trading. Servcorp has more than doubled its size over the past five years, and due to the respective size of the immature losses, it was historically appropriate to segregate the performance of the existing mature business from the new immature business.

Now, with more than 120 mature floors, we believe that it is more appropriate to describe the performance of the floors in Like for Like terms. Like for Like results will only include the results for floors that were open in both the current and comparative reporting periods; that is, it will exclude new floor openings in the 12 months ended 31 December 2013, and any floors that were closed in the six months ended 31 December 2012.

Directors and management believe that Like for Like reporting provides more clarity on the performance of the business. Moving forward we will no longer be reporting mature and immature floor performance.

A summary of the Like for Like floor performance for the first half of the 2014 financial year compared to the first half of the 2013 financial year is as follows:

	6 months ended 31 December 2013 $'000	**6 months ended 31 December 2012 $'000**	**Variance $'000**	**%**
Total revenue	118,517	102,668	15,849	15%
Net profit before tax - Like for Like Floors	16,693	13,146	3,547	27%
Net profit before tax - floors closed first half 2013 financial year	-	(674)	674	-
Net profit before tax - new floors first half 2014 financial year	(1,636)	-	(1,636)	-
Statutory net profit before tax	15,057	12,472	2,585	21%

Directors' report (cont.)

Business Overview

Directors are satisfied with the Consolidated Entity's performance in the first half of the 2014 financial year. Revenue was up 15% compared to the corresponding prior period and the net profit before tax on Like for Like floors was up 27%.

Growth in our Virtual Office business continues in line with expectations. We now have approximately 37,000 packages, which represents growth of approximately 9% in the 2013 calendar year.

It was our stated objective to increase occupancy to a range of 82% to 85% by the end of the 2013 calendar year. Actual mature floor occupancy had achieved 80% by December 2013. Occupancy in both the USA and the Europe and Middle East segments was within the target range, while North Asia was slightly below the target range. Occupancy in the Australia, New Zealand and Southeast Asia segment was, however, lower than expected, mainly in Singapore, Perth, Kuala Lumpur and Wellington. The Company is now pricing offices in these locations to compete.

Like for Like occupancy at 31 December 2013 was 78% (31 December 2012: 78%). We view our current vacancy levels as a significant opportunity to improve our margins and operating results.

During the period, the Australian dollar weakened across most major currencies and this had a positive impact on overseas translated revenues and profits.

Expansion

A total of three new floors were opened and two floors were expanded in the first half of the 2014 financial year. The new floors were in Tokyo, Dubai and Sydney. This brings the total new floor openings to 75 floors in the 54 months to 31 December 2013.

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

		Expansion floors
Floors opened in 48 months to 30 June 2013	Actual	72
Floors opened in 6 months to 31 December 2013	Actual	3
Floors opened in 54 months to 31 December 2013	Actual	75
Forecast floors to open in 6 months to 30 June 2014	Forecast	5
Forecast floors to open in 60 months to 30 June 2014	Forecast	80

There are plans to open a further five floors in the second half, bringing the total to eight large floors in the 2014 financial year, which will add approximately 10% to office capacity.

As at 31 December 2013, Servcorp operated 135 floors in 52 cities across 21 countries.

Australia, New Zealand and Southeast Asia

On a Like for Like basis, net profit before tax performance in Australia, New Zealand and Southeast Asia in the first half of the 2014 financial year was down 14% when compared to the prior period. Trading conditions in Australia remained difficult, especially in Perth, where conditions were very challenging. Lack of leads and above average vacancy has increased price competition and compressed margins in this city. Australian east coast cities performed in line with expectations. The performance of both Singapore and Kuala Lumpur was disappointing but we have rectified the management issues identified in these cities. Notwithstanding civil unrest, Thailand continues to produce solid results.

North Asia

North Asia as a whole produced a solid result in the first half of the 2014 financial year, reporting Like for Like net profit before tax growth of 32%. We are satisfied with the performance of all locations in this segment, with the exception of Hong Kong, where revenue and margins can improve. The performance of Japan exceeded our expectations.

Europe and the Middle East

Like for Like net profit before tax growth in the Europe and Middle East segment was 90% and we are very pleased with this outcome. Four floors reached maturity during the half, two of which matured in just 12 months in the Kingdom of Saudi Arabia. Qatar, London, Dubai and Bahrain all produced solid results. The Company is now focusing on maximising profit in these areas.

USA

The USA business continues to improve and our losses continue to decrease. The Virtual Office package base is growing and margins are improving. As a whole, the USA produced a net cash excess for the first half of the 2014 financial year, and is anticipated that the whole USA portfolio will reach net profit before tax profitability over the coming months.

Directors' report (cont.)

State of affairs

During the six months ended 31 December 2013 there were no significant changes in the state of affairs of the Company.

Auditor's independence declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 5 and forms part of this report.

Rounding off

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 18th day of February 2014

Deloitte.

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

18 February 2014

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 2013, 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

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

Directors' declaration

The directors declare that:

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

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

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

On behalf of the directors

A G Moufarrige
CEO

Sydney, 18th day of February 2014

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2013

	Note	6 months ended 31 December 2013 $'000	6 months ended 31 December 2012 $'000
Revenue	2	113,471	97,845
Other revenue and income	2	5,046	4,823
		118,517	102,668
Service expenses		(32,074)	(28,546)
Marketing expenses		(7,678)	(6,815)
Occupancy expenses		(52,071)	(44,618)
Administrative expenses		(11,623)	(10,214)
Borrowing expenses		(14)	(3)
Total expenses		(103,460)	(90,196)
Profit before income tax expense		15,057	12,472
Income tax expense	3	(3,238)	(2,636)
Profit for the period		11,819	9,836
Other comprehensive profit/ (loss)			
Translation of foreign operations (Item may be reclassified subsequently to profit or loss)		3,406	(2,948)
Other comprehensive profit/ (loss) for the period (net of tax)		3,406	(2,948)
Total comprehensive profit for the period		15,225	6,888
Earnings per share			
Basic earnings per share	6	$0.120	$0.100
Diluted earnings per share	6	$0.120	$0.100

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 2013

	Note	31 December 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	7	93,260	99,758
Trade and other receivables	8	28,441	22,960
Other financial assets	10	9,209	3,712
Current tax assets		118	1,138
Other	9	10,887	10,679
Total current assets		141,915	138,247
Non-current assets			
Other financial assets	10	25,939	24,183
Property, plant and equipment	11	91,698	84,921
Deferred tax assets		23,591	24,129
Goodwill	12	14,805	14,805
Total non-current assets		156,033	148,038
Total assets		297,948	286,285
Current liabilities			
Trade and other payables	13	31,115	34,519
Other financial liabilities	14	23,896	21,653
Current tax liabilities		1,235	2,006
Provisions	15	4,570	4,629
Total current liabilities		60,816	62,807
Non-current liabilities			
Trade and other payables	13	18,339	14,398
Other financial liabilities	14	2,044	-
Provisions	15	628	655
Deferred tax liabilities		379	525
Total non-current liabilities		21,390	15,578
Total liabilities		82,206	78,385
Net assets		215,742	207,900
Equity			
Issued capital	16	154,122	154,122
Reserves		(11,344)	(14,750)
Retained earnings		72,964	68,528
Equity attributable to equity holders of the parent		215,742	207,900
Total equity		215,742	207,900

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 2013

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Employee equity settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2012	154,149	(17,608)	145	62,023	198,709
Profit for the period	-	-	-	9,836	9,836
Translation of foreign operations (net of tax)	-	(2,948)	-	-	(2,948)
Total comprehensive income for the period	-	(2,948)	-	9,836	6,888
Share buy-back	(27)	-	-	-	(27)
Payment of dividends	-	-	-	(7,382)	(7,382)
Balance at 31 December 2012	154,122	(20,556)	145	64,477	198,188
Balance at 1 July 2013	154,122	(14,895)	145	68,528	207,900
Profit for the period	-	-	-	11,819	11,819
Translation of foreign operations (net of tax)	-	3,406	-	-	3,406
Total comprehensive income for the period	-	3,406	-	11,819	15,225
Payment of dividends	-	-	-	(7,383)	(7,383)
Balance at 31 December 2013	154,122	(11,489)	145	72,964	215,742

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 2013

	Note	6 months ended 31 December 2013 $'000	6 months ended 31 December 2012 $'000
Cash flows from operating activities			
Receipts from customers		115,958	103,798
Payments to suppliers and employees		(97,402)	(88,197)
Franchise fees received		283	295
Income tax paid		(2,059)	(6,958)
Interest and other costs of finance paid		(15)	(3)
Interest and other items of similar nature received		1,362	2,166
Net operating cash flows	17(b)	18,127	11,101
Cash flows from investing activities			
Payments for property, plant and equipment		(12,874)	(12,034)
Payments for variable rate securities		(6,332)	(2,924)
Payments for lease deposits		(2,692)	(353)
Proceeds from sale of fixed rate securities		998	-
Proceeds from sale of property, plant and equipment		41	-
Proceeds from refund of lease deposits		62	3,120
Net investing cash flows		(20,797)	(12,191)
Cash flows from financing activities			
Payments for share buy-back		-	(27)
Dividends paid		(7,383)	(7,382)
Borrowings		2,555	-
Landlord capital incentives received		-	3
Net financing cash flows		(4,828)	(7,406)
Net (decrease)/ increase in cash and cash equivalents		(7,498)	(8,496)
Cash and cash equivalents at the beginning of the period		99,758	104,334
Effect of exchange rate changes on cash transactions in foreign currencies		1,000	23
Cash and cash equivalents at the end of the period	17(a)	93,260	95,861

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 Significant 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 which are recognised at fair value. 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.

The adoption of these new accounting standards did not have any material impact.

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 2013 annual financial report for the financial year ended 30 June 2013, 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.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group are listed below. The adoption of these new accounting standards did not have any material impact.

• AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'.

• AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns.

• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

• AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

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 and 'Amendments to Australian Accounting Standards arising from AASB9'. Effective for annual reporting periods beginning 1 January 2015.

The directors anticipate that the adoption of these 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 2013 $'000	6 months ended 31 December 2012 $'000
2	**Profit from operations**		
a	**Revenue**		
	Revenue from continuing operations consisted of the following:		
	Revenue from the rendering of services	113,471	97,845
b	**Other revenue and income**		
	Interest income - bank deposits	1,636	2,118
	Franchise fees - other	283	295
	Net foreign exchange gain (realised and unrealised)	1,353	1,721
	Gains on financial assets	-	64
	Other income	1,774	625
	Total other income	5,046	4,823
c	**Significant items**		
	Individually signicant items included in profit from ordinary activities before income tax expense:		
	Floor closure costs	-	78

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:

	6 months ended 31 December 2013 $'000	6 months ended 31 December 2012 $'000
Profit before income tax expense	15,057	12,472
Income tax expense calculated at 30%	4,517	3,742
Deductible local taxes	(120)	(97)
Effect of different tax rates on overseas income	(654)	(376)
Other non-assessable	(153)	(95)
Tax losses of controlled entities recovered	(27)	(21)
Income tax over provision in prior years	(501)	(656)
Unused tax losses and tax offsets not recognised as deferred tax assets	176	139
Income tax expense	3,238	2,636

Notes to the Condensed consolidated financial report

4 Segment information

Servcorp Serviced Offices are fully-managed, fully-furnished CBD office suites in 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 or exceed sales targets. Four reportable operating segments have been identified: Australia, New Zealand and Southeast Asia (ANZ/SEA); USA; Europe and Middle East (EMEA); North Asia and other which reflect the segment requirements under AASB 8.

During the year ended 30 June 2013, the Group changed the internal organisation in a manner that caused the composition of its reportable segments to change. Prior year comparatives have been restated to reflect the segment information on a comparable basis to the new reportable segments.

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 2013 $'000	31 December 2012 $'000	31 December 2013 $'000	31 December 2012 $'000
Continuing operations				
Australia, New Zealand & Southeast Asia	39,398	37,150	5,786	7,562
USA	9,179	5,729	(1,857)	(2,895)
Europe & Middle East	27,527	19,890	4,535	2,252
North Asia	37,904	35,361	5,938	4,219
Other	473	517	54	110
	114,481	98,647	14,456	11,248
Finance costs	-	-	(14)	(3)
Interest revenue	1,636	2,118	1,636	2,118
Foreign exchange gains	1,353	1,721	1,353	1,721
Centralised unrecovered head office overheads	-	-	(2,230)	(2,187)
Franchise fees	283	295	283	295
Unallocated	764	(113)	(427)	(720)
Profit before tax			15,057	12,472
Income tax expense			(3,238)	(2,636)
Consolidated segment revenue and profit for the period	118,517	102,668	11,819	9,836

Note:

The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full for the six months ended 31 December 2013. The Group's Virtual Office revenue and Serviced Office revenue were $31,349,000 and $83,132,000 respectively (31 December 2012: $27,941,000 and $70,706,000, respectively).

Notes to the Condensed consolidated financial report

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					
2013					
Final - fully paid ordinary shares	7.50	7,382	2 Oct 2013	30%	100%
Interim - fully paid ordinary shares	7.50	7,382	4 Apr 2013	30%	100%
2012					
Final - fully paid ordinary shares	7.50	7,383	4 Oct 2012	30%	85%
Interim - fully paid ordinary shares	7.50	7,383	4 Apr 2012	30%	50%
Unrecognised amounts					
Since the end of the six months ended 31 December 2013, the directors have declared the following dividend:					
Interim - fully paid ordinary shares	9.00	8,859	2 Apr 2014	30%	0%

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 2013 $'000	6 months ended 31 December 2012 $'000
Net profit	11,819	9,836
Earnings used in the calculation of basic and diluted EPS	11,819	9,836
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic EPS	98,432,275	98,435,992
Weighted average number of ordinary shares used in calculation of diluted EPS	98,432,275	98,435,992
Basic earnings per share	$0.120	$0.100
Diluted earnings per share	$0.120	$0.100

Notes to the Condensed consolidated financial report

	31 December 2013 $'000	30 June 2013 $'000

7 Cash and cash equivalents

	31 December 2013 $'000	30 June 2013 $'000
Cash	16,774	17,559
Bank short term deposits	76,486	82,199
	93,260	99,758

Note:

Servcorp's unencumbered cash balance is $89,000,000 as at 31 December 2013 (30 June 2013: $90,616,000). Australia and France have Nil (30 June 2013: $5,000,000) and $4,260,000 (30 June 2013: $4,142,000), respectively in cash which is encumbered.

8 Trade and other receivables

	31 December 2013 $'000	30 June 2013 $'000
Current		
At amortised cost		
Trade receivables	21,226	19,924
Less: allowance for doubtful debts	(748)	(356)
Other debtors	7,963	3,392
	28,441	22,960

9 Other assets

	31 December 2013 $'000	30 June 2013 $'000
Current		
Prepayments	6,480	6,100
Other	4,407	4,579
	10,887	10,679

10 Other financial assets

	31 December 2013 $'000	30 June 2013 $'000
Current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	549	619
Investment in variable rate securities (i)	8,370	2,981
At amortised cost		
Lease deposits	290	112
	9,209	3,712

Note:

(i) Australia has $6,332,000 in securities which is encumbered.

	31 December 2013 $'000	30 June 2013 $'000
Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	217	-
At amortised cost		
Lease deposits	25,662	24,121
Other	60	62
	25,939	24,183

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 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 2013	5,166	125,156	1,048	18,577	121	32,888	105	804	183,865
Additions	4,773	5,409	-	1,632	-	1,060	-	-	12,874
Disposals	-	-	-	(2)	-	(128)	-	(78)	(208)
Net foreign currency differences on translation of foreign operations	(20)	3,131	(25)	459	(3)	651	(3)	13	4,203
Balance at 31 December 2013	9,919	133,696	1,023	20,666	118	34,471	102	739	200,734
Accumulated depreciation									
Balance at 30 June 2013	682	61,123	1,002	11,069	121	24,352	104	491	98,944
Depreciation expense	61	4,461	-	983	-	2,397	-	62	7,964
Disposals	-	-	-	(2)	-	(127)	-	(34)	(163)
Net foreign currency differences on translation of foreign operations	(2)	1,530	(26)	273	(3)	517	(2)	4	2,291
Balance at 31 December 2013	741	67,114	976	12,323	118	27,139	102	523	109,036
Net book value									
Balance at 31 December 2013	9,178	66,582	47	8,343	-	7,332	-	216	91,698
Balance at 30 June 2013	4,484	64,033	46	7,508	-	8,536	1	313	84,921

Notes to the Condensed consolidated financial report

	31 December 2013 $'000	30 June 2013 $'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	2,569	5,691
Deferred income	16,900	16,059
Deferred lease incentive	4,942	5,204
Other creditors and accruals	6,704	7,565
	31,115	34,519
At amortised cost		
Deferred lease incentive	18,339	14,398
	18,339	14,398
14 Other financial liabilities		
Current		
At amortised cost		
Security deposits	23,383	21,653
External borrowings (i)	513	-
	23,896	21,653
Non-current		
At amortised cost		
External borrowings (i)	2,044	-
	2,044	-

Note

(i) On 21 November 2013 Japan borrowed JPY240M at 2.42% p.a fixed for 5 years.

Notes to the Condensed consolidated financial report

	31 December 2013 $'000	30 June 2013 $'000
15 Provisions		
Current		
Employee benefits	4,347	4,413
Other	223	216
	4,570	4,629
Non-current		
Employee benefits	628	655
	628	655
16 Issued capital		
Fully paid ordinary shares 98,432,275 (30 June 2013: 98,432,275)	154,122	154,122
Movements in issued capital		
Balance at the beginning of the period	154,122	154,149
Share buy-back	-	(27)
Balance at the end of the period	154,122	154,122

Notes to the Condensed consolidated financial report

	6 months ended 31 December 2013 $'000	6 months ended 31 December 2012 $'000
17 Notes to the Condensed consolidated cash flow statement		
(a) Reconciliation of cash and cash equivalents		
For the purpose of the statement of cash flows, 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 period as shown in the Condensed consolidated statement of cash flows are reconciled to the related items in the Condensed consolidated statement of financial position as follows:		
Cash	16,774	23,469
Short term deposits	76,486	72,392
	93,260	95,861
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	11,819	9,836
Add/(less) non-cash items:		
Movements in provisions	(394)	(606)
Depreciation of non-current assets	7,964	6,658
Loss on disposal of non-current assets	4	-
Increase in current tax liability	236	(4,778)
Decrease in deferred tax balances	440	383
Unrealised foreign exchange loss/ (gain)	2,196	(1,249)
Change in assets and liabilities during the financial period:		
(Increase) in prepayments	(380)	(456)
(Increase)/ decrease in trade debtors	(5,661)	203
(Increase)/ decrease in other current assets	(259)	349
Increase/ (Decrease) in deferred income	4,520	(250)
Increase in client security deposits	1,634	662
(Decrease)/ increase in trade and other payables	(3,992)	349
Net cash provided from operating activities	18,127	11,101

18 Subsequent events

Other than the matters noted below, there has not arisen in the interval between reporting date and the date of this Financial Report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Dividend

On 18 February 2014, the Directors declared an interim dividend of 9.00 cents per share, unfranked, payable on 2 April 2014.

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 statement of financial position as at 31 December 2013, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 6 to 19.

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 gives a true and fair view and 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 Servcorp Limited's financial position as at 31 December 2013 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*. 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 2013 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

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 18 February 2014