SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended
31 December 2012

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 2012, the 2012 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 2012 to 31 December 2012
Previous corresponding period:	1 July 2011 to 31 December 2011

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	up	3%	to	102,668
Profit from ordinary activities after tax attributable to members	up	54%	to	9,836
Net profit for the period attributable to members	up	54%	to	9,836

Dividends	Total amount $'000	Amount per security	Franked amount per security
Current period	7,382	7.50	7.50
Previous corresponding period			
Interim dividend paid	7,383	7.50	3.75

Record date for determining entitlements to the dividend	7 March 2013

Note – the increase of 54% in Profit from ordinary activities after tax and in Net profit for the period are calculated after the change in depreciation rate from 15% to 10% as disclosed in the following Management Discussion & Analysis.

	31 December 2012 $	31 December 2011 $
Net tangible asset backing		
Net tangible asset backing per ordinary security	$1.86	$1.87

The interim dividend for the six months ended 31 December 2012 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2012. 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 $12,472,000

- Revenue of $102,668,000 for H1 FY 2013
- Statutory NPBT of $12,472,000 for H1 FY 2013
- Leasehold depreciation rate changed from 15% to 10%
- Normalised NPBT of $9,384,000 for H1 FY 2013, 15% above H1 FY 2012
- Statutory mature floor NPBT of $19,551,000 for H1 FY 2013
- Free cash produced (before tax) of $18,059,000 for H1 FY 2013
- Unencumbered cash balances of $87,149,000 at 31 December 2012
- NTA backing of $1.86 per share at 31 December 2012
- Interim dividend of 7.50 cents per share, 100% franked for H1 FY 2013
- Forecast final dividend of 7.50 cents per share, 100% franked for FY 2013

Change in Depreciation Estimate

The Board of Directors elected to change the depreciation rate of leasehold improvements from 15% to 10%, effective 1st July 2012. A depreciation rate of 10% more accurately reflects the actual life of a Servcorp floor, and also more closely aligns Servcorp's depreciation policy to the industry standards.

The impact of the rate change was to increase NPBT by $3,088,000 in H1 FY 2013. A summary of the impact, split between mature and immature floors, is outlined in the following table:

	Normalised Result AUD $'000	Statutory Result AUD $'000	Impact AUD $'000
Mature Profit	17,379	19,551	2,172
Immature Loss	(7,995)	(7,079)	916
NPBT	9,384	12,472	3,088

Note: All results shown are consistent with the statutory accounts.

Mature Business

Mature floor NPBT for H1 FY 2013 was $19.55M.

Difficult global market conditions continued to impact business confidence and office sales during H1 FY 2013. Mature floor business performance in the first four months was very challenging, particularly in Singapore, Australia, Japan and the USA. Aggressive price competition continues to impact the entry pricing point for new clients, and this has adversely impacted revenue. The strong AUD headwind throughout the period also impacted overseas revenue and profits.

Management is satisfied with the performance of the Virtual Office business.

Average mature floor occupancy remained stable for H1 FY 2013 at 77% (H1 FY 2012: 78%). Management's current objective is to increase occupancy from current levels to approximately 85% - 90% over the next twelve months. Office deals are now being priced to achieve this objective.

Management Discussion & Analysis

Expansion

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

		Expansion floors
Floors opened in 36 months to 30 June 2012	Actual	62
Floors opened in H1 FY 2013	Actual	5
Floors opened in 42 months to 31 December 2012	Actual	67
Forecast floors to open in H2 FY 2013	Forecast	6
Forecast floors to open in 48 months to 30 June 2013	Forecast	73

As previously stated, it was our intention to slow the pace of expansion in FY 2013 and consolidate operations in new and existing markets. We anticipate opening a total of 11 floors in FY 2013.

As at 31 December 2012 there were 128 floors in 52 cities in 21 countries.

Immature Business

Immature floor losses for H1 FY 2013 were $7.08M.

Revenue and occupancy continues to increase in the immature business. 37 floors were immature at 31 December 2012 in the following regions:

Breakdown of immature floors by region	
Region	**Total**
Australia & New Zealand	7
Middle East	3
Greater China	4
Southeast Asia	2
Europe	2
USA	19
Total	37

Operating Summary by Region

Australia & New Zealand

Mature floors
Australia experienced difficult trading conditions during H1 FY 2013 and was impacted by the loss of four major clients in the first half. Sydney and Perth, in particular, performed worse than expected. A large supply of space came to market in Perth after a sustained period of low vacancy, whereas Sydney experienced management challenges. We were slow to react with pricing changes required in the Australian market and we believe a management restructure combined with a review of pricing has rectified these issues.

New Zealand produced a solid result in H1 FY 2013.

Management Discussion & Analysis

During H1 FY 2013 mature floor revenue was up 1% to $24.91M (H1 FY 2012: $24.78M). Mature floor NPBT was $6.71M for H1 FY 2013.

Immature floors
Three new floors opened in Melbourne, Parramatta and Perth during H1 FY 2013. Immature floor losses were $0.98M for H1 FY 2013.

Japan

Mature floors
Serviced Office trading conditions in Japan continue to be challenging and highly competitive. The strong AUD during the half also had a negative impact on translated revenue and earnings. An ageing floor in Tokyo was closed during the half and clients were relocated to alternate locations.

During H1 FY 2013, revenue from mature locations was down 2% to $24.36M (H1 FY 2012: $24.89M). Mature floor NPBT was $3.26M.

Immature floors
Immature floor losses were $0.12M for H1 FY 2013.

Middle East

Mature floors
The Middle East is a growth market and the earnings results continue to improve in line with expectations. Mature revenue and earnings in Qatar, UAE, Saudi Arabia and Bahrain were encouraging. During the half, floors in Turkey, Beirut and Kuwait also became mature. Collectively, the loss from the new mature floors had a slight impact on the result for the region. Management expect these floors to break even in H2 FY 2013. The strong AUD also impacted translated earnings from the region.

In the Kingdom of Saudi Arabia, under the guidance of the Saudi authorities and to satisfy local compliance conditions, we are at an advanced stage of moving to an operating model in the form of a Management Agreement.

Mature floor revenue increased by 25% to $10.83M for H1 FY 2013 (H1 FY 2012: $8.65M). Mature floor NPBT was $2.82M for H1 FY 2013.

Immature floors
One floor opened in Dubai in H1 FY 2013. Immature floor losses were $0.79M in H1 FY 2013.

Greater China

Mature floors
Greater China's overall performance was consistent with the prior half. Beijing's performance improved markedly, whereas the results in Shanghai and Hong Kong were disappointing. There is considerable room for improvement in both of these cities.

During H1 FY 2013, revenue increased by 3% to $10.38M (H1 FY 2012: $10.05M). Mature floor NPBT was $2.23M for H1 FY 2013.

Immature floors
Immature floor losses were higher than expected at $1.15M in H1 FY 2013.

Management Discussion & Analysis

Southeast Asia

Mature floors
The performance of Singapore in H1 FY 2013 was below original expectations, but a recovery in the second half is anticipated. Both Malaysia and Thailand produced consistently solid results during H1 FY 2013.

Revenue from ordinary activities decreased by 2% to $9.52M in H1 FY 2013 (H1 FY 2012: $9.73M). Mature floor NPBT was $2.59M in H1 FY 2013.

Immature floors
One floor opened in Singapore in H1 FY 2013. Two floors were immature with a loss of $0.76M in H1 FY 2013.

Europe

Mature floors
Europe's result was encouraging in H1 FY 2013. It is worth noting that occupancy and revenue in both Paris and London has improved with London out-performing on the profit line. Brussels' performance was consistent with the prior period.

Mature floor revenue increased by 3% to $7.10M for H1 FY 2013. NPBT on mature floors was $0.61M in H1 FY 2013.

Immature floors
The net loss before tax on immature floors was $0.39M for H1 FY 2013.

USA

Revenue from our USA business continues to improve each month. On a run rate basis, the USA business is now cash neutral, and Management still anticipate the USA business as a whole to mature at the beginning of FY 2014.

Total revenue was up 54% to $5.73M for H1 FY 2013 (H1 FY 2012: $3.71M). The loss on all USA floors was $2.90M in H1 FY 2013.

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue and other income from operating activities was up 3% to $102.67M for H1 FY 2013 (H1 FY 2012: $99.38M). During H1 FY 2013 the AUD increased by an average of 3% against the USD, 4% against the EUR and 12% against the JPY. In constant currency terms revenue increased by 4% compared to H1 FY 2012.

Statutory NPBT for H1 FY 2013 was $12.47M, up from a statutory NPBT of $8.16M in H1 FY 2012. When expressed in constant currency terms the statutory NPBT decreased by 1%.

Cash Balances

Cash balances as at 31 December 2012 remained strong at $95.86M (31 December 2011: $105.71M). Of this balance, $8.71M is lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash balance of $87.15M in the business as at 31 December 2012 (31 December 2011: $97.00M).

The business produced cash flows before tax during H1 FY 2013 of $18.06M (H1 FY 2012: $17.76M).

Management Discussion & Analysis

DIVIDEND

The Directors have declared an interim dividend payable of 7.5 cents per share, fully franked.

A final dividend of 7.5 cents per share, fully franked is expected to be paid for FY 2013, bringing total dividends payable in relation to FY 2013 to 15.0 cents per share, fully franked. *This payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.*

OUTLOOK

Global markets continue to be volatile and the global Serviced Office industry, in particular, continues to experience aggressive price competition. Notwithstanding, it is Management's intention to reduce vacancy across Servcorp's Serviced Office portfolio over the next twelve months. We will also continue to focus on growing the Virtual Office package base.

Notwithstanding these difficult trading conditions, Management reconfirm the full year statutory NPBT forecast of approximately $33 million, taking into consideration the depreciation rate change benefit in FY 2013.

	AUD $'000
Original forecast NPBT - approximately	27,000
Depreciation rate change benefit - approximately	6,000
Revised statutory NPBT forecast - approximately	33,000

This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

Key:

H1 FY 2013	Six Months ended 31 December 2012
H2 FY 2013	Six Months ending 30 June 2013
H1 FY 2012	Six Months ended 31 December 2011
H2 FY 2012	Six Months ended 30 June 2012
FY 2012	Year ended 30 June 2012
FY 2013	Year ending 30 June 2013
FY 2014	Year ending 30 June 2014
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 2012

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 2012. 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 2012 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
Mr Mark Vaile (Independent Non-Executive Director)	June 2011

Review of operations

Revenue and other income from operating activities was up 3% to $102.67 million for the half year ended 31 December 2012 (31 December 2011: $99.38 million). During the half year ended 31 December 2012 the Australian dollar increased by an average of 3% against the US dollar, 4% against the Euro and 12% against the Japanese yen. In constant currency terms revenue increased by 4% compared to the half year ended 31 December 2011.

Statutory net profit before tax for the half year ended 31 December 2012 was $12.47 million.

Cash balances as at 31 December 2012 remained strong at $95.86 million (31 December 2011: $105.71 million). Of this balance, $8.71 million is lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash balance of $87.15 million in the business as at 31 December 2012 (31 December 2011: $97.00 million).

The business produced cash flows before tax during the half year ended 31 December 2012 of $18.06 million (31 December 2011: $17.76 million).

The Directors have declared an interim dividend payable of 7.50 cents per share, fully franked.

Change in depreciation estimate

The Board of Directors elected to change the depreciation rate of leasehold improvements from 15% to 10%, effective 1 July 2012. A depreciation rate of 10% more accurately reflects the actual life of a Servcorp floor, and also more closely aligns Servcorp's depreciation policy to the industry standards.

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Directors' report (cont.)

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Total revenue was up 54% to $5.73 million for the half year ended 31 December 2012 (31 December 2011: $3.71 million). The loss on all USA floors was $2.90 million or the half year ended 31 December 2012.

Directors' report (cont.)

State of affairs

During the six months ended 31 December 2012 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 6 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 20th day of February 2013

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

20 February 2013

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 2012, 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

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants

Directors' declaration

The directors declare that:

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

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

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

On behalf of the directors

A G Moufarrige
CEO

Sydney, 20th day of February 2013

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2012

	Note	6 months ended 31 December 2012 $'000	6 months ended 31 December 2011 $'000
Revenue	2	97,845	94,978
Other revenue and income	2	4,823	4,403
		102,668	99,381
Service expenses		(28,546)	(29,315)
Marketing expenses		(6,815)	(6,786)
Occupancy expenses		(44,618)	(44,827)
Administrative expenses		(10,214)	(10,281)
Borrowing expenses		(3)	(8)
Total expenses		(90,196)	(91,217)
Profit before income tax expense		12,472	8,164
Income tax expense	3	(2,636)	(1,765)
Profit for the period		9,836	6,399
Other comprehensive (loss)/ profit			
Translation of foreign operations (Item may be reclassified subsequently to profit or loss)		(2,948)	4,371
Other comprehensive (loss)/ profit		(2,948)	4,371
Total comprehensive profit		6,888	10,770
Earnings per share			
Basic earnings per share	6	$0.100	$0.065
Diluted earnings per share	6	$0.100	$0.065

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 2012

	Note	31 December 2012 $'000	30 June 2012 $'000
Current assets			
Cash and cash equivalents	7	95,861	104,334
Trade and other receivables	8	20,040	20,664
Other financial assets	10	3,693	2,843
Current tax assets		62	65
Other	9	8,208	8,364
Total current assets		127,864	136,270
Non-current assets			
Other financial assets	10	23,285	24,329
Property, plant and equipment	11	78,455	74,449
Deferred tax assets		23,425	24,874
Goodwill	12	14,805	14,805
Total non-current assets		139,970	138,457
Total assets		267,834	274,727
Current liabilities			
Trade and other payables	13	29,801	31,465
Other financial liabilities	14	19,391	19,132
Current tax liabilities		991	5,862
Provisions	15	4,527	5,346
Total current liabilities		54,710	61,805
Non-current liabilities			
Trade and other payables	13	13,838	12,974
Provisions	15	575	499
Deferred tax liabilities		523	740
Total non-current liabilities		14,936	14,213
Total liabilities		69,646	76,018
Net assets		198,188	198,709
Equity			
Issued capital	16	154,122	154,149
Reserves		(20,411)	(17,463)
Retained earnings		64,477	62,023
Equity attributable to equity holders of the parent		198,188	198,709
Total equity		198,188	198,709

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 2012

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Employee equity settled benefits reserve $'000	Retained earnings $'000	Total $'000
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
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	-	(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

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 2012

	Note	6 months ended 31 December 2012 $'000	6 months ended 31 December 2011 $'000
Cash flows from operating activities			
Receipts from customers		103,798	102,655
Payments to suppliers and employees		(88,197)	(87,242)
Franchise fees received		295	307
Income tax paid		(6,958)	(2,569)
Interest and other costs of finance paid		(3)	(8)
Interest and other items of similar nature received		2,166	2,044
Net operating cash flows	17(b)	11,101	15,187
Cash flows from investing activities			
Payments for property, plant and equipment		(12,034)	(6,723)
Payments for variable rate bonds		(2,924)	-
Payments for lease deposits		(353)	(532)
Proceeds from sale of property, plant and equipment		-	2
Proceeds from refund of lease deposits		3,120	347
Proceeds from Licence Fee		-	542
Net investing cash flows		(12,191)	(6,364)
Cash flows from financing activities			
Payments for share buy-back		(27)	-
Dividends paid		(7,382)	(4,922)
Landlord capital incentives received		3	704
Net financing cash flows		(7,406)	(4,218)
Net (decrease)/ increase in cash and cash equivalents		(8,496)	4,605
Cash and cash equivalents at the beginning of the period		104,334	99,993
Effect of exchange rate changes on cash transactions in foreign currencies		23	1,108
Cash and cash equivalents at the end of the period	17(a)	95,861	105,706

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.

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.
- AASB13 'Fair Value Measurement' and AASB2011-8 'Amendments to Australian Accounting Standards arising from AASB13'.
- AASB10 'Consolidated Financial Statements'. Effective for annual reporting periods beginning 1 January 2013.
- AASB119 'Employee Benefits' (2011) and AASB2011-10 'Amendments to Australian Accounting Standards arising from AASB119 (2011)'. Effective for annual reporting periods beginning 1 January 2013.
- AASB12 'Disclosure of Interests in Other Entities'. Effective for annual reporting periods beginning 1 January 2013.

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.

Useful lives of property, plant and equipment
Depreciation rates and methods are reviewed annually and, where changed, are accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

The Group has reviewed the estimated useful life of leasehold improvements. Historically this asset class has been depreciated over the useful life of the asset on a straight line basis on an average of 6.7 years. As a result of the expansion from 2009-2012 a significant number of longer term leases have been entered into. Effective 1 July 2012 a more appropriate estimated useful life of 10 years has been applied. The impact of the change in depreciation estimate resulted in a $3,088,000 increase to net profit before tax.

Notes to the Condensed consolidated financial report

		6 months ended 31 December 2012 $'000	6 months ended 31 December 2011 $'000
2	**Profit from operations**		
a	**Revenue**		
	Revenue from continuing operations consisted of the following:		
	Revenue from the rendering of services	97,845	94,978
b	**Other revenue and income**		
	Interest income - bank deposits	2,118	2,416
	Franchise fees - other	295	316
	Net foreign exchange gain (realised and unrealised)	1,721	1,014
	Gains on financial assets	64	-
	Other income	625	657
	Total other income	4,823	4,403
c	**Significant items**		
	Individually signicant items included in profit from ordinary activities before income tax expense:		
	Floor closure costs	78	141

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 2012 $'000	6 months ended 31 December 2011 $'000
Profit before income tax expense	12,472	8,164
Income tax expense calculated at 30%	3,742	2,449
Deductible local taxes	(97)	(133)
Effect of different tax rates on overseas income	(376)	(995)
Other non-assessable	(95)	406
Tax losses of controlled entities recovered	(21)	(112)
Income tax over provision in prior years	(656)	(72)
Unused tax losses and tax offsets not recognised as deferred tax assets	139	222
Income tax expense	2,636	1,765

Notes to the Condensed consolidated financial report

4 Segment information

Servcorp Serviced Offices are fully-managed, fully-furnished CBD office suites in a prime location, with a receptionist, meeting rooms, IT infrastructure and support services available. Servcorp Virtual Office provides the services, facilities and IT to 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.

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 2012 $'000	**31 December 2011 $'000**	**31 December 2012 $'000**	**31 December 2011 $'000**
Continuing operations				
Australia and New Zealand	27,230	26,836	5,734	6,748
Greater China	10,907	10,665	1,080	1,457
Southeast Asia	9,920	9,950	1,828	2,771
Japan	24,454	26,014	3,139	3,076
Europe	7,808	7,336	225	(912)
Middle East	12,082	10,582	2,027	1,220
USA	5,729	3,710	(2,895)	(6,056)
Other	517	450	110	56
	98,647	95,543	11,248	8,360
Finance costs	-	-	(3)	(8)
Interest revenue	2,118	2,416	2,118	2,416
Foreign exchange gains	1,721	1,014	1,721	1,014
Centralised unrecovered head office overheads	-	-	(2,187)	(3,033)
Franchise fees	295	316	295	316
Unallocated	(113)	92	(720)	(901)
Profit before tax			12,472	8,164
Income tax expense			(2,636)	(1,765)
Consolidated segment revenue and profit for the period	102,668	99,381	9,836	6,399

Note:

The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full for the six months ended 31 December 2012. The Group's Virtual Office revenue and Serviced Office revenue were $27,941,000 and $70,706,000 respectively (31 December 2011: $26,474,000 and $69,069,000, respectively).

This Note should be read in conjunction with Note 1 Signicant accounting policies "Useful lives of property, plant and equipment".

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					
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%
2011					
Final - fully paid ordinary shares	5.00	4,922	5 Oct 2011	30%	100%
Unrecognised amounts					
Since the end of the six months ended 31 December 2012, the directors have declared the following dividend:					
Interim - fully paid ordinary shares	7.50	7,382	4 Apr 2013	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 2012 $'000	6 months ended 31 December 2011 $'000
Net profit	9,836	6,399
Earnings used in the calculation of basic and diluted EPS	9,836	6,399
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic EPS	98,435,992	98,440,807
Weighted average number of ordinary shares used in calculation of diluted EPS	98,435,992	98,440,807
Basic earnings per share	$0.100	$0.065
Diluted earnings per share	$0.100	$0.065

Notes to the Condensed consolidated financial report

	31 December 2012 $'000	30 June 2012 $'000
7 Cash and cash equivalents		
Cash	23,469	14,490
Bank short term deposits	72,392	89,844
	95,861	104,334

Note: Servcorp's unencumbered cash balance is $87,149,000 as at 31 December 2012 (30 June 2012: $95,765,000) Australia and France have $4,250,000 (30 June 2012: $4,102,000) and $4,462,000 (30 June 2012: $4,467,000), respectively in cash which is encumbered.

8 Trade and other receivables

	31 December 2012 $'000	30 June 2012 $'000
Current		
At amortised cost		
Trade receivables	17,703	19,471
Less: allowance for doubtful debts	(513)	(663)
Other debtors	2,850	1,856
	20,040	20,664

9 Other assets

	31 December 2012 $'000	30 June 2012 $'000
Current		
Prepayments	6,847	6,582
Other	1,361	1,782
	8,208	8,364

10 Other financial assets

	31 December 2012 $'000	30 June 2012 $'000
Current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	358	130
Available for sale		
Investment in variable rate bonds	2,996	-
At amortised cost		
Lease deposits	339	2,713
	3,693	2,843
Non-current		
At amortised cost		
Lease deposits	22,169	24,261
Other	64	68
At fair value through profit or loss		
Forward foreign currency exchange contracts	1,052	-
	23,285	24,329

Notes to the Condensed consolidated financial report

11 Property, plant and equipment

	Land and buildings at cost $'000	Leasehold improve-ments owned at cost $'000	Leasehold improve-ments leased at cost $'000	Office furniture & fittings owned at cost $'000	Office furniture & fittings leased at cost $'000	Office equip-ment owned at cost $'000	Office equip-ment leased at cost $'000	Motor vehicles owned at cost $'000	Total $'000
Gross carrying amounts									
Balance at 30 June 2012	5,276	109,030	1,188	16,164	548	29,521	234	769	162,730
Additions	-	9,326	-	995	-	1,657	-	56	12,034
Disposals	-	(2,014)	-	(316)	-	(292)	-	(73)	(2,695)
Net foreign currency differences on translation of foreign operations	(90)	(2,792)	(114)	(414)	(13)	(343)	(11)	(11)	(3,788)
Balance at 31 December 2012	5,186	113,550	1,074	16,429	535	30,543	223	741	168,281
Accumulated depreciation									
Balance at 30 June 2012	571	56,431	1,140	9,147	548	19,769	234	441	88,281
Depreciation expense (i)	61	3,529	-	866	-	2,146	-	56	6,658
Disposals	-	(1,912)	-	(260)	-	(257)	-	(70)	(2,499)
Net foreign currency differences on translation of foreign operations	(9)	(1,943)	(114)	(253)	(13)	(265)	(11)	(6)	(2,614)
Balance at 31 December 2012	623	56,105	1,026	9,500	535	21,393	223	421	89,826
Net book value									
Balance at 31 December 2012	4,563	57,445	48	6,929	-	9,150	-	320	78,455
Balance at 30 June 2012	4,705	52,599	48	7,017	-	9,752	-	328	74,449

Note:
This Note should be read in conjunction with Note 1 Signicant accounting policies “Useful lives of property, plant and equipment”.

Notes to the Condensed consolidated financial report

	31 December 2012 $'000	30 June 2012 $'000

12 Goodwill

	31 December 2012 $'000	30 June 2012 $'000
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

	31 December 2012 $'000	30 June 2012 $'000
Current		
At amortised cost		
Trade creditors	3,687	4,519
Deferred income	13,509	14,135
Deferred lease incentive	5,080	4,939
Other creditors and accruals	7,525	7,872
	29,801	31,465
Non-current		
At amortised cost		
Deferred lease incentive	13,838	12,974
	13,838	12,974

14 Other financial liabilities

	31 December 2012 $'000	30 June 2012 $'000
Current		
At amortised cost		
Security deposits	19,391	19,132
	19,391	19,132

Notes to the Condensed consolidated financial report

	31 December 2012 $'000	30 June 2012 $'000
15 Provisions		
Current		
Employee benefits	4,370	4,240
Other	157	1,106
	4,527	5,346
Non-current		
Employee benefits	575	499
	575	499
16 Issued capital		
Fully paid ordinary shares 98,432,275 (June 2012: 98,440,807)	154,122	154,149
Movements in issued capital		
Balance at the beginning of the period	154,149	154,149
Share buy-back	(27)	-
Balance at the end of the period	154,122	154,149

Notes to the Condensed consolidated financial report

		6 months ended 31 December 2012 $'000	6 months ended 31 December 2011 $'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 year as shown in the Statement of cash flows are reconciled to the related items in the Statement of financial position as follows:		
	Cash	23,469	22,762
	Short term deposits	72,392	82,944
		95,861	105,706
(b)	**Reconciliation of profit for the period to net cash flows from operating activities**		
	Profit after income tax	9,836	6,399
	Add/(less) non-cash items:		
	Movements in provisions	(606)	(708)
	Depreciation of non-current assets	6,658	9,204
	Loss on disposal of non-current assets	-	172
	(Decrease)/ increase in current tax liability	(4,778)	1,000
	Decrease/ (increase) in deferred tax balances	383	(2,523)
	Unrealised foreign exchange (gain)/ loss	(1,249)	1,006
	Change in assets and liabilities during the financial period:		
	(Increase) / decrease in prepayments	(456)	685
	Decrease in trade debtors	203	1,861
	Decrease/ (increase) in other current assets	349	(490)
	(Decrease) / increase in deferred income	(250)	122
	Increase / (decrease) in client security deposits	662	(200)
	Increase / (decrease) in trade and other payables	349	(1,341)
	Net cash provided from operating activities	11,101	15,187

18 Subsequent events

Dividend

On 20 February 2013, the directors declared an interim dividend of 7.50 cents per share, fully franked, payable on 4 April 2013.

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 2012, 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 7 to 20.

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 2012 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.

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 2012 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, 20 February 2013