2007

SERVCORP | Annual Report

Servcorp's aim is to be the World's Finest Serviced Office Operator.

The aim includes a commitment to be the best management team in our industry, a training process second to none, the adoption of efficient business processes and the provision of leading technology services.

Servcorp focuses on a diversified portfolio of high quality serviced offices in multiple locations.

Success is built on over 29 years experience, a profitable track record, a strong financial capability, an energetic team and a commitment to our clients.

Contents

Servcorp Limited
ABN 97 089 222 506

Highlights

- :: FLOOR CAPACITY INCREASED BY 15%
- :: 10 NEW FLOORS OPENED
- :: ENTERED NEW MARKET IN BAHRAIN
- :: OFFICE² SIGNS AGREEMENTS FOR NORWEST & I-CITY
- :: FRANCHISING AGREEMENT IN INDIA
- :: SPECIAL DIVIDEND PAID 10 CENTS PER SHARE
- :: TOTAL DIVIDENDS PAID 23 CENTS PER SHARE

SERVCORP Smart Office®

SERVCORP | Virtual Office Everything but the office®

Servcorp Hottdesk® Work from anywhere

office²

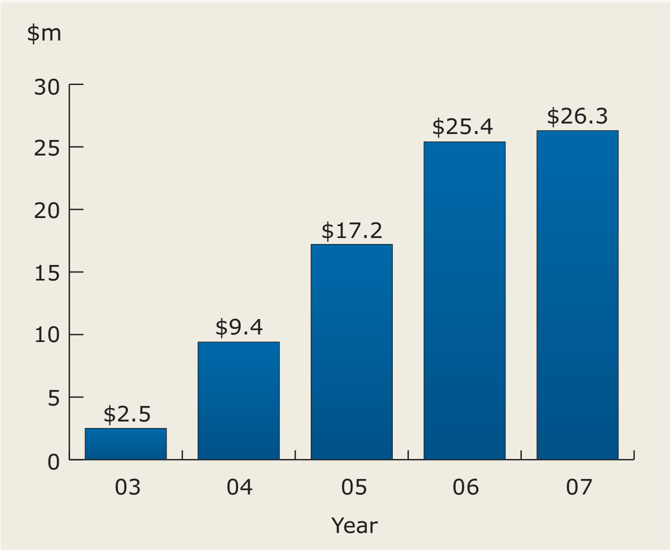
BLACK DUCK CLUB SERVCORP

SERVCORP SmartAgent

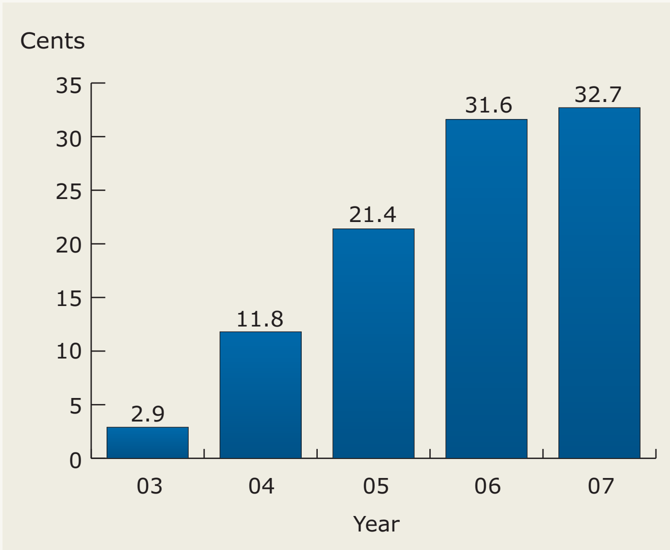


2007 in review

Net profit after tax



Earnings per share (cents)



	12 months ended 30 June				
	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000
Revenue & other income	113,761	107,513	124,137	145,941	167,518
Profit before tax	5,251	13,650	23,497	35,207	34,124
Net profit after tax	2,455	9,443	17,190	25,376	26,332
Net operating cash flows	12,018	18,891	27,854	35,345	39,984
Cash & cash equivalents	26,125	38,396	42,966	58,213	55,401
Interest earning financial assets	13,048	5,921	5,731	5,035	9,266
Net assets	76,729	81,265	88,890	107,261	111,152
Earnings per share	$0.029	$0.118	$0.214	$0.316	$0.327
Dividends per share (excluding special)	$0.075	$0.075	$0.0775	$0.105	$0.130

Revenue

12 months to June 2007

$167.5m

15% increase

projected revenue growth 2008

15%

Office capacity

12 months to June 2007

grew by **15%**

projected growth 2008

15%

Mature location profit before tax

12 months to June 2007

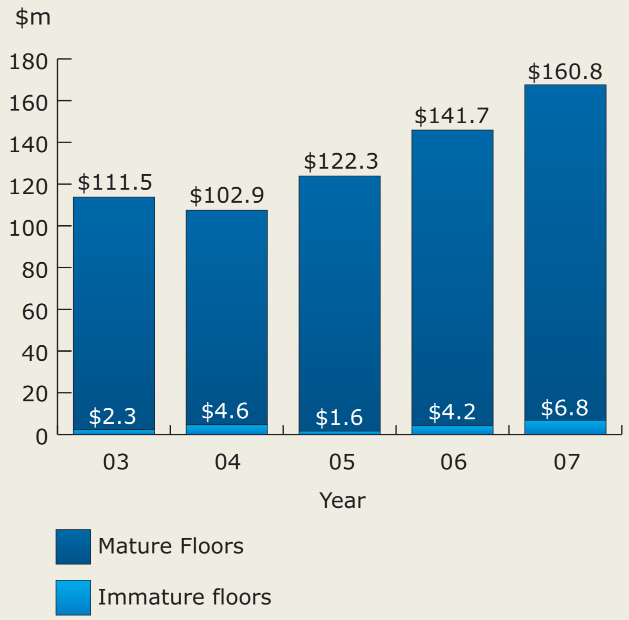
$42.9m

12% increase

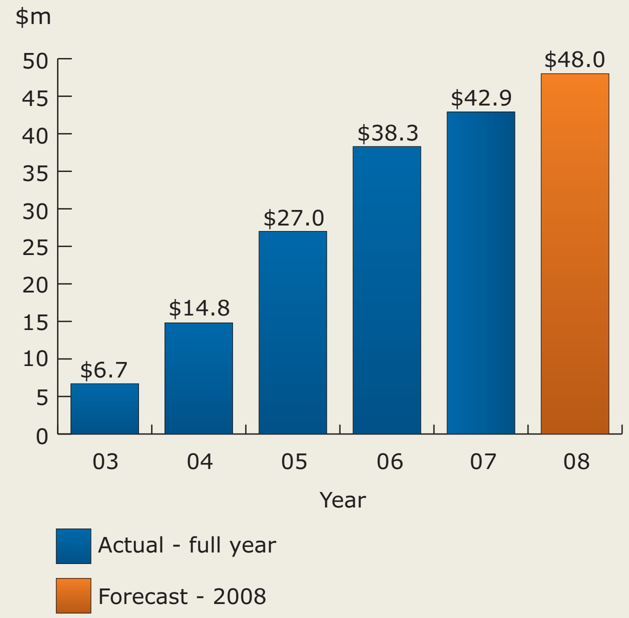
projected 2008

$48.0m

Revenue - mature & immature floors



Net profit before tax - mature floors



Global locations

AUSTRALIA

Sydney, MLC Centre	Level 57, MLC Centre, 19 - 29 Martin Place, Sydney NSW 2000, Australia
Sydney, Chifley Tower	Levels 25 & 29, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia
Sydney, Market Street	Level 26, 44 Market Street, Sydney NSW 2000, Australia
Sydney, BNP Paribas Centre	Level 17, BNP Paribas Centre, 60 Castlereagh Street, Sydney NSW 2000, Australia
North Sydney, Miller Street	Levels 17, 21 & 22, 201 Miller Street, North Sydney NSW 2060, Australia
North Ryde, Avaya House	Level 9, Avaya House, 123 Epping Road, North Ryde NSW 2113, Australia
Canberra, St George Centre	Levels 6 & 11, St George Centre, 60 Marcus Clarke Street, Canberra ACT 2601, Australia
Melbourne, William Street	Level 40, 140 William Street, Melbourne VIC 3000, Australia
Melbourne, Collins Street	Level 27, 101 Collins Street, Melbourne VIC 3000, Australia
Adelaide, Westpac House	Level 24, Westpac House, 91 King William Street, Adelaide SA 5000, Australia
Brisbane, AMP Place	Levels 24 & 30, AMP Place, 10 Eagle Street, Brisbane QLD 4000, Australia
Brisbane, Riparian Plaza	Level 36, Riparian Plaza, 71 Eagle Street, Brisbane QLD 4000, Australia
Perth, AMP Building	Level 28, AMP Building, 140 St Georges Terrace, Perth WA 6000, Australia
Perth, Central Park	Level 18, Central Park, 152-158 St Georges Terrace, Perth WA 6000, Australia

NEW ZEALAND

Auckland, ASB Bank Centre	Level 20, ASB Bank Centre, 135 Albert Street Auckland, New Zealand
Auckland, PWC Tower	Level 27, PWC Tower, 188 Quay Street, Auckland, New Zealand

JAPAN

Tokyo, Sunshine City	Level 45, Sunshine 60, 3-1-1 Higashi Ikebukuro, Toshima-ku, Tokyo, 170-6045, Japan
Tokyo, Servcorp Tokyo Big Sight	Level 9, Ariake Frontier Building, Tower B, 3-1-25 Ariake, Koto-ku, Tokyo, Japan
Tokyo, Sankei Building	Level 27, Tokyo Sankei Building, 1-7-2 Otemachi, Chiyoda-ku, Tokyo, 100-0004 Japan
Tokyo, Marunouchi AIG Building	Marunouchi AIG Building, 1-1-3 Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Japan
Tokyo, JT Building Toranomon	Level 15, JT Building Toranomon, 2-2-1 Toranomon Minato-ku, Tokyo, 105-0001 Japan
Tokyo, Nihonbashi Wakamatsu Building	Level 7, Nihonbashi Wakamatsu Building, 3-3-6 Nihonbashi Honcho, Chuo-ku, Tokyo, 103-0023 Japan
Tokyo, Shinjuku Nomura Building	Level 32, Shinjuku Nomura Building, 1-26-2 Nishi-Shinjuku, Shinju-ku, Tokyo, 163-0532 Japan
Tokyo, Shiodome Shibarikyu Building	Level 21, Shiodome Shibarikyu Building, 1-2-3, Kaigan 1-Chome, Minato-Ku, Tokyo Japan
Tokyo, Shinagawa Intercity Tower A	Level 28, Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo, 108-6028 Japan
Tokyo, Aoyama Palacio Tower	Level 11, Aoyama Palacio Tower, 3-6-7 Kita-Aoyama Minato-ku, Tokyo, 107-0061 Japan
Tokyo, Yebisu Garden Place Tower	Level 18, Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo, 150-6018 Japan
Tokyo, Hibiya Central Building	Level 14, Hibiya Central Building, 1-2-9 Nishi Shimbashi Minato-ku, Tokyo, 105-0003 Japan
Tokyo, Shiroyama Trust Tower	Levels 16 & 27, Shiroyama Trust Tower, 4-3-1 Toranomon Minato-ku, Tokyo, 105-6016 Japan
Osaka, Edobori Center Building	Level 9, Edobori Center Building, 2-1-1 Edobori, Nishi-ku, Osaka, 550-0002 Japan
Osaka, Hilton Plaza West Office Tower	Level 19, Hilton Plaza West Office Tower, 2-2-2 Umeda, Kita-ku, Osaka, 530-0001 Japan
Nagoya, Nikko Shoken Building	Level 4, Nikko Shoken Building, 3-2-3 Sakae, Naka-ku, Nagoya, Aichi, 460-0008 Japan
Nagoya, Lucent Tower	Level 40, Nagoya Lucent Tower, 6-1 Ushijima-cho, Nishi-ku, Nagoya, 451-6040 Japan

CHINA

Beijing, Oriental Plaza	Level 6, W2 & Level 19, E2, Oriental Plaza, 1 East Chang An Avenue, Dong Cheng District, Beijing, 100738, China
Shanghai, Citigroup Tower	Level 23, Citigroup Tower, 33 Huayuanshiqiao Road, Shanghai, Pudong 200120, China
Shanghai, Shanghai Kerry Centre	Level 29, Shanghai Kerry Centre, No.1515, Nan Jing West Road, Shanghai, Jing An, 200040, China
Hong Kong, One Exchange Square	Level 39, One Exchange Square, 8 Connaught Place, Central, Hong Kong, China
Hong Kong, Bank of China Tower	Levels 25 & 30, Bank of China Tower, 1 Garden Road, Central, Hong Kong, China
Chengdu, Shangri-La Office Tower	Level 18, Shangri-La Office Tower, No 9 Binjiang East Road, Jin Jiang District, Chengdu, 610021, China

SOUTH EAST ASIA

Singapore, Prudential Tower	Level 27, Prudential Tower, 30 Cecil Street, 049712, Singapore
Singapore, Suntec Tower Three	Penthouse Level & Level 42, Suntec Tower Three, 8 Temasek Boulevard, 038988, Singapore
Singapore, Raffles Place	Levels 30 & 31, Raffles Place, Six Battery Road, 049909, Singapore
Bangkok, Bangkok City Tower	Level 27, Bangkok City Tower, 179 South Sathorn Road, Bangkok 10120, Thailand
Bangkok, Zuellig House	Levels 8 & 9, Zuellig House, 1 Silom Road, Bangkok 10500, Thailand
Bangkok, The Offices at Centralworld	Level 29, The Offices at Centralworld, 999/9 Rama I Road, Khwaeng Patumwan, Khet Patumwan, Bangkok 10330
Kuala Lumpur, Menara Citibank	Level 36, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia
Kuala Lumpur, Menara Standard Chartered	Level 20, Menara Standard Chartered, 30 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

EUROPE

Paris, Louis Vuitton Building	Level 5, Louis Vuitton Building, 101 Av. des Champs Elysées, 60 Rue de Bassano, Paris 8ème, France
Paris, Edouard VII	Levels 2, 3 & 4, 17-23 Square Edouard VII, 75009, Paris, France
Brussels, Bastion Tower	Levels 20 & 21, Bastion Tower, 5 Place du Champ de Mars, 1050 Brussels, Belgium

MIDDLE EAST

Dubai, Emirates Towers	Levels 41 & 42, Emirates Towers, Sheikh Zayed Road, Dubai, United Arab Emirates
Bahrain, Bahrain Financial Harbour	Level 22, West Tower, Bahrain Financial Harbour, King Faisal Highway, Manama, Kingdom of Bahrain

Chairman's message

2007 was Servcorp's fifth consecutive year of profit growth. Our commitment to floor expansion meant that profits were tempered this year. However we are confident that the impact on short term results will contribute to the value of the Company in the future.

Revenue for the year was $167.52 million, an increase of 15% on 2006. Net profit after tax also increased – up 4% on 2006, to $26.33 million. Our mature floors contributed $42.87 million profit before tax, an increase of 12%, with all geographic sectors contributing strongly. Earnings per share increased by 3.5% from 31.6 cents per share to 32.7 cents per share.

As detailed elsewhere in this report, the strong Australian dollar had an adverse impact on the results for the year.

The Directors have declared a fully franked final dividend of 7.00 cents per share, bringing total 'normal' dividends for the year to 13.00 cents or $10.46 million, a 24% increase over 2006. In addition, shareholders were rewarded with a special dividend of 10 cents per share, paid in November 2006. This returned a further $8.04 million to shareholders. All these dividends were fully franked.

The 2007 year was one of expansion for Servcorp. Ten new floors were opened, increasing floor capacity by 15%. Our talented senior management team, which has developed strongly over the past few years, proved more than capable of handling this growth. The Board is extremely pleased with the performance of these immature floors. The selection of our new locations is critical to their success. We intend to continue to increase critical mass in existing markets.

Evidencing the directors' confidence in the future we have already committed to six new floors in the current financial year, with a further four floors possible, depending on market conditions.

There were two new strategic initiatives during fiscal 2007. Servcorp entered into a franchise agreement in India, facilitating the entry into this new market. It is likely that franchising activity will increase in the future.

Another exciting new venture is Office^2. The application of our proprietary systems to commercial office premises owned by third parties had been investigated by our Chief Information Officer for some time, and the recent signing of two agreements represents a major milestone in this potentially lucrative venture. You can read more about this new initiative later in the Annual Report.

On behalf of the Board I thank our Chief Executive Officer, Alf Moufarrige, his management team and all the Servcorp team members for their dedication and commitment during the year. 2007 has been one of Servcorp's best years and we will continue to strive to maintain our position as the world's finest serviced office provider.

The results for the first two months of the new financial year are encouraging. We look forward to increasing shareholder wealth in the current financial year and beyond.

Bruce Corlett

CEO statement

Strong cash balances, no net debt, great buildings and a good team will stand us in good stead in what looks like possible uncertain times in the international arena.

As I read last year's Annual Report it was amazing how close to the mark we came with our projections. I look forward to this year with confidence as our product and hardworking management team continue to outperform when benchmarked.

In the past 5 years our mature floor net profit before tax has grown from $6 million to $42 million and I expect this to rise, if market conditions experienced in 2007 continue, to $48 million in the 2008 year. We expect lower immature floor losses which should ensure our net profit before tax looks good.

The tech team and Office^2 continue to develop ground breaking products and we have high hopes for them. Over this year I expect to see the end game and Office^2 as a winner.

We intend to open 10 new centres this year concentrated in the Middle East and China. All serviced office locations continue to perform on or better than budget.

The geographic locations chosen over the past 2 years are well placed and will give an advantage in the marketplace.

I would like to thank Bruce Corlett and the Servcorp Board for their support and guidance in what was a great year.

Alf Moufarrige



Community service

Servcorp continues to support the Joan Salter Fund which is managed by the Rotary Club of Sydney. Joan was the Servcorp founding General Manager whose life was cut short at the age of 46 from liver and bowel cancer. The Fund finished the year with a balance of about AUD350,000 while again supporting a wide range of causes to the tune of over AUD243,000.

In addition to this, during the 06/07 year, Servcorp donated AUD250,000 to Youngcare.

When young people (under 45 years of age) need 24 hour or palliative care in Australia, the only option they have had in the past is to go into an old people's home or take very expensive "around the clock" nursing. Youngcare fills this hole in the health system. They will open their first centre in Brisbane in September 2007 and funding is in the process of being organised for a second centre in the Gold Coast. They intend to take the Youngcare model around Australia. Youngcare has secured government funding for the next five years. Servcorp is proud to assist Youngcare with their projects. In Australia, this will be the focus of our fundraising. For more information please visit their website at: www.youngcare.com.au

Elsewhere, the Joan Salter Fund's focus is to assist with continued research into the prevention and cure of cancer, as well as having a particular interest in assisting young, seriously or terminally ill members of the community.

Servcorp continues to be a strong supporter of novel therapies to treat cancer and related conditions. We are actively involved in MRC Biotech, an Australian company developing new drugs. After years of research and development MRC Biotech entered its lead drug, MRC202, into a Phase I human clinical trial for malignant ascites, a late-stage and extremely painful side effect of many cancers. Initial data from the trial is promising and Servcorp will continue to support the development of MRC202 for ascites and ultimately solid tumour cancers. Further exciting developments with the second product, MRC304, show great potential for an Australian developed anti-cancer drug within a few years.

Servcorp holds charity functions and balls, runs raffles and undertakes donation drives all year round in all locations. Every dollar that is raised by our teams on the floor is matched dollar for dollar by Servcorp. This year we supported the following organisations:

- The Rotary Club of Sydney
- Youngcare
- MRC Cancer Research
- The Cancer Council
- MS Society
- St Vincent's Hospital, Sydney
- The Mater Hospital
- Breast Cancer Foundation
- MAKNA - KL Cancer Council
- Womens Aid Organisation
- Assisi Hospice - Singapore

Servcorp also contributed to many other local charitable organisations around the world. In 2008 we have budgeted to donate in excess of AUD300,000 to various charities.

We are proud of the fact, that as a small Aussie company, we support the communities in which we operate with focus on bringing real change and benefit to people, in particular young people who suffer from debilitating diseases.

The Cancer Council New South Wales

youngcare

NATIONAL BREAST CANCER FOUNDATION FUNDING RESEARCH FOR PREVENTION AND CURE

MRC Biotech

St Vincents & Mater Health Sydney

MS

MAKNA Majlis Kanser Nasional National Cancer Council A Meaning to Life www.makna.org.my

New floors opening 2007/08

Chengdu	September 2007
Paris	January 2008
Sydney	January 2008
Abu Dhabi	February 2008
Wellington	February 2008
Norwest	March 2008
Shanghai	April 2008
Doha	April 2008
Fukuoka	July 2008
Bahrain	July 2008

Franchising

A franchise agreement was signed during the year with K. Raheja Corporation, a substantial Indian company. The agreement provides for the use of the Servcorp name and business systems in India and the establishment of six locations in India within three years. The first location is scheduled to open in December 2007.

The India franchise agreement is likely to be a catalyst for further franchise growth into more difficult markets.

At all times, Servcorp standards will be maintained to ensure we protect the brand and the product.

Franchise openings in 2007/08

Hyderabad	December 2007
Mumbai	January 2008



Office Squared

Servcorp introduced a new business concept in July 2006 called Office^2. Office^2 uses the Servcorp suite of IT systems, in conjunction with Cisco Systems products, in an external multi-tenanted environment. Office^2 has potential for use in whole buildings and enables landlords to facilitate clients on a "per work station" basis.

Office^2 entered into an agreement during the year with the owner of a building in Norwest Business Park which will enable Office^2 to provision 500 potential users. The building is currently under construction with an expected completion date of October 2007. Tenants are expected to be in residence in November 2007.

In August 2007, Office^2 entered into a joint venture agreement with I-Berhad, a publicly listed Malaysian company. The joint venture vehicle has exclusive rights to provide telephone, internet and provisioning services throughout I-City, a 35,000 user complex in the Multimedia Super Corridor in Selangor province, Malaysia. First tenants are expected to be in residence in June 2008. Office^2 and I-Berhad have invested US$650,000 and US$350,000 respectively into the share capital of the joint venture. Profits of the joint venture will be shared in proportion to the shareholding.

The I-City joint venture is the first significant transaction that Office^2 has entered into and represents a major milestone for the project.

Office^2 has received active assistance from Cisco Systems Head Office in San Jose, in Beijing, in Hong Kong and in their Australian office. This includes marketing and technical support.

This new venture leverages Servcorp's capabilities and will involve continued investment for several years to fully develop the opportunity. The loss incurred for the year was $1.35 million, which was at the low end of our expectations.

Development

In 2007 the Servcorp IT development team achieved a major milestone by rolling out the OTIIS management system across the entire Servcorp network.

OTIIS is delivering results by dramatically reducing the amount of administration time for managers and enabling them to focus on sales.

2007 also saw the completion of the rollout of the global Cisco IP Telephony network. While our competitors are still experimenting with IP Telephony in one location or another, Servcorp has built a global interconnected, converged network that reduces call rates and enables clients to travel the globe with seamless telecommunications capabilities.

After these successful deployments, the Servcorp development team, under the stewardship of Ryoma Eguchi and Daniel Kukucka, is working on improving the Servcorp client experience. This is achieved by allowing clients total flexibility to customize their work space and their service level through the Servcorp Hottdesk®.

Services such as the IP soft phone, global dial (that enables cheaper call rates), self provisioning of services and improved collaboration tools, will keep Servcorp and its office and virtual community ahead of the competition.

The Servcorp team

The Board

Bruce Corlett - Chairman

Rick Holliday-Smith - Non-Executive Director

Julia King - Non-Executive Director

Alf Moufarrige - Executive Director, CEO

Taine Moufarrige - Executive Director

Senior Management

Marcus Moufarrige BComm - Chief Information Officer

Olga Vlietstra BA - General Manager Japan

Wilma Wu BA (Hons) - General Manager Greater China

Susie Martin BEc - General Manager Australia & New Zealand

Samantha McArthur BSc - Senior Manager Singapore & Kuala Lumpur

Adam Phillips G.Dip Mgmt - General Manager ITS

Nicole Billett MBA - General Manager Sales & Marketing

Greg Pearce BCom, CA, ACIS - Company Secretary

Thomas Wallace BBS, ACA - Chief Financial Officer

Kureha Ogawa BA - Senior Manager Japan

Jannifer Koo BBus, G.Dip Mktg Mgt - Senior Manager Shanghai

Liane Gorman - International Training & Development Manager

Warren James - Manager International Property Portfolio

Lachlan Buchanan BComm - Property Project Manager

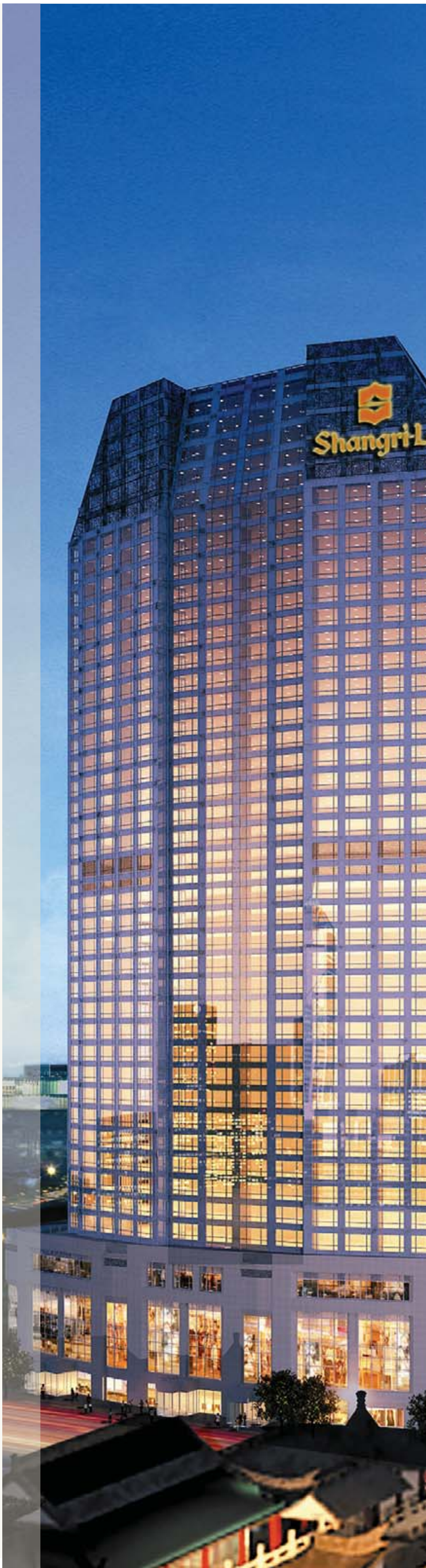
Kristie Thomas BArts, BBus - International Sales Manager

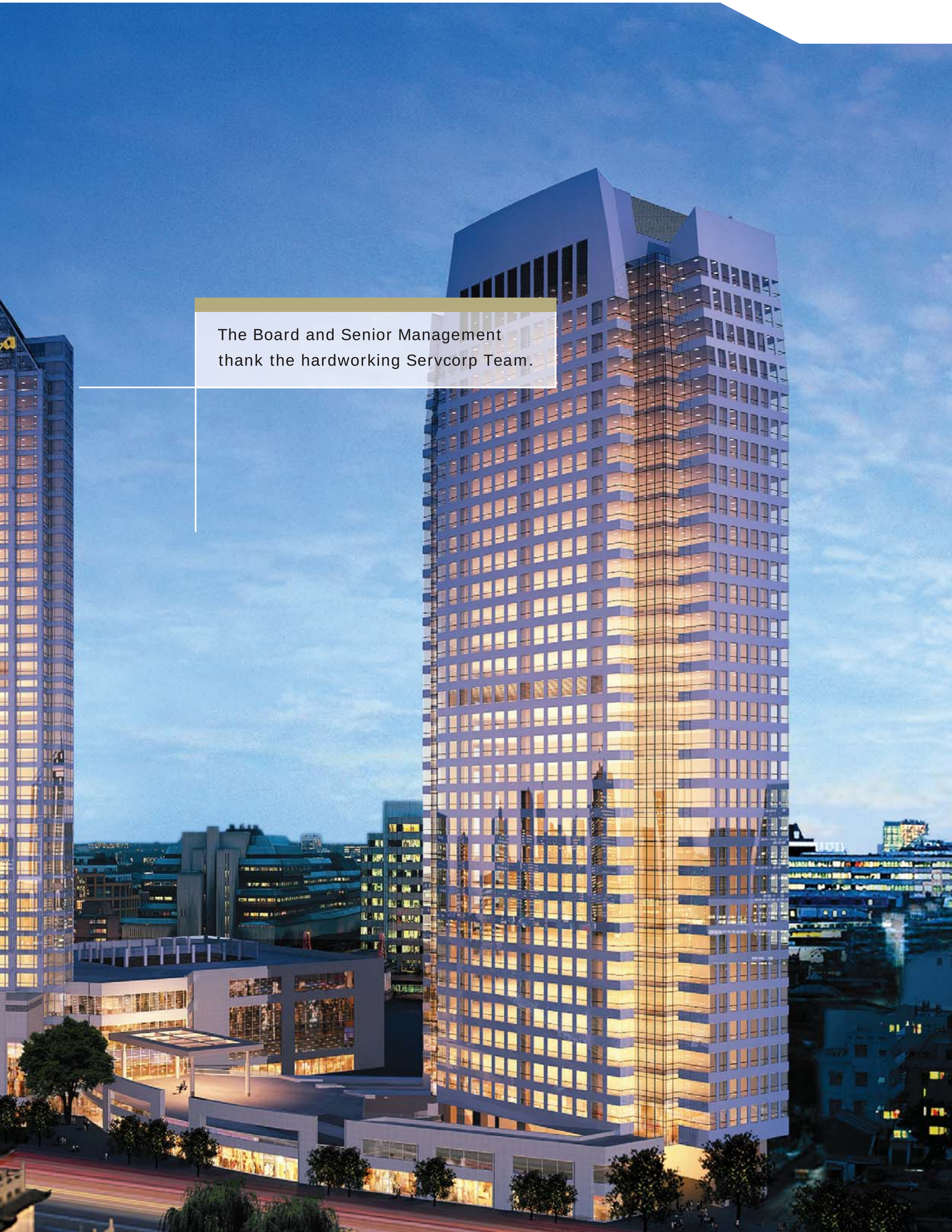
Laudy Lahdo BCom - Senior Manager Middle East

Adeline Charles BBus Mktg - Senior Manager Europe

Ryoma Eguchi BBus, M.IT - Senior Manager Solution Development

Daniel Kukucka BE - Senior Manager Voice & Networking Engineering





The Board and Senior Management thank the hardworking Servcorp Team.



Corporate governance

The Board has responsibility for the long-term health and prosperity of Servcorp. The directors are responsible to the shareholders for the performance of the Company and the Consolidated Entity and to ensure that it is properly managed.

The Board is committed to the principles underpinning the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Board is continually working to improve the Company's governance policies and practices, where such practices will bring benefits or efficiencies to the Company. This will include a review of the revised principles which will become effective after 1 January 2008.

Details of Servcorp's compliance are set out below, and in the ASX principles compliance statement on pages 17 to 21 of this report. Compliance has been measured against the ASX principles in effect during the period of this report, not the revised ASX principles.

Role of the Board

The Board has adopted a formal statement of matters reserved for the Board. The central role of the Board is to set the Company's strategic direction and to oversee the Company's management and business activities.

Responsibility for management of the Company's business activities is delegated to the CEO and management.

The Board's primary responsibilities are:

- the protection and enhancement of long-term shareholder value;
- ensuring Servcorp has appropriate corporate governance structures in place;
- providing strategic direction, including reviewing and determining goals for management;
- monitoring management's performance within that framework;
- appointing the Chief Executive Officer and evaluating his performance and remuneration;
- monitoring business performance and results;
- identifying areas of significant risk and ensuring adequate controls are in place to manage those risks;
- establishing appropriate standards of ethical behaviour and a culture of corporate and social responsibility;
- approving executive remuneration policies;
- ratifying the appointment of the Chief Financial Officer and the Company Secretary;
- ensuring compliance with continuous disclosure policy in accordance with the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange;
- reporting to shareholders;
- approval of the commitment to new locations;
- ensuring the Board is, and remains, appropriately skilled to meet the changing needs of the Company.

Composition of the Board

The size and composition of the Board is determined by the Board, subject to the limits set out in Servcorp's Constitution which requires a minimum of three directors and a maximum of twelve directors.

The Board comprises five directors (two executive and three non-executive). The non-executive directors are all independent.

There has been no change to the Board since the last annual report.

The Chairman of the Board, Mr Bruce Corlett, is an independent non-executive director.

The non-executive directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The skills, experience and expertise of each director in office at the date of this annual report is set out on page 22 of this annual report. The Board will continue to be made up of a majority of independent non-executive directors. The performance of non-executive directors was reviewed during the year.

The names of the directors of the Company in office at the date of this annual report are set out below.

Names of directors in office at the date of this annual report

Director	First appointed	Non-executive	Independent	Retiring at 2007 AGM	Seeking re-election at 2007 AGM
B Corlett	19 October 1999	Yes	Yes	No	No
R Holliday-Smith	19 October 1999	Yes	Yes	Yes	Yes
J King	24 August 1999	Yes	Yes	No	No
A G Moufarrige	24 August 1999	No	No	No	No
T Moufarrige	25 November 2004	No	No	No	No

Directors' independence

It is important that the Board is able to operate independently of executive management.

The non-executive directors are considered by the Board to be independent of management. Independence is assessed by determining whether the director is free of any business interest or other relationship which could materially interfere with the exercise of their unfettered and independent judgement and their ability to act in the best interests of Servcorp.

None of the non-executive directors have ever been employed by Servcorp. Ms J King is the sister of Mr A G Moufarrige, but she has no joint financial interests in Servcorp or otherwise. Ms King is an experienced business woman who sits on several other public company boards. Ms King, and the other independent directors, believe her relationship with Mr A G Moufarrige does not impair her exercising independent judgement.

Election of directors

The Company's Constitution specifies that an election of directors must take place each year. One-third of the Board (excluding the Managing Director and rounded down to the nearest whole number), and any other director who has held office for three or more years since they were last elected, must retire from office at each annual general meeting. The directors are eligible for re-election. Directors may be appointed by the Board during the year. Directors appointed by the Board must retire from office at the next annual general meeting.

Any changes to directorships will be dealt with by the full Board and accordingly a Nomination Committee has not been established.

Independent professional advice

Each director has the right to seek independent professional advice, at Servcorp's expense, to help them carry out their responsibilities. Prior approval of the Chairman is required, which will not be unreasonably withheld. A copy of advice received by the director is made available to all other members of the Board.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Servcorp.

Codes of conduct, outlining the standards of personal and corporate behaviour to be observed, form part of Servcorp's management and team manuals.

Director and officer dealings in Company shares

Servcorp policy prohibits directors, officers and senior executives from dealing in Company shares or exercising options:

- in the six weeks prior to the release of the Company's half-year and full-year results to the ASX; or
- whilst in possession of price sensitive information.

Directors must discuss proposed purchases or sales of shares in the Company with the Chairman before proceeding. Directors must also notify the Company Secretary when they buy or sell shares in the Company. This is reported to the Board.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the ASX, each director has entered into an agreement with the Company that requires disclosure to the Company of all information needed for it to comply with the obligation to notify the ASX of directors' holdings and interests in its securities.

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's Constitution directors must keep the Board advised, on an ongoing basis, of any interest that would potentially conflict with those of Servcorp. Where the Board believes that an actual or potential significant conflict exists, the director concerned, if appropriate, will not take part in any discussions or decision making process on the matter and abstains from voting on the item being considered. Details of director related entity transactions with the Company and the Consolidated Entity are set out in Note 30 to the financial statements.

Continuous disclosure

Servcorp is committed to ensuring that all shareholders and investors are provided with full and timely information and that all stakeholders have equal and timely access to material information concerning the company. Procedures are in place to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The Company Secretary has been appointed as the person responsible for communications with the ASX.

Communication with stakeholders

Servcorp is committed to increasing the transparency and quality of its communication so that we are regarded as outstanding corporate citizens. At present, information is communicated to shareholders and financial markets through the distribution of the annual report, the release of the half-year and full-year results, and market announcements to the ASX when required. The Company's annual report, result releases and market announcements are placed on its website.

Servcorp encourages effective participation at general meetings. The Chief Executive Officer provides a detailed report and is available to answer questions at the Company's annual general meeting. The Company's auditors are invited to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted and the independence of the auditor in relation to the conduct of the audit.

Auditor independence

The Company's auditors Deloitte Touche Tohmatsu (Deloitte) were appointed at the annual general meeting of the Company on 6 November 2003. The Lead Partner, Mr P G Forrester, will be due for rotation following completion of the audit for the year ending 30 June 2008.

Deloitte have established policies and procedures designed to ensure their independence, and provide the Audit and Risk Committee with an annual confirmation as to their independence.



Committees

The Board does not delegate major decisions to committees. Committees are responsible for considering detailed issues and making recommendations to the Board. The Board has established two committees to assist in the implementation of its corporate governance practices.

Audit and Risk Committee
The members of the Audit and Risk Committee during the year were:

- Mr R Holliday-Smith (Chair)
- Mr B Corlett
- Ms J King

The members are all independent non-executive directors. The chairman of the Audit and Risk Committee is independent and is not the chairman of the Board.

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the external audit function. In doing so, it is the committee's responsibility to maintain free and open communication between the committee and the external auditors and the management of Servcorp.

The external auditors, the Chief Executive Officer, the Chief Financial Officer and other senior management may attend committee meetings by invitation.

The Audit and Risk Committee met three times during the year. The committee meets with the external auditors without management being present before signing off its reports each half year. The committee Chairman also meets with the auditors at regular intervals during the year.

The responsibilities of the Audit and Risk Committee as stated in its charter include:

- reviewing the financial reports and other financial information distributed externally;
- improving the quality of the accounting function;
- reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified appropriate and prompt remedial action is taken by management;
- reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
- reviewing the nomination, fees, independence and performance of the auditor;
- liaising with the external auditors and ensuring that the statutory annual audit and half-yearly review are conducted in an effective manner;
- monitoring the internal control framework and compliance structures and considering enhancements;
- monitoring the compliance with appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with the auditors, taxation authorities, corporate regulators, Australian Stock Exchange and financial institutions;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- overseeing the risk management framework.

Remuneration Committee
The Remuneration Committee members during the year were:

- Ms J King (Chair)
- Mr B Corlett (Non-Executive Director)
- Mr T Moufarrige (Executive Director)

The role of the Remuneration Committee is to assist the Board by adopting remuneration policy and practices that:

- supports the Board's overall strategy and objectives;
- attracts and retains key employees;
- links total remuneration to financial performance and the attainment of strategic objectives.

Specifically this will include:

- remuneration policy and its application to the Chief Executive Officer and those who report to the Chief Executive Officer;
- adoption of short-term and long-term incentive plans;
- determination of levels of reward to the Chief Executive Officer and approval of rewards to those who report to the Chief Executive Officer;
- ensuring the total remuneration policy and practices are designed with full consideration of all tax, accounting, legal and regulatory requirements.

The Remuneration Committee is committed to the principles of accountability, transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance.

The Remuneration Committee meets as required. The committee met four times formally and several times informally during the year. The Chief Executive Officer may attend committee meetings by invitation to assist the committee in its deliberations.

ASX principles compliance statement

This table provides a description of the manner in which Servcorp complies with the ASX Principles of Good Corporate Governance and Best Practice Recommendations, or where applicable, an explanation of any departures from the Principles. Compliance has been measured against the ASX Principles in effect during the period of this report, not the revised ASX Principles to be effective after 1 January 2008.

Principle 1	Lay solid foundations for management and oversight *Recognise and publish the respective roles and responsibilities of board and management*
Recommendation 1.1	Formalise and disclose the functions reserved to the board and those delegated to management.
Servcorp Board Response	The Board has adopted a charter that sets out the responsibilities reserved by the Board and those delegated to the Managing Director.
Principle 2	Structure the board to add value *Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties*
Recommendation 2.1	A majority of the board should be independent directors.
Servcorp Board Reponse	The Board has a majority of independent directors. All the currently serving non-executive directors are independent.
Recommendation 2.2	The chairperson should be an independent director.
Servcorp Board Response	The Chairman is an independent director.
Recommendation 2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.
Servcorp Board Response	The roles of Chairman and Managing Director/CEO are separated.
Recommendation 2.4	The board should establish a nomination committee.
Servcorp Board Response	The Board has not established a nomination committee. Given the size of the current Board, efficiencies are not forthcoming from a separate committee structure. Selection and appointment of new directors is undertaken by consideration of the full Board. Any director appointed by the Board must retire from office at the next annual general meeting and seek re-election by shareholders.
Recommendation 2.5	Provide the information indicated in Guide to reporting on Principle 2.
Servcorp Board Response	All relevant information is included in the corporate governance section on pages 14 to 21 of the annual report.
Principle 3	Promote ethical and responsible decision-making *Actively promote ethical and responsible decision making*
Recommendation 3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 The practices necessary to maintain confidence in the company's integrity. 3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
Servcorp Board Response	The Company has established codes of conduct and ethical standards which all directors, executives and employees are expected to uphold and promote.
Recommendation 3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.

ASX principles compliance statement (cont)

Servcorp Board Response	The Board has approved a policy concerning trading in company securities, the details of which are disclosed in the corporate governance section on page 15 of this annual report.
Recommendation 3.3	Provide the information indicated in Guide to reporting on Principle 3.
Servcorp Board Response	The information is made publicly available by inclusion of the main provisions in the annual report. Complete versions are not available on the Company's website as they form part of manuals which are proprietary and confidential.
Principle 4	Safeguard integrity in financial reporting *Have a structure to independently verify and safeguard the integrity of the company's financial reporting*
Recommendation 4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.
Servcorp Board Response	The Chief Executive Officer and Chief Financial Officer provide such letters of assurance to the Board for each half-year and full-year result.
Recommendation 4.2	The board should establish an audit committee.
Servcorp Board Response	The Board has established an Audit and Risk Committee.
Recommendation 4.3	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the board; • at least three members.
Servcorp Board Response	All three members of the Audit and Risk Committee are independent and the Chairman of the committee is not the Chairman of the Board.
Recommendation 4.4	The audit committee should have a formal charter.
Servcorp Board Response	The Audit and Risk Committee has a formal charter which sets out its specific roles and responsibilities and composition requirements.
Recommendation 4.5	Provide the information indicated in Guide to reporting on Principle 4: • details of the names and qualifications of those appointed to the audit committee; • the number of meetings of the audit committee and names of the attendees.
Servcorp Board Response	This information is provided on pages 16, 22 and 23 of this annual report.
Recommendation 4.5 (cont)	• Procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
Servcorp Board Response	The external auditor, Deloitte Touche Tohmatsu (DTT), under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. DTT were appointed at the annual general meeting of the Company held on 6 November 2003. The committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. No director has any association, past or present, with the external auditor. DTT rotate their audit engagement partner every five years.

ASX principles compliance statement (cont)

Principle 5	Make timely and balanced disclosure *Promote timely and balanced disclosure of all material matters concerning the company*
Recommendation 5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.
Servcorp Board Response	The Company has established a continuous disclosure compliance plan. The Board and management continually monitor information and events and their obligation to report any matters. Responsibility for communications to the ASX on all material matters rests with the Company Secretary following consultation with the Chairman and Managing Director.
Recommendation 5.2	Provide the information indicated in Guide to reporting on Principle 5.
Servcorp Board Response	There is no further information to be provided.
Principle 6	Respect the rights of shareholders *Respect the rights of shareholders and facilitate the effective exercise of those rights*
Recommendation 6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
Servcorp Board Response	Servcorp aims to communicate clearly and transparently with shareholders and the community. Servcorp places company announcements on its website and also displays annual and half-year reports. Shareholders are given a reasonable opportunity to ask questions at the annual general meeting.
Recommendation 6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
Servcorp Board Response	Servcorp's external auditor attends the annual general meeting and is available to answer shareholder questions.
Principle 7	Recognise and manage risk *Establish a sound system of risk oversight and management and internal control*
Recommendation 7.1	The board or appropriate board committee should establish policies on risk oversight and management.
Servcorp Board Response	The Company does not have formal written policies on risk oversight and management. The Board has established an Audit and Risk Committee that is comprised only of non-executive directors. The Committee reviews the Company's risk management strategy, its adequacy and effectiveness and the communication of risks to the Board. Day to day responsibility is delegated to the Chief Executive Officer. The Chief Executive Officer is responsible for: • Identification of risk; • Monitoring risk; • Communication of risk events to the Board; and • Responding to risk events, with Board authority. The Board has committed to the establishment of a formal risk management policy and structure during the 2008 year. The Board defines risk to be any event that, if it occurs, will have a material impact on the ability of the Company to achieve its objectives. Risk is considered across the financial, operational and organisational aspects of the Company's affairs.



ASX principles compliance statement (cont)

Recommendation 7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. 7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
Servcorp Board Response	The Chief Executive Officer and Chief Financial Officer provide such assurance.
Recommendation 7.3	Provide the information indicated in Guide to reporting on Principle 7.
Servcorp Board Response	This information is provided above.
Principle 8	Encourage enhanced performance *Fairly review and actively encourage enhanced board and management effectiveness*
Recommendation 8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.
Servcorp Board Response	The Board operates under a code of conduct which recognises that strong ethical values must be at the heart of director and Board performance. The Board as a whole evaluates individual director's performance and also the Board's performance. As a tool to evaluation, a questionnaire is completed annually by the non-executive directors with the responses assessed and discussed by the Board as a whole.
Principle 9	Remunerate fairly and responsibly *Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined*
Recommendation 9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.
Servcorp Board Response	Servcorp's remuneration policies are discussed in the remuneration report on pages 27 to 29 of this annual report.
Recommendation 9.2	The board should establish a remuneration committee.
Servcorp Board Response	The Board has established a Remuneration Committee.
Recommendation 9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.
Servcorp Board Response	This information is provided in the remuneration report on page 27 of this annual report.
Recommendation 9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.
Servcorp Board Response	All equity-settled share based payments have been made in accordance with Servcorp's Executive and Employee Share Option Schemes. Both schemes had approval granted by shareholders at the November 2000 annual general meeting.

ASX principles compliance statement (cont)

Recommendation 9.5	Provide the information indicated in Guide to reporting on Principle 9. • Disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1.
Servcorp Board Response	Details of Servcorp's remuneration policies for short-term employee benefits, post employment benefits and share based payments are set out in the remuneration report on pages 27 to 29 of this annual report.
Recommendation 9.5 (cont)	• The names of the members of the remuneration committee and their attendance at meetings of the committee.
Servcorp Board Response	This information is provided on pages 16 and 23 of this annual report.
Recommendation 9.5 (cont)	• The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.
Servcorp Board Response	There are no such schemes in existence.
Principle 10	Recognise the legitimate interests of stakeholders *Recognise legal and other obligations to all legitimate stakeholders*
Recommendation 10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.
Servcorp Board Response	The Board operates under a code of conduct which recognises that strong ethical values must be at the heart of the director and Board performance. They guide compliance with legal requirements and ethical responsibilities, and also set a standard for employees and directors dealing with Servcorp's obligations to external stakeholders. In regard to stakeholders, the Company: • Reports its financial performance twice a year to the Australian Stock Exchange; • Maintains a website; • Publishes external announcements to the website and maintains these announcements for at least two years; • At general meetings, shareholders are given a reasonable opportunity to ask questions; • Analyst briefings are held following the release of the half-year and full-year financial results.

Directors' report

The directors present their report together with the Financial Report of Servcorp Limited ("the Company") and the consolidated Financial Report of the "Consolidated Entity", being the Company and its controlled entities, for the financial year ended 30 June 2007.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Alf Moufarrige
Managing director

Chief Executive Officer
Appointed August 1999

Alf is one of the global leaders in the serviced office industry, with over 25 years of experience. Alf is primarily responsible for Servcorp's expansion, profitability, cash generation and currency management.

Directorships of listed entities in the last three years:

None.

Bruce Corlett
Chair and independent non-executive director
BA, LLB

Member of Audit and Risk Committee
Member of Remuneration Committee
Appointed October 1999

Over the past 30 years Bruce has been a director of many publicly listed companies. His current directorships include Stockland Trust Group and Trust Company Limited (Chair).

Directorships of listed entities in the last three years:

- Adsteam Marine Limited from March 1997 to May 2007 (Chair);
- Stockland Trust Group since October 1996;
- Tooth and Co. Limited since September 1999;
- Trust Company Limited since October 2000.

Rick Holliday-Smith
Independent non-executive director
BA (Hons), CA, FAICD

Chair of Audit and Risk Committee
Appointed October 1999

Rick spent over 11 years in Chicago in the roles of Divisional President of global trading and sales for NationsBank, N.A. and, prior to that, Chief Executive Officer of Chicago Research and Trading Group Limited. Rick also spent over 4 years in London as Managing Director of HongKongBank Limited, a wholly owned merchant banking subsidiary of HSBC Bank.

Rick is currently a director of ASX Limited, Cochlear Limited and St George Bank Limited. He is also Chair of Snowy Hydro Limited. Rick has a Bachelor of Arts (Hons) from Macquarie University, is a Chartered Accountant and is a Fellow of the Australian Institute of Company Directors.

Directorships of listed entities in the last three years:

- ASX Limited since July 2006;
- Cochlear Limited since February 2005;
- DCA Group Limited from October 2004 to December 2006;
- Exco Resources NL from June 1998 to November 2005;
- MIA Group Limited from May 2000 to September 2004;
- SFE Corporation Limited from April 2002 to July 2006 (Chair);
- St George Bank Limited since February 2007.

Julia King
Independent non-executive director

Member of Audit and Risk Committee
Chair of Remuneration Committee
Appointed August 1999

Julia has had more than 30 years experience in strategic marketing and advertising. She was Chief Executive of the LVMH fashion group in Oceania and developed the business in this area. Prior to joining LVMH Julia was Managing Director of Lintas, a multinational advertising agency.

Julia is currently a non-executive director of Fairfax Media Limited, Opera Australia and Carla Zampatti. She has been on the Australian Government's Task Force for the restructure of the wool industry and a member of the Council of the National Library.

Directorships of listed entities in the last three years:

- Fairfax Media Limited since July 1995;
- Retail Cube Limited from January 2006 to October 2006.

Taine Moufarrige
Executive director
BA, LLB

Member of Remuneration Committee
Appointed November 2004

Taine joined Servcorp in 1996 as a Trainee Manager. Taine is now responsible for operations in Australia, New Zealand and the Middle East and for the strategic growth of the Company in these regions. Taine played a key role in establishing Servcorp locations in Europe, the Middle East, New Zealand, throughout Australia and in India through the Company's new franchise venture.

Directorships of listed entities in the last three years:

None.

Directors' meetings

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year is set out in the table on page 23.

Company Secretary

Greg Pearce
B Com, CA, ACIS

Appointed August 1999

Greg joined Servcorp in 1996 as Financial Controller and was appointed to his current role of Company Secretary during the Company's IPO in 1999. Prior to joining Servcorp Greg spent ten years working in the information technology business and the 11 years prior to that working in audit and business services.

Greg is a Chartered Accountant and is an Associate of Chartered Secretaries Australia.




Directors' attendances at meetings

Director	Board meetings	Audit & Risk committee	Remuneration committee
Number of meetings held:	11	3	4
Number of meetings attended:			
B Corlett	11	3	4
R Holliday-Smith	11	3	
J King	10	3	4
A G Moufarrige	10		
T Moufarrige	11		4

The details of the function and membership of the committees are presented in the corporate governance statement on page 16.

Principal activities

The principal activities of the Consolidated Entity during the course of the financial year were the provision of executive serviced and virtual offices and IT, communications and secretarial services.

There were no significant changes in the nature of the activities of the Consolidated Entity during the year.

Consolidated results

Net profit after tax for the financial year was $26.33 million (2006: $25.38 million). Operating revenue was $162.75 million (2006: $141.20 million). Basic and diluted earnings per share was 32.7 cents (2006: 31.6 cents).

The net profit after tax for 2006 included a non-recurring provision write-back of $1.30 million related to the reversal of a floor closure provision for Brussels.

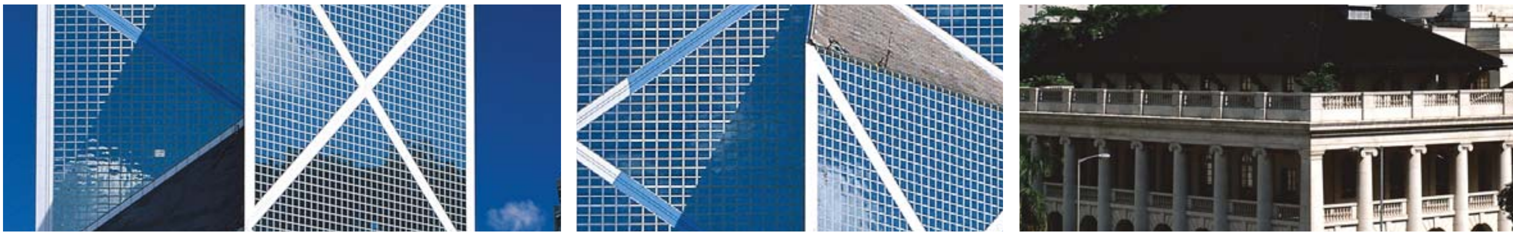
Dividends

Dividends totalling $18.50 million have been paid or declared by the Company in relation to the financial year ended 30 June 2007 (2006: $8.44 million).

The following table includes information relating to dividends in respect of the prior and current financial year, including dividends paid or declared by the Company since the end of the previous year.

Dividends paid and declared

Type	Cents per share	Total amount $'000	Date of payment	Franked %	Tax rate for franking credit
In respect of the previous financial year: 2006					
Interim - ordinary shares	4.50	3,618	4 April 2006	100%	30%
Final - ordinary shares	6.00	4,826	4 October 2006	100%	30%
In respect of the current financial year: 2007					
Special - ordinary shares	10.00	8,043	30 November 2006	100%	30%
Interim - ordinary shares	6.00	4,826	4 April 2007	100%	30%
Final - ordinary shares	7.00	5,633	4 October 2007	100%	30%



Review of operations

Revenue from ordinary activities for the twelve months ended 30 June 2007 was $162.75 million, up 15% from the twelve months ended 30 June 2006. In constant currency terms, when 2007 revenues are translated at 2006 rates, revenue increased by 20%.

Total expenses increased by 20% for the year ended 30 June 2007 when compared to the prior year. In constant currency terms total expenses increased by 28%.

Service expenses include telecommunication and other service expenses that have increased in line with increases in revenue. The increase in marketing and administration expenses during the period has increased in line with the increase in the number of clients, the increase in capacity and the increase in revenue during the year.

Occupancy expenses increased by 25% when compared to the prior year. The key driver behind the increase was the immature floor growth which accounted for $8.21 million of the increase. Rents have increased in some markets in which Servcorp operates. This demonstrates the strength of the underlying markets and the strong demand for office space that exists.

Net profit before tax for Servcorp as a whole decreased by 3% when compared to the net profit before tax for the financial year ended 30 June 2006. In constant currency terms net profit before tax actually increased by 2% for the year. As expected the immature floors impacted the net profit before tax result as occupancy expenses of new floors exceeded revenue generated through the build up period.

The Consolidated Entity generated strong operating cash flows during the year of $39.98 million up 13% from the prior year. Significant cash outflows during the year included $18.75 million in new floor expansion and the payment of $17.70 million in dividends.

At the end of the financial year, Servcorp operated 65 floors, in 50 locations, spanning 19 cities in 12 countries. The Consolidated Entity operates in Australia, New Zealand, Japan, South-East Asia, Greater China, France, United Arab Emirates, Belgium and Bahrain.

During the year 8 new locations (10 floors) have been established and 2 floors closed, giving rise to a net increase of 15% in capacity.

The number of office suites operated by the Consolidated Entity increased to 2,695 with an average mature floor occupancy of 85%.

Expansion plans underway at present include new locations in Sydney, Melbourne, Wellington, Fukuoka, Shanghai, Chengdu, Paris, Abu Dhabi, Qatar and Bahrain.

Currently the Consolidated Entity has cash and short term investment balances in excess of $64 million and is well placed to take advantage of expansion opportunities when the timing is considered favourable.

Australia & New Zealand

Mature floors

The performance of the Australian and New Zealand mature floors during the year was very strong compared to the prior year. A business was purchased from a competitor in Perth during July 2006 which became mature during the year.

Mature floor revenue from ordinary activities increased by 20% to $46.79 million when compared to the prior year. Mature floor net profit before tax increased by 52% to $13.45 million.

Immature floors

A new floor was opened in Sydney during the year. The immature floor net loss before tax for the twelve months ended 30 June 2007 was $0.33 million when compared to a loss of $0.36 million for the twelve months ended 30 June 2006. The floor is performing ahead of forecast.

The Office[2] loss for the year of $1.35 million is included in the Australian and New Zealand segment result.

Japan & Asia

Mature floors

The performance of the mature floors in Japan and Asia was solid during the year. Revenue from ordinary activities increased by 6% to $87.98 million. Local currency profits remained strong during the year however the result for the twelve months ended 30 June 2007 was adversely affected by a strong AUD.

Net profit before tax decreased by 6% to $21.70 million for the twelve months ended 30 June 2007.

Immature floors

Three floors were opened in Japan during the year, two opened in Singapore and one floor opened in Beijing.

The net loss before tax on immature floors was $5.22 million (twelve months ended 30 June 2006: $2.70 million). All immature floors are performing to or slightly ahead of expectation.

Europe & Middle East

Mature floors

Mature locations in Europe and the Middle East performed very strongly during the year. Mature floor revenue from ordinary activities increased by 22% to $21.60 million. Net profit before tax on mature floors increased by 44% to $8.01 million when compared to the twelve months ended 30 June 2006. The result for the twelve months ended 30 June 2006 included a one-off reversal of a closure provision for Brussels in the amount of $1.30 million.

The Brussels location is now breaking even.

The Dubai location continues to perform above expectations.

Immature floors

A floor was opened in Paris during the year and a floor was also opened in Bahrain. The net loss before tax generated by immature floors was $1.84 million. This result is in line with forecast.

India

A franchise agreement was signed during the year with K.Raheja Corporation, a substantial Indian company. The agreement provides for the use of the Servcorp name and business systems in India and the establishment of six locations in India within three years. The first location is scheduled to open in October 2007.

The India franchise agreement is likely to be a catalyst for further franchise growth.

Review of operations (cont)

Office^2

Office^2 commenced in July 2006 and is a new business concept that uses the Servcorp suite of IT systems, in conjunction with Cisco Systems' products, in an external multi-tenanted environment. Office^2 has potential for use in whole buildings and enables landlords to facilitate clients on a "per work station" basis.

Office^2 entered into an agreement during the year and has also signed a joint venture agreement since the end of the financial year.

Norwest Business Park
The agreement entered into with the owner of a building in Norwest Business Park will enable Office^2 to provision 500 potential users. The building is currently under construction with an expected completion date of October 2007. Tenants are expected to be in residence in November 2007.

I-City Malaysia
On 1 August 2007, Office^2 entered into a joint venture agreement with I-Berhad, a publicly listed Malaysian company. Details of the joint venture are disclosed in the events subsequent to balance date note below.

I-Berhad is the major developer of I-City, a 35,000 user complex in the Multimedia Super Corridor in Selangor province, Malaysia. The joint venture vehicle has exclusive rights to provide telephone, internet and provisioning services throughout the I-City complex. First tenants are expected to be in residence in June 2008.

The I-City joint venture is the first significant transaction that Office^2 has entered into and represents a major milestone for the project.

Office^2 has received active assistance from Cisco Systems Head Office in San Jose, in Beijing, in Hong Kong and in their Australian office. This includes marketing and technical support.

Notwithstanding the above opportunities Servcorp expects continued investment for several years to fully develop the opportunity. The loss incurred for the twelve months was $1.35 million, which was at the low end of our expectations. This loss is included in the Australia and New Zealand segment result.

New locations

City	Location	Offices	Opened
Perth	Level 18, Central Park	44	July 2006
Singapore	Level 27, Prudential Tower	34	August 2006
Beijing	Level 19, Oriental Plaza	39	August 2006
Paris	Level 5, Louis Vuitton Building	27	August 2006
Sydney	Level 26, 44 Market Street	45	September 2006
Singapore	Level 42, Suntec Tower Three	32	October 2006
Tokyo	Level 21, Shiodome Shibarikyu Building	41	November 2006
Nagoya	Level 40, Nagoya Lucent Tower	47	January 2007
Tokyo	Level 45, Sunshine 60	44	February 2007
Bahrain	Level 22, Financial Harbour	36	June 2007

Events subsequent to balance date

Office^2 - joint venture agreement
On 1 August 2007, a joint venture agreement was entered into between Office Squared Malaysia Sdn Bhd (incorporated on 27 July 2007) and I-Berhad, a publicly listed Malaysian company. Office^2 and I-Berhad have invested US$650,000 and US$350,000 respectively into the share capital of the joint venture. Profits of the joint venture will be shared in proportion to the shareholding. The Joint Venture agreement requires Office^2 to issue a bank guarantee to I-Berhad in the amount of US$350,000. In the event that I-Berhad calls the bank guarantee their 35% shareholding will revert to Office^2.

Dividend
On 22 August 2007 the directors declared a fully franked final dividend of 7.00 cents per share, payable on 4 October 2007.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2007.

Issue of shares
An issue of shares was made to seven general and senior managers in settlement of their short-term incentive remuneration subsequent to year end. The shares were allotted on 20 July 2007.

The financial effect of the above transaction has been brought to account in the financial statements for the year ended 30 June 2007.

The directors are not aware of any matter or circumstance, other than that referred to above or in the financial statements or notes thereto, that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Likely developments

The Consolidated Entity will continue to pursue its policy of seeking to increase the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.



Shares issued on the exercise of options

Date options granted	Number of shares	Amount paid
21 May 2004	30,000	$2.00

Options

Options on issue

At the date of this report there are no unissued ordinary shares of the Company under option.

Options granted

During the year or since the end of the financial year, the Company has not granted any options over unissued ordinary shares of the Company.

Shares issued on the exercise of options

30,000 shares were issued by the Company during the year ended 30 June 2007 as a result of the exercise of options over unissued shares, as detailed in the above table. No amounts are unpaid on any of the shares.

Since the end of the financial year the Company has not issued ordinary shares as a result of the exercise of options over unissued shares.

Directors' interests

The relevant interest of each director in the share capital of the companies within the Consolidated Entity, as notified by the directors to the Australian Stock Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is as follows:

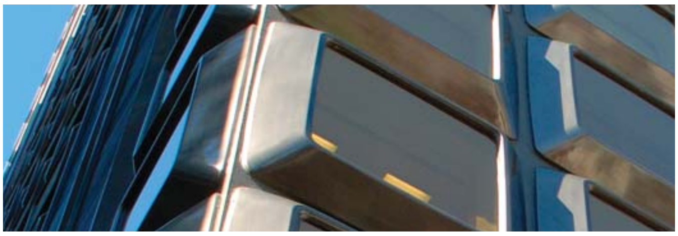
Servcorp Limited

Director	Ordinary shares		Options over ordinary shares
	Direct	Indirect	
B Corlett	43,785	339,689	-
R Holliday-Smith	250,000	-	-
J King	-	92,500	-
A G Moufarrige (i)	540,890	47,782,355	-
T Moufarrige (i)	59,992	1,800,000	-

Notes:

(i) On 22 August 2007 T Moufarrige advised the Company that he has a relevant interest in 1.8 million shares. The shares are registered in the name of Sovori Pty Ltd and are also included in the indirect interest of A G Moufarrige. The Company lodged an Appendix 3Y with the ASX on 22 August 2007.






Remuneration report

Principles used to determine the nature and amount of remuneration

The Board recognises that the Company's performance is dependent on the quality of its people. To achieve its financial and operating objectives, Servcorp must be able to attract, retain and motivate highly-skilled executives.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

Executive remuneration packages involve a balance between fixed and incentive pay. In determining the appropriate balance an annual review is undertaken that involves cross referencing position descriptions to reliable accessible remuneration surveys and comparing current remuneration packages with the latest survey information.

Servcorp's executive remuneration policy and principles are designed to ensure that the Company:

- Provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- Encourages a strong and long term commitment to the Company;
- Structures remuneration at a level that reflects the executives duties and accountabilities and is competitive within Australia and, for certain roles, internationally;
- Aligns executive incentive rewards with the creation of value for shareholders;
- Complies with applicable legal requirements and appropriate standards of governance.

The framework may provide a mix of fixed and variable pay, and a blend of short and long term incentives.

The Board's current policy regarding remuneration for senior executives is summarised on page 28. Non-executive directors are remunerated on a different basis to senior executives as set out below.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Board. The Board ensures non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors are not employed under a contract and do not receive share options or other equity based remuneration.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee limit. The pool limit currently stands at $350,000 as approved at the time of Servcorp's IPO in December 1999. This is inclusive of payments for superannuation.

Non-executive directors' fees were initially set in December 1999. That level of fees did not vary until they were reviewed with effect from 1 January 2005. The current base remuneration was reviewed with effect from 1 October 2006, and is as follows:

- Chair - $110,000 per annum plus superannuation;
- Non-executive - $60,000 per annum plus superannuation.

Additional fees are not paid for membership or chairmanship of board committees.

Retirement allowances for directors

Non-executive directors are not entitled to retirement allowances other than amounts previously contributed to complying superannuation funds.

Details of remuneration

Details of the nature and amount of each element of the remuneration of each director of Servcorp Limited for the year ended 30 June 2007 is set out in the following table.

Directors' remuneration

Name	Short-term employee benefits			Post employment		Share based payment	Total
	Salary and fees $	Bonus $	Non-monetary $	Super $	Prescribed benefits $	Equity options & shares $	$
A G Moufarrige (i)	212,827	-	220,928	18,900	-	-	452,655
T Moufarrige (i)	216,295	68,000	36,700	25,320	-	-	346,315
B Corlett	105,000	-	-	9,450	-	-	114,450
R Holliday-Smith	58,750	-	-	5,288	-	-	64,038
J King	58,750	-	-	5,288	-	-	64,038
	651,622	68,000	257,628	64,246	-	-	1,014,496

Notes:
(i) Executive directors.

Remuneration report (cont)

Principles used to determine the nature and amount of remuneration (cont)

Senior executives

The executive remuneration and reward framework has three components:

- Fixed remuneration;
- Short term incentives;
- Long term incentives.

The combination of these comprises the executive's total remuneration.

Fixed Remuneration

This is targeted to be reasonable and fair, taking into account the Company's legal and industrial obligations, labour market conditions and the scale of the Company. This fixed remuneration component reflects core performance requirements and expectations.

Fixed remuneration is reviewed annually to ensure the executive's remuneration is competitive with the market. Remuneration is also reviewed on promotion. There are no guaranteed fixed remuneration increases for any senior executives.

In 2006 the Company formally re-established the Remuneration Committee. The Committee's charter includes the formulation and more formal structuring of the Company's remuneration policy. A policy is currently being written to provide senior executives with a more structured scheme for long term and short term incentives, based on earnings, earnings growth and individual performance criteria. This policy, subject to obtaining director approval, will operate from the 2008 financial year.

In the 2007 financial year the methodology used to calculate performance rewards was not formally structured. The continued steady increase in the Company's earnings has resulted in reward for those executives who have been essential to achieving this success. Bonuses were not set as a fixed percentage of profit, but generally were an amount recommended by the Chief Executive Officer, often in consultation with the Chairman, and based on individual performance levels.

The success of Servcorp's current executives is evident in the Consolidated Entity's results. In the current year, and over the previous four financial years, net profit after tax has increased from $2.46 million in 2003 to $26.33 million in 2007. Servcorp has undertaken significant expansion in 2007 and the successful management of this expansion by Servcorp's executive team will give rise to further increases in shareholder wealth in future years.

Shareholder wealth has similarly increased. Dividends paid have increased from 7.5 cents per share in 2003 to 10.5 cents per share in 2006 and 23.0 cents per share in this financial year. Earning per share has increased from 3.1 cents per share in 2003 to 32.7 cents per share in 2007.

Short-term incentives

The short-term incentive component of executive remuneration may comprise an annual cash incentive which is linked to the performance of both Servcorp and the individual executive. In 2007 the short term incentive for certain general managers also included equity based rewards.

Executives do not have a fixed proportion of their total remuneration that is performance related. Performance targets are agreed with executives at the start of each year to ensure they meet specific business objectives for which the individual is responsible.

Cash incentives (bonuses) are generally payable following finalisation of half-year and full-year results. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan.

For the financial year ended 30 June 2007, short term incentive plans were based on the following components:

- Where the executive had responsibility for a region or business unit, attaining performance targets for operating profit;
- Where the executive did not have direct responsibility for a business unit, meeting specific business objectives for which the executive was responsible.

The short term incentive target is reviewed annually.

Servcorp Executive Share Option Scheme

The Board may grant options to eligible executives in accordance with the Servcorp Executive Share Option Scheme.

Options do not form a fixed percentage of any executive's remuneration. No options were granted during or since the end of the 2007 financial year.

Retirement benefits

Retirement benefits for Australian executives are delivered under the Servcorp Superannuation Fund. This fund provides accumulation benefits based on contributions and fund earnings. Executives may nominate for contributions to be made to another fund of their choice.

Details of remuneration

Details of the nature and amount of each element of the remuneration of each of the five named officers of the Company and the Consolidated Entity receiving the highest remuneration for the financial year ended 30 June 2007 is set out in the table on page 29.



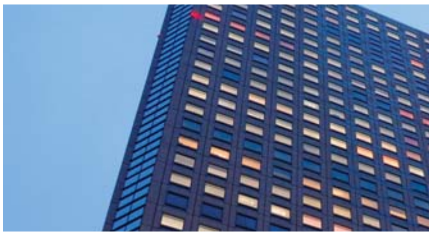
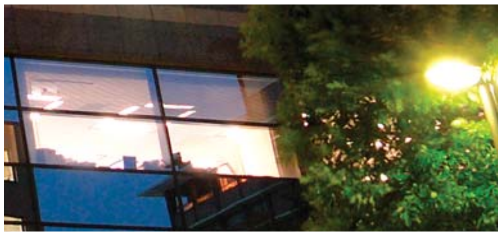

Remuneration report (cont)

Executives' remuneration

Name	Short-term employee benefits			Post employment		Share based payments	Total
	Salary and fees	Bonus	Non-monetary	Super	Prescribed benefits	Equity options & shares	
	$	$	$	$	$	$	$
R Baldwin GM ITS	438,365	-	-	16,048	-	-	454,413
M Moufarrige (i) CIO	217,870	68,000	7,299	25,320	-	-	318,489
O Vlietstra (i) GM Japan	213,713	102,907	-	-	-	-	316,620
T Wallace (i) CFO	181,324	73,000	-	22,774	-	-	277,098
S Martin (i) GM Aust & NZ	167,457	51,920	-	16,650	-	-	236,027
	1,218,729	295,827	7,299	80,792	-	-	1,602,647

Notes:

(i) The primary bonus has been 100% paid to, or vested in, the person in the 2007 financial year. No percentage of the bonus was forfeited in financial years after the financial year to which this report relates.

Indemnification and insurance of directors and officers

The constitution of the Company provides that the Company must indemnify, on a full indemnity basis and to the full extent permitted by law, each current and former director, alternate director or executive officer against all losses or liabilities incurred in that capacity in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act 2001.

The Company has agreed to indemnify the following current and former directors of the Company, Mr A G Moufarrige, Mr B Corlett, Mr R Holliday-Smith, Ms J King, Mr B Pashby and Mr T Moufarrige against any loss or liability that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty. The agreement stipulates that the Company will meet the full amount of any such liabilities to the extent permitted by law, including reasonable costs and expenses.

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company.

During the financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors, secretaries and officers of the Company and its controlled entities. The insurance policies prohibit disclosure of the nature of the liability insured against and the amount of the premiums.

State of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Directors' benefits

Since the end of the previous financial year, no director of the Consolidated Entity has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the consolidated financial report, or the fixed salary of a full-time employee of the Consolidated Entity or of a related entity) by reason of a contract made by the Consolidated Entity or a related entity with the director or with a firm of which a director is a member, or with an entity in which a director has a substantial financial interest.

Corporate governance

A statement of the Board's governance practices is set out on pages 14 to 21 of this report.

Environmental management

The Consolidated Entity's operations are not subject to any particular and significant environmental regulations under either Commonwealth or State legislation.

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 financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-audit services

During the year Deloitte Touche Tohmatsu, the Company's auditor, has performed certain "non-audit services" in addition to their statutory duties.

The Board of directors has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- Non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 31 and forms part of this report.

Details of the amounts paid or payable to the auditor of the Company, Deloitte Touche Tohmatsu and its related practices for audit and non-audit services provided during the year are set out in note 4 to the financial statements.

Signed in accordance with a resolution of the directors pursuant to section 298(2) of the Corporations Act 2001.

A G Moufarrige
Managing Director and Chief Executive Officer

Dated at Sydney this 22nd day of August 2007.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001
www.deloitte.com.au

22 August 2007

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

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 audit of the financial statements of Servcorp Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner

Member of
Deloitte Touche Tohmatsu

2007 Financial Report

Contents

Income statement

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Revenue	2	162,754	141,203	-	-
Other income	2	4,764	4,738	15,466	19,918
		167,518	145,941	15,466	19,918
Service expenses		(42,854)	(39,503)	-	-
Marketing expenses		(8,536)	(6,438)	-	-
Occupancy expenses		(66,198)	(52,829)	(40)	(16)
Administrative expenses		(15,707)	(11,483)	(887)	(1,215)
Borrowing expenses	2	(99)	(54)	-	(148)
Reversal of impairment loss in value of equity loans receivable	3	-	-	-	4,746
Other expenses		-	(427)	-	-
Total expenses		(133,394)	(110,734)	(927)	3,367
Profit before income tax expense		34,124	35,207	14,539	23,285
Income tax expense	5	(7,792)	(9,831)	(2,819)	(5,227)
Profit attributable to members of the parent entity	21	26,332	25,376	11,720	18,058
Earnings per share					
Basic earnings per share	8	$0.327	$0.316	-	-
Diluted earnings per share	8	$0.327	$0.316	-	-

The Income statement is to be read in conjunction with the notes to the financial statements.

Balance sheet

Servcorp Limited and its controlled entities

as at 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current assets					
Cash and cash equivalents	9	55,401	58,213	13	19
Trade and other receivables	10	15,462	14,551	58,747	78,695
Other financial assets	12	9,266	6,771	-	-
Current tax assets	5	207	732	71	-
Other	11	6,020	5,244	32	33
Total current assets		86,356	85,511	58,863	78,747
Non-current assets					
Other financial assets	12	19,820	19,414	40,557	40,160
Property, plant and equipment	13	31,888	29,267	-	-
Deferred tax assets	5	8,087	7,149	26	25
Goodwill	14	15,962	15,440	-	-
Total non-current assets		75,757	71,270	40,583	40,185
Total assets		162,113	156,781	99,446	118,932
Current liabilities					
Trade and other payables	15	21,984	18,658	6,027	14,910
Other financial liabilities	16	16,377	16,532	-	-
Current tax liabilities	5	3,799	6,855	2,057	5,806
Provisions	18	3,038	2,331	186	-
Total current liabilities		45,198	44,376	8,270	20,716
Non-current liabilities					
Trade and other payables	15	5,212	4,145	-	543
Other financial liabilities	16	-	-	-	582
Provisions	18	286	538	-	-
Deferred tax liabilities	5	265	461	-	-
Total non-current liabilities		5,763	5,144	-	1,125
Total liabilities		50,961	49,520	8,270	21,841
Net assets		111,152	107,261	91,176	97,091
Equity					
Issued capital	19	80,754	80,694	80,754	80,694
Reserves	20	(13,107)	(8,301)	16	16
Retained earnings	21	43,505	34,868	10,406	16,381
Total equity		111,152	107,261	91,176	97,091

The Balance sheet is to be read in conjunction with the notes to the financial statements.

Statement of recognised income and expense

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Translation of foreign operations:					
Exchange differences taken to equity	20	(4,806)	(357)	-	-
Net expense recognised directly in equity		(4,806)	(357)	-	-
Profit for the financial year	21	26,332	25,376	11,720	18,058
Total recognised income and expense for the financial year		21,526	25,019	11,720	18,058

The Statement of recognised income and expense is to be read in conjunction with the notes to the financial statements.

Cash flow statement

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Cash flows from operating activities					
Receipts from customers		168,250	157,421	-	-
Payments to suppliers and employees		(118,875)	(114,569)	(963)	(116)
Dividends and royalties received		-	-	-	17,276
Income tax paid		(12,132)	(9,085)	(10,714)	(7,429)
Interest and other items of similar nature received		2,840	1,679	1,433	2,642
Interest and other costs of finance paid		(99)	(101)	-	(148)
Net operating cash flows	27(c)	39,984	35,345	(10,244)	12,225
Cash flows from investing activities					
Payments for property, plant and equipment		(14,547)	(12,348)	-	-
Payments for financial assets		(6,061)	(200)	-	-
Payments for acquisition of business	27(b)	(1,416)	(1,645)	-	-
Payments for lease deposits		(4,206)	(2,828)	-	-
Proceeds from sale of investments		1,900	927	-	-
Proceeds from sale of property, plant and equipment		712	199	-	-
Proceeds from refund of lease deposits		1,238	1,149	-	-
Amounts advanced to related parties		-	-	-	(66)
Repayment of related party loans		-	-	(9,702)	(5,480)
Proceeds from repayment of related party loans		-	-	37,575	-
Net investing cash flows		(22,380)	(14,746)	27,873	(5,546)
Cash flows from financing activities					
Proceeds from issue of equity securities		60	-	60	-
Proceeds from borrowings		751	560	-	-
Repayment of borrowings		(13)	(589)	-	-
Dividends paid		(17,695)	(6,834)	(17,695)	(6,834)
Net financing cash flows		(16,897)	(6,863)	(17,635)	(6,834)
Net increase / (decrease) in cash and cash equivalents		707	13,736	(6)	(155)
Cash and cash equivalents at the beginning of the financial year		56,365	41,778	19	174
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(2,958)	851	-	-
Cash and cash equivalents at the end of the financial year	27(a)	54,114	56,365	13	19

The Cash flow statement is to be read in conjunction with the notes to the financial statements.

1 Summary of accounting policies

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 August 2007.

Basis of preparation
The financial report has been prepared on the basis of historical cost, except for the revaluation of 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 annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and interpretations has not resulted in changes to the reported amounts for the current or proceeding financial year.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB7 'Financial Instruments': Disclosures and consequential amendments to other Accounting Standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2007.

- AASB101 'Presentation of Financial Statements' - revised standard. Effective for annual reporting periods beginning on or after 1 January 2007.

- AASB8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009.

- Interpretation 10 'Interim Financial Reporting' and Impairment'. Effective for annual reporting periods beginning on or after 1 November 2006.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Consolidated Entity or the Company. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not effect either the Consolidated Entity's or the Company's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB101 (revised), AASB7 and AASB8 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Consolidated Entity's and the Company's financial instruments and the objectives, policies and processes for managing capital, and segment information.

These Standards and Interpretations will be first applied in the financial report of the Consolidated Entity that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the Company's annual reporting period beginning on 1 July 2007.

1 Summary of accounting policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries, as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess in the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition the difference is credited to the Income statement in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control, and until such time as the Company ceases to control an entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(b) Goodwill

Goodwill arising on acquisition is recognised as an asset and initially recognised at cost, representing the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised, but is tested for impairment at each reporting date and whenever there is an indication that goodwill may be impaired. Any impairment of goodwill is recognised immediately in the Income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

(d) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets (other than those at fair value through profit or loss), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

The recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value by using a pre-tax discount rate, that reflects the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Income statement immediately, unless the relevant assets are carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of the impairment loss is recognised in the Income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements

1 Summary of accounting policies (continued)

(e) Revenue recognition

Sales revenue

Sales revenue comprises revenue earned net of the amount of consumption tax from the provision of services to entities outside the Consolidated Entity. Rental, telephone and services revenue is typically invoiced in advance and is recognised in the period in which the service is provided.

(f) Other income / expense

Interest income

Interest income is recognised as it accrues.

Disposal of assets

The profit and loss on disposal of assets is brought to account when the significant risks and rewards of ownership passes to a party external to the Consolidated Entity.

(g) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Foreign currency monetary items at reporting date are translated at the exchange rates existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the Income statement in the period in which they arise except exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation. Such exchange differences are recognised in the foreign currency translation reserve and in the Income statement on disposal of the net investment.

Translation of controlled foreign entities

The assets and liabilities of overseas operations are translated at the rates of exchange ruling at the Balance sheet date.

Income and expense items are translated at the average exchange rate for the period unless exchange rates fluctuate significantly. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The balance of the foreign currency translation reserve relating to an overseas operation that is disposed of is recognised in the Income statement in the period of disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(h) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges. Borrowing costs are expensed to the Income statement as incurred.

1 Summary of accounting policies (continued)

(i) Taxation

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. Income tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax
Deferred tax is accounted for using the comprehensive Balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arises from the initial recognition of assets and liabilities, other than as a result of a business combination, which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches and associates except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets and liabilities giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the Income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised in equity.

Tax consolidation
The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Servcorp Limited is the head entity in the tax consolidated group. Tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate tax payer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company. Under this method, each entity is subject to tax as part of the tax consolidated group.

Due to the existence of a tax funding arrangement between entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company, and each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the parent entity, and the other members of the tax consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (distribution to) equity participants.

1 Summary of accounting policies (continued)

(i) Taxation (continued)

Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Balance sheet.

Cash flows are included in the Cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

(j) Receivables
Trade debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and aspecific allowance is made for any doubtful amounts.

(k) Derivative financial instruments
The Consolidated Entity enters into derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Further details of derivative financial instruments are disclosed in Note 22 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised immediately in the Income statement.

(l) Share based payments
Equity settled share based payments granted after 7 November 2002 that had not vested as at 1 July 2005 are measured at fair value at grant date. Fair value is calculated using the Black Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on management's estimate of options that will eventually vest.

(m) Financial assets
Subsequent to initial recognition, investments in subsidiaries are measured at cost.

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Other financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss
Investments in fixed rate bonds and reset preference securities held for trading are classified as financial assets and are carried at fair value with any resultant gain or loss recognised through the Income statement.

Loans and receivables
Trade receivables, loans and other receivables including lease deposits are recorded at amortised cost using the effective interest rate method, less impairment.

Interest is recognised by applying the effective interest rate method.

1 Summary of accounting policies (continued)

(n) Property, plant and equipment

Acquisition

Items of property, plant and equipment acquired are capitalised when it is probable that the future economic benefits associated with the item will flow to the entity and the cost can be measured reliably. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives.

Costs incurred on property, plant and equipment, which do not meet the criteria for capitalisation, are expensed as incurred.

Property, plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation, less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight line method over their estimated useful lives. Leasehold improvements are depreciated over the remaining lease term or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives used for each class of asset are as follows:

Buildings	40 years
Leasehold improvements	Shorter of the useful life of the asset or the remaining lease term
Office furniture and fittings	7.7 years
Office equipment	3-4 years
Motor vehicles	6.7 years

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.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(o) Leased assets

Finance leases

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the fair value of the asset, or if lower the present value of the minimum lease payments, is recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Capitalised leased assets are amortised on a straight line basis over the estimated life of the asset.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Income statement.

Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

Floor rental is expensed in the accounting period in which it is due and payable in accordance with lease agreements entered into with landlords. Where a rent free period or other lease incentives exist under the terms of a lease agreement, the aggregate rent payable over the lease term is calculated and a charge is made to the Income statement on a straight line basis over the term of the lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.

1 Summary of accounting policies (continued)

(p) Payables

Liabilities are recognised for amounts payable in the future for goods or services received, whether or not billed to the Consolidated Entity or the Company. Trade accounts payable are normally settled within 60 days.

(q) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Any difference between the initial recognised amount and the redemption value is recognised in the Income statement over the life of the borrowings using the effective interest rate method.

(r) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Make good costs

A provision is made for make good costs on leases that are expected to terminate within eighteen months of the Balance sheet date, where those make good costs can be reliably measured, and can be reasonably expected to occur.

Onerous contracts

An onerous contract is considered to exist where the Consolidated Entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(s) Employee benefits

Wages, salaries and annual leave

The provisions for employee benefits in respect of wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the reporting date. Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long service leave

The provision for employee benefits in respect of long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to the reporting date.

Provisions for employee benefits which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at the balance sheet date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee benefits, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

Executive and employee share option schemes

Servcorp Limited has granted options to certain executives and employees under Executive and Employee Share Option Schemes. Further information is set out in Notes 23 and 29 to the financial statements.

Defined contribution superannuation fund

The Company and other controlled entities contribute to a defined contribution superannuation plan. Contributions are charged to the Income statement as they are made. Further information is set out in Note 23. Contributions to defined contribution superannuation plans are expensed as incurred.

1 Summary of accounting policies (continued)

(t) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated by dividing the net profit attributable to members of the Consolidated Entity for the reporting period, by the weighted average number of ordinary shares of the Company.

Diluted earnings per share

Diluted EPS is calculated by adjusting the basic EPS earnings by the effect of conversion to ordinary shares of the associated dilutive potential ordinary shares. The notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted are not included.

The diluted EPS weighted average number of shares includes the number of shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(u) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance sheet.

(w) Critical accounting issues

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1 **Summary of accounting policies** (continued)

(w) Critical accounting issues (continued)

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Useful lives of property, plant and equipment

As described in Note 1(n), the Group reviews the estimated useful lives of property, plant and equipment at each reporting period.

Make good provisions

At each reporting date, management reviews leases that are expected to terminate within eighteen months of the Balance sheet date to determine the present obligation in relation to floor closure costs including make good. Details of the provision are provided in Note 18.

Royalties

Servcorp applied a new transfer pricing methodology for the determination of the royalty fees charged by Servcorp Limited to its subsidiaries for the year ended 30 June 2007, which also included a refund to an overseas jurisdiction in relation to the year ended 30 June 2006. The financial impact of these changes in royalty methodology for all locations for the year ended 30 June 2007 was an overall drop in the royalty income recorded by Servcorp Limited of $155,000.

		Consolidated		The Company	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
2	**Profit from operations**				
(a)	**Revenue**				
	Revenue from continuing operations consisted of the following:				
	Revenue from the rendering of services	162,754	141,203	-	-
(b)	**Other income**				
	Interest income:				
	Related parties	-	-	1,311	2,343
	Other	2,592	2,174	10	14
	Royalties:				
	Related parties	-	-	8,384	17,276
	Franchise fees:				
	Other	216	226	-	-
	Dividends received from:				
	Related parties	-	-	5,000	-
	Net foreign exchange gains	-	985	113	285
	Gains from disposal of assets:				
	Related parties	-	-	648	-
	Other	155	-	-	-
	Other	1,801	1,353	-	-
	Total other income	4,764	4,738	15,466	19,918
(c)	**Profit before income tax**				
	Profit before income tax was arrived at after charging/(crediting) the following from/(to) continuing operations:				
	Net foreign exchange losses	2,855	-	-	-
	Borrowing expenses:				
	Interest	99	29	-	148
	Finance charges on capitalised leases	-	25	-	-
		99	54	-	148
	Depreciation of leasehold improvements	4,872	4,674	-	-
	Depreciation of property, plant and equipment	4,351	3,634	-	-
	Loss on disposal of property, plant and equipment	101	231	-	-
	Change in fair value of financial assets classified as fair value through the profit or loss	14	14	-	-
	Net bad and doubtful debts arising from:				
	Third parties	507	701	-	-
	Related party debt forgiveness	-	-	547	-
	Operating lease rental expense:				
	Minimum lease payments	55,300	45,822	-	-
	Employee benefit expense:				
	Equity-settled share based payments	-	9	-	9

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
3 Significant transactions				
Individually significant transactions included in profit from ordinary activities before income tax expense:				
Reversal of Brussels closure provision	-	(1,298)	-	-
Reversal of impairment loss in value of equity loans receivable	-	-	-	(4,746)

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $
4 Remuneration of auditors				
(a) Auditor of the parent entity				
(Deloitte Touche Tohmatsu Australia (DTT))				
Audit and review of financial reports	313,468	286,201	173,068	185,761
Other services - tax	136,955	95,500	136,555	91,150
Other services - A-IFRS consulting	-	24,571	-	24,571
Other services - statutory accounts review	-	8,000	-	-
Other services - other	10,000	-	-	-
	460,423	414,272	309,623	301,482
(b) Other auditors				
(DTT International Associates)				
Audit and review of financial reports	370,792	339,342	-	-
Other services - tax	122,646	188,943	-	-
Other services - statutory accounts review	47,421	47,205	-	-
	540,859	575,490	-	-
	1,001,282	989,762	309,623	301,482

The auditor of Servcorp Limited is Deloitte Touche Tohmatsu.

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000

5 Income taxes

(a) Income tax recognised in the Income statement

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Tax expense comprises:				
Current tax expense	9,468	9,771	2,689	5,546
Under/(over) provision in prior years - current tax	212	(352)	131	(342)
Under/(over) provision in prior years - deferred tax	32	(386)	(53)	8
Deferred tax (income)/expense relating to the origination and reversal of temporary differences and previously unrecognised tax losses	(1,920)	798	52	15
Income tax expense	7,792	9,831	2,819	5,227

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Profit before income tax expense	34,124	35,207	14,539	23,285
Income tax expense calculated at 30%	10,237	10,562	4,361	6,986
Deductible local taxes	(213)	(344)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,886)	(106)	-	-
Other non-deductible/(non-assessable) items	19	327	(1,620)	(1,425)
Tax impact of 2006 royalty fee adjustment	(655)	-	-	-
Tax losses of controlled entities recovered	-	(76)	-	-
Income tax under/(over) provision in prior years	244	(738)	78	(334)
Unused tax losses and tax offsets not recognised as deferred tax assets	46	206	-	-
Income tax expense	7,792	9,831	2,819	5,227

The tax rate used in the above reconciliation is the Australian corporate tax rate of 30% (2006: 30%).

(b) Current tax assets and liabilities

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current tax assets:				
Tax refunds receivable	207	732	71	-
Current tax payables:				
Income tax attributable to				
Parent entity	2,057	5,806	2,057	5,806
Subsidiaries	1,742	1,049	-	-
	3,799	6,855	2,057	5,806

5 **Income taxes** (continued)

(c) Deferred tax balances

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Deferred tax assets comprise:				
Tax losses - revenue	2,406	1,472	-	-
Temporary differences	5,681	5,677	26	25
	8,087	7,149	26	25
Deferred tax liabilities comprise:				
Temporary differences	265	461	-	-
Net deferred tax assets	7,822	6,688	26	25
The gross movement of the deferred tax accounts are as follows:				
Balance at the beginning of the financial year	6,688	7,043	25	48
Movements in foreign exchange rates	(754)	57	-	-
Income statement credit/(charge)	1,888	(412)	1	(23)
Balance at the end of the financial year	7,822	6,688	26	25
Deferred tax assets				
Movements in temporary differences:				
Accruals not currently deductible	366	(243)	1	(23)
Doubtful debts	(100)	(160)	-	-
Depreciable and amortisable assets	(361)	358	-	-
Tax losses	934	(521)	-	-
Foreign exchange	586	153	-	-
Other	279	(23)	-	-
Deferred tax assets	1,704	(436)	1	(23)
Balance at the beginning of the financial year	7,149	7,517	25	48
Movements in foreign exchange rates	(766)	68	-	-
Income statement credit/(charge)	1,704	(436)	1	(23)
Balance at the end of the financial year	8,087	7,149	26	25
Deferred tax liabilities				
Movements in temporary differences:				
Depreciable and amortisable assets	73	(95)	-	-
Other	(257)	71	-	-
Deferred tax liabilities	(184)	(24)	-	-
Balance at the beginning of the financial year	461	474	-	-
Movements in foreign exchange	(12)	11	-	-
Income statement credit	(184)	(24)	-	-
Balance at the end of the financial year	265	461	-	-

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

5 Income taxes (continued)

(d) Unrecognised deferred tax balances

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
The following deferred tax assets have not been brought to account as assets:				
Temporary differences	238	526	-	-
Tax losses - revenue	2,343	2,687	-	-
	2,581	3,213	-	-

Tax losses carried forward

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Consolidated Entity recognised deferred income tax assets of $2,406,337 (2006: $1,472,051) in respect to losses that can be carried forward against future taxable income.

6 Segment information

Inter-segment pricing is determined on an arm's length basis.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The directors consider this geographical segment to be the primary segment for the basis of reporting.

Business segments
The Consolidated Entity comprises only one business segment which is the provision of executive serviced and virtual offices and associated communications and secretarial services. The directors consider this business segment to be the secondary segment.

Geographical segments	Australia & New Zealand $'000	Japan & Asia $'000	Europe & Middle East $'000	Eliminated $'000	Consolidated $'000
2007					
Revenue					
Segment revenue	47,978	92,959	22,188	-	163,125
Other unallocated revenue and other income					4,393
Total revenue and other income					167,518
Result					
Segment result	11,767	16,472	6,175	-	34,414
Unallocated corporate profit					(290)
Profit before income tax expense					34,124
Income tax expense					(7,792)
Net profit					26,332
Depreciation and amortisation of segment assets	3,045	5,351	1,005	(178)	9,223
Non-cash items other than depreciation	580	269	853	-	1,702
Assets					
Segment assets	51,147	85,494	19,980	-	156,621
Unallocated corporate assets					5,492
Consolidated total assets					162,113
Acquisitions of non-current assets	3,918	8,792	2,105	-	14,815
Liabilities					
Segment liabilities	29,697	47,658	13,466	-	90,821
Unallocated corporate liabilities					(39,860)
Consolidated total liabilities					50,961

6 Segment information (continued)

Geographical segments	Australia & New Zealand $'000	Japan & Asia $'000	Europe & Middle East $'000	Eliminated $'000	Consolidated $'000
2006					
Revenue					
Segment revenue	39,393	86,820	17,710	-	143,923
Other unallocated revenue and other income					2,018
Total revenue and other income					145,941
Result					
Segment result	8,513	20,506	5,492	-	34,511
Unallocated corporate profit					696
Profit before income tax expense					35,207
Income tax expense					(9,831)
Net profit					25,376
Depreciation	2,659	4,722	998	(71)	8,308
Non-cash items other than depreciation	432	165	(411)	(70)	116
Individually significant items (i)	-	-	(1,298)	-	(1,298)
Assets					
Segment assets	41,771	92,577	16,490	-	150,838
Unallocated corporate assets					5,943
Consolidated total assets					156,781
Acquisitions of non-current assets	5,104	5,520	1,724	-	12,348
Liabilities					
Segment liabilities	24,648	43,146	6,888	-	74,682
Unallocated corporate liabilities					(25,162)
Consolidated total liabilities					49,520

Notes:
(i) Individually significant items were in relation to floor closure costs. Refer to Note 3.

Notes to the financial statements

for the financial year ended 30 June 2007

7 Dividends

Dividends proposed (unrecognised) or paid (recognised) by the Company are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Recognised amounts					
2006					
Interim - fully paid ordinary shares	4.50	3,618	4 Apr 2006	30%	100%
Final - fully paid ordinary shares	6.00	4,826	4 Oct 2006	30%	100%
2007					
Special - fully paid ordinary shares	10.00	8,043	30 Nov 2006	30%	100%
Interim - fully paid ordinary shares	6.00	4,826	4 Apr 2007	30%	100%

Unrecognised amounts
Since the end of the financial year, the directors have declared the following dividend:

Final - fully paid ordinary shares	7.00	5,633	4 Oct 2007	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.

	The Company	
	2007 $'000	2006 $'000
Dividend franking account		
30% franking credits available	9,518	11,353
Impact on franking account balance of dividends not recognised	2,414	2,068

The balance of the franking account has been adjusted for franking credits that will arise from the payment of income tax provided for in the financial statements, and for franking debits that will arise from the payment of dividends recognised as a liability at reporting date.

	Consolidated	
	2007 $'000	2006 $'000

8 Earnings per share

Earnings reconciliation:		
Net profit	26,332	25,376
Earnings used in the calculation of basic and diluted EPS	26,332	25,376
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	80,428,310	80,398,310
Shares deemed to be issued in respect of:		
Employee options	-	30,000
Weighted average number of ordinary shares used in calculation of diluted EPS	80,428,310	80,428,310
Basic earnings per share	$0.327	$0.316
Diluted earnings per share	$0.327	$0.316

Classification of securities as potential ordinary shares
Options
As at 30 June 2007, the Company had on issue Nil (2006: 30,000) options over unissued capital. The inclusion of these potential ordinary shares leads to a diluted earnings per share that is not materially different from the basic earnings per share.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000

9 Cash and cash equivalents

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Cash	22	17,905	19,448	13	19
Bank short term deposits	22	37,496	38,765	-	-
		55,401	58,213	13	19

Bank short term deposits mature within an average of 71 days. These deposits and the interest earning portion of the cash balance earn interest at a weighted average rate of 5.24% (2006: 5.29%).

10 Trade and other receivables

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
At amortised cost					
Trade receivables		15,152	13,368	-	-
Less: allowance for doubtful debts held for trading		(269)	(346)	-	-
Other debtors		579	1,529	74	108
Amounts receivable from controlled entities (i)	30	-	-	58,673	78,587
		15,462	14,551	58,747	78,695

Notes:

(i) The weighted average interest rate for the year ended 30 June 2007 on outstanding loan balances was 3.99% for secured loans and 11.74 % for unsecured loans (2006: 4.71% for secured loans and 11.18% for unsecured loans).

11 Other assets

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
Prepayments		4,053	3,638	32	33
Other		1,967	1,606	-	-
		6,020	5,244	32	33

12 Other financial assets

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
At fair value through profit or loss					
Investment in fixed rate bonds - held for trading		1,020	2,835	-	-
Investment in reset preference securities - held for trading		8,246	2,200	-	-
Forward foreign currency exchange contracts		-	101	-	-
	22	9,266	5,136	-	-
At amortised cost					
Lease deposits	22	-	1,635	-	-
		9,266	6,771	-	-

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
12 Other financial assets (continued)					
Non-current					
At cost					
Shares in controlled entities		-	-	19,076	19,076
Investment - equity loans to controlled entities (i)		-	-	21,481	21,084
At amortised cost					
Lease deposits	22	19,765	19,354	-	-
Other	22	55	60	-	-
		19,820	19,414	40,557	40,160

Notes:

(i) These loans rank equally with shareholders, interest is only applied to the extent dividends are received.

13 Property, plant and equipment

	Consolidated								
	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 2006	1,626	37,635	6,267	8,423	1,271	14,783	718	226	70,949
Additions	-	8,164	-	2,974	-	3,677	-	-	14,815
Disposals	(597)	(1,717)	(413)	(406)	(109)	(436)	-	-	(3,678)
Transfers	-	-	-	17	(1)	(16)	-	-	-
Net foreign currency differences on translation of self-sustaining operations	(304)	(4,548)	(426)	(735)	(33)	(728)	(45)	(26)	(6,845)
Balance at 30 June 2007	725	39,534	5,428	10,273	1,128	17,280	673	200	75,241
Accumulated depreciation									
Balance at 30 June 2006	67	20,615	5,603	3,836	1,176	9,602	718	65	41,682
Depreciation expense	28	4,393	479	1,358	53	2,880	-	32	9,223
Disposals	(60)	(1,541)	(413)	(341)	(109)	(401)	-	-	(2,865)
Transfers	-	-	-	1	(1)	-	-	-	-
Net foreign currency differences on translation of self-sustaining operations	(14)	(3,178)	(373)	(464)	(27)	(578)	(45)	(8)	(4,687)
Balance at 30 June 2007	21	20,289	5,296	4,390	1,092	11,503	673	89	43,353
Net book value									
Balance at 30 June 2007	704	19,245	132	5,883	36	5,777	-	111	31,888
Balance at 30 June 2006	1,559	17,020	664	4,587	95	5,181	-	161	29,267

Aggregate depreciation expense allocated during the year is recognised as an expense and disclosed in Note 2 to the financial statements.

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
14 Goodwill				
Gross carrying amount and net book value				
Balance at the beginning of the financial year	15,440	15,440	-	-
Additions (i)	522	-	-	-
Balance at the end of the financial year	15,962	15,440	-	-

Notes:

(i) On 20 July 2006, Servcorp WA Pty Ltd acquired the business trading as Level 18, Central Park, Perth, Western Australia. Goodwill on acquisition was $522,000. Refer to Note 31 for further details.

At each reporting date, the Consolidated Entity assessed the recoverable amount of goodwill, and determined that goodwill was not impaired.

Allocation of goodwill to cash generating units

There are eleven geographical groups of cash generating units as follows:
Japan, Australia, New Zealand, China, Hong Kong, Malaysia, Singapore, Thailand, Belgium, United Arab Emirates and France.

Goodwill was allocated to the regions in which goodwill arose.

The carrying amount of goodwill relating to cash generating units as at 30 June 2007 were as follows:

	Consolidated	
	2007 $'000	2006 $'000
Japan	9,161	9,161
France	2,187	2,187
Australia	2,636	2,114
New Zealand	785	785
Singapore	706	706
Thailand	326	326
China	161	161
	15,962	15,440

The recoverable amount of goodwill relating to each cash generating unit was determined based on value-in-use calculations, which uses cash flow projections based on financial forecasts approved by management, covering a five year period. The discount rate applied was 13.19% p.a. (2006: 11.50% p.a.).

Management have applied assumptions to the future forecast cash flows based on historic performance and historic growth. The assumptions did not include any acquisitions or capital expansions.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000

15 Trade and other payables

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
At amortised cost					
Trade creditors		5,252	3,297	82	-
Deferred income		11,113	10,101	-	-
Deferred lease incentive		1,168	534	-	-
Other creditors and accruals		4,451	4,726	-	366
Amounts payable to controlled entities (i)	30	-	-	5,945	14,544
		21,984	18,658	6,027	14,910
Non-current					
At amortised cost					
Deferred lease incentive		5,212	4,145	-	-
Loans from controlled entities - unsecured (i)	30	-	-	-	543
		5,212	4,145	-	543

Notes:

(i) The unsecured loans from controlled entities bear interest at a floating rate. The weighted average rate for the year ended 30 June 2007 on outstanding unsecured loan balances was 11.74% (2006: 11.18%).

16 Other financial liabilities

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
At amortised cost					
Bank overdraft (i)	22	943	1,848	-	-
Bank loans - secured (ii)	22	344	521	-	-
Finance lease liabilities (iv)	24	-	15	-	-
Security deposits	22	15,090	14,148	-	-
		16,377	16,532	-	-
Non-current					
At amortised cost					
Loans from controlled entities - unsecured (iii)	30	-	-	-	582
		-	-	-	582

Notes:

(i) In the consolidated financial report, the bank overdrafts are denominated in Yen and Renminbi, and are unsecured. Interest at a rate of 2.18% (2006: 1.86%) is applicable to the Yen outstanding balance. Interest at a rate of 5.67% (2006: 5.31%) is applicable to the Renminbi outstanding balance.

(ii) The bank loan is denominated in Yen and is secured by a mortgage over property, the current market value of which exceeds the value of the bank loan. The interest rate on the loan is 1.95% (2006: 1.48%).

(iii) The unsecured loans from controlled entities bear interest at a floating rate. The weighted average interest rate for the year ended 30 June 2007 on outstanding unsecured loan balances was Nil% (2006: 11.18%).

(iv) Secured by the assets leased.

17 Financing arrangements

The Consolidated Entity and the Company have access to the following lines of credit:

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Total facilities available:				
Bank guarantees (i)	10,760	10,274	10,760	10,274
Bank overdrafts (iv)	7,763	9,832	1,030	1,015
Lease facilities (ii)	-	43	-	43
Bill acceptance / payroll / other facilities (iii)	2,648	2,274	2,648	2,274
	21,171	22,423	14,438	13,606
Facilities utilised at balance sheet date:				
Bank guarantees (i)	9,808	8,632	9,808	8,632
Bank overdrafts and credit cards (iv)	1,316	2,389	30	15
Lease facilities (ii)	-	30	-	30
	11,124	11,051	9,838	8,677
Facilities not utilised at balance sheet date:				
Bank guarantees (i)	952	1,642	952	1,642
Bank overdrafts (iv)	6,447	7,443	1,000	1,000
Lease facilities (ii)	-	13	-	13
Bill acceptance / payroll / other facilities (iii)	2,648	2,274	2,648	2,274
	10,047	11,372	4,600	4,929

Notes:

(i) Bank guarantees have been issued to secure rental bonds over premises. The guarantees are secured by a cross guarantee and indemnity between Servcorp Limited and its Australian and New Zealand controlled entities.

A guarantee has also been established to secure an overdraft limit in the form of a term deposit.

(ii) Lease facilities have been established to finance the fitout of new locations. The facilities are secured by the assets under lease, the current market value of which exceeds the value of the lease liability. Facilities established are both fixed and revolving in nature.

(iii) Bill acceptance, payroll and other facilities have been established to facilitate the encashment of cheques, to accommodate direct entry payroll and direct entry supplier payments.

(iv) Bank overdraft limits have been established to fund working capital as required. All bank overdraft facilities are unsecured and payable at call, including credit card facility utilised.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000

18 Provisions

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current					
Employee benefits (i)	22	2,908	2,001	186	-
Provision for make good costs (ii)		-	68	-	-
Other		130	262	-	-
		3,038	2,331	186	-
Non-current					
Employee benefits	22	286	538	-	-
		286	538	-	-

	Consolidated Make good costs $'000	Consolidated Other $'000
Balance at the beginning of the financial year	68	262
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	(68)	(132)
Balance at the end of the financial year	-	130

Notes:

(i) The current provision for employee benefits includes $1,607,000 (Company: $Nil) of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2006: $1,608,000 and $Nil for the Consolidated Entity and the Company respectively).

(ii) An amount of $Nil (2006: $68,000) has been provided for the make good of one floor that is due to close within eighteen months of the balance sheet date.

Notes to the financial statements

for the financial year ended 30 June 2007

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
19 Issued capital				
Fully paid ordinary shares 80,428,310 (2006: 80,398,310)	80,754	80,694	80,754	80,694
Movements in issued capital				
Balance at the beginning of the financial year	80,694	80,694	80,694	80,694
Shares issued				
30,000 (2006: Nil) from the exercise of options under the Share Option Schemes	60	-	60	-
Balance at the end of the financial year	80,754	80,694	80,754	80,694

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Options
Ordinary shares were issued pursuant to exercise of options as follows:
30,000 shares were issued in the current year (2006: Nil). Further details of the Executive and Employee Share Option Schemes are detailed in Note 23 to the financial statements.

Terms and conditions
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at members' meetings. Fully paid ordinary shares carry one vote per share.

In the event of winding up of the Company, holders of ordinary shares are entitled to any excess after payment of all debts and liabilities of the Company and costs of winding up.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
20 Reserves					
Employee equity-settled benefits reserve		16	16	16	16
Foreign currency translation reserve		(13,123)	(8,317)	-	-
		(13,107)	(8,301)	16	16
Movements during the financial year					
Foreign currency translation reserve					
Balance at the beginning of the financial year		(8,317)	(7,960)	-	-
Deferred exchange differences arising from monetary items considered part of the investment in self-sustaining foreign operations		(3,890)	546	-	-
Translation of foreign operations		(916)	(903)	-	-
Balance at the end of the financial year		(13,123)	(8,317)	-	-

The foreign currency translation reserve records the foreign currency movements arising from the translation of foreign operations and the translation of monetary items forming part of the net investment in foreign operations.

Employee equity-settled benefits reserve					
Balance at the beginning of the financial year		16	7	16	7
Share based payment		-	9	-	9
Balance at the end of the financial year		16	16	16	16

The employee equity-settled benefits reserve arises on the grant of share options to the Chief Financial Officer, T Wallace as detailed in Note 29.

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
21 Retained earnings					
Retained earnings at the beginning of the financial year		34,868	16,149	16,381	5,157
Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139		-	177	-	-
Restated balance at the beginning of the financial year		34,868	16,326	16,381	5,157
Net profit for the period		26,332	25,376	11,720	18,058
		61,200	41,702	28,101	23,215
Dividends paid	7	(17,695)	(6,834)	(17,695)	(6,834)
Retained earnings at the end of the financial year		43,505	34,868	10,406	16,381

22 Additional financial instruments disclosure

(a) Interest rate risk

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rates for the different classes of financial assets and financial liabilities are set out below:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
		%	$'000	$'000	$'000	$'000	$'000	$'000
2007								
Consolidated								
Financial assets								
Cash and cash equivalents	9	5.24%	507	37,496	-	-	17,398	55,401
Receivables	10	-	-	-	-	-	15,462	15,462
Lease deposits	12	-	-	-	-	-	19,765	19,765
Investments	12	7.19%	-	9,266	-	-	-	9,266
Other	12	-	-	-	-	-	55	55
			507	46,762	-	-	52,680	99,949
Financial liabilities								
Bank overdrafts and loans	16	3.38%	-	943	344	-	-	1,287
Payables	15	-	-	-	-	-	27,196	27,196
Lease liabilities	24	-	-	-	-	-	-	-
Security deposits	16	-	-	-	-	-	15,090	15,090
Employee benefits	18	-	-	-	-	-	3,194	3,194
			-	943	344	-	45,480	46,767
			507	45,819	(344)	-	7,200	53,182
2006								
Consolidated								
Financial assets								
Cash and cash equivalents	9	5.29%	2,782	38,765	-	-	16,666	58,213
Receivables	10	-	-	-	-	-	14,551	14,551
Lease deposits	12	-	-	-	-	-	20,989	20,989
Investments	12	5.57%	-	5,035	-	-	101	5,136
Other	12	-	-	-	-	-	60	60
			2,782	43,800	-	-	52,367	98,949
Financial liabilities								
Bank overdrafts and loans	16	2.74%	1,848	-	521	-	-	2,369
Payables	15	-	-	-	-	-	22,803	22,803
Lease liabilities	24	8.34%	-	15	-	-	-	15
Security deposits	16	-	-	-	-	-	14,148	14,148
Employee benefits	18	-	-	-	-	-	2,539	2,539
			1,848	15	521	-	39,490	41,874
			934	43,785	(521)	-	12,877	57,075

22 Additional financial instruments disclosure (continued)

(a) Interest rate risk (continued)

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
		%	$'000	$'000	$'000	$'000	$'000	$'000
2007								
The Company								
Financial assets								
Cash and cash equivalents	9	-	-	-	-	-	13	13
Receivables	10	7.70%	21,380	-	-	-	37,367	58,747
Lease deposits	12	-	-	-	-	-	-	-
Investments	12	-	-	-	-	-	40,557	40,557
Other	12	-	-	-	-	-	-	-
			21,380	-	-	-	77,937	99,317
Financial liabilities								
Bank overdrafts and loans	16	-	-	-	-	-	-	-
Payables	15	-	-	-	-	-	6,027	6,027
Lease liabilities	24	-	-	-	-	-	-	-
Security deposits	16	-	-	-	-	-	-	-
Employee benefits	18	-	-	-	-	-	186	186
			-	-	-	-	6,213	6,213
			21,380	-	-	-	71,724	93,104
2006								
The Company								
Financial assets								
Cash and cash equivalents	9	-	-	-	-	-	19	19
Receivables	10	7.53%	32,708	-	-	-	45,987	78,695
Lease deposits	12	-	-	-	-	-	-	-
Investments	12	-	-	-	-	-	40,160	40,160
Other	12	-	-	-	-	-	-	-
			32,708	-	-	-	86,166	118,874
Financial liabilities								
Bank overdrafts and loans	16	-	-	-	-	-	-	-
Payables	15	-	-	-	-	-	15,453	15,453
Lease liabilities	24	-	-	-	-	-	-	-
Security deposits	16	-	-	-	-	-	-	-
Employee benefits	18	-	-	-	-	-	-	-
			-	-	-	-	15,453	15,453
			32,708	-	-	-	70,713	103,421

22 Additional financial instruments disclosure (continued)

(b) Foreign exchange risk

The Consolidated Entity actively manages foreign exchange risk.

The policy involves entering into forward foreign currency exchange contracts to hedge anticipated transactions so as to manage foreign exchange risk.

The following table sets out the details of forward foreign currency exchange contracts in place as at 30 June 2007.

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2007	2006	2007 ¥ million	2006 ¥ million	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Outstanding contracts								
Consolidated								
Sell Japanese yen Not later than one year	-	81.86	-	600	-	7,329	-	101

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the Balance sheet, is the carrying amount, net of any allowances for losses.

The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries.

The Consolidated Entity is not materially exposed to any individual customer.

(d) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities traded on active liquid markets with standard terms and conditions are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedged assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Financial risk management objectives

The Consolidated Entity's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Consolidated Entity.

The Consolidated Entity does not enter into or trade financial instruments, for speculative purposes. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors.

22 Additional financial instruments disclosures (continued)

(e) Liquidity risk management

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities. The Consolidated Entity continuously monitors forecast and actual cash flows and matches maturity profiles of financial assets and liabilities.

(f) Interest rate risk management

The Consolidated Entity is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Risk is managed by maintaining an appropriate mix between fixed and floating rate for secured and unsecured debt.

23 Employee benefits

Defined contribution fund

Controlled entities in the Consolidated Entity contribute to a superannuation fund established for the benefit of employees. The Servcorp Superannuation Fund provides benefits which reflect accumulated contributions and plan earnings. Contributions by the Company's controlled entities are based on a percentage of salaries. The Company's controlled entities are legally obliged to contribute to the fund, unless an employee nominates a fund of their choice, or until the employee ceases to be employed by the Consolidated Entity.

The directors, based on the advice of the trustees of the fund, are not aware of any changes in circumstances since the date of the most recent financial statements of the fund which would have a material impact on the overall financial position of the fund.

Details of contributions to funds during the year and contributions payable as at 30 June 2007 are as follows:

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Employer contributions to the fund	1,222	937	-	-
Employer contributions to other funds	184	100	20	18
Employer contributions payable to other funds	10	-	-	-

Options granted to employees

Share option schemes

	The Company	
	2007 No.	2006 No.
Balance at the beginning of the financial year	30,000	30,000
Exercised during the financial year	(30,000)	-
Balance at the end of the financial year	-	30,000

Granted during the financial year

No options were granted during the financial year ended 30 June 2007.

30,000 options were issued under the Executive Share Option Scheme on 21 May 2004 with an exercise price of $2.00 and an expiry date of 21 May 2009. No amount was payable by the recipient on receipt of the options.

Options issued under Executive and Employee Share Option Schemes carry no rights to dividends and have no voting rights.

23 Employee benefits (continued)

Options granted to employees (continued)
Exercised during the financial year

No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price	No. of shares issued	Fair value at grant date	Fair value at exercise date
2007							
30,000	21/5/2004	3/7/2006	21/5/2009	$2.00	30,000	$60,000	$172,000
30,000					30,000	$60,000	$172,000
2006							
-	-	-	-	-	-	-	-
-					-	-	-

The fair value of the consideration received is measured as the nominal value of cash receipts on conversion.

Lapsed during the financial year
Nil (2006: Nil) options expired under the Executive and Employee Share Option Scheme during the financial year ended 30 June 2007.

Balance at the end of the financial year

Grant date	Expiry date	Vested	Exercise price	Number of options outstanding		
				2007	2006	2005
21 May 2004	21 May 2009	Yes	$2.00	-	30,000	30,000
				-	30,000	30,000

The fair value of the services received is measured by the fair value of the equity instruments granted.

	Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000

24 Commitments for expenditure

	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Capital expenditure commitments - property, plant and equipment				
Contracted but not provided for and payable:				
Not later than one year	7,355	4,619	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	7,355	4,619	-	-
Non-cancellable operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	62,999	54,156	-	-
Later than one year but not later than five years	114,877	108,015	-	-
Later than five years	40,315	31,064	-	-
	218,191	193,235	-	-

The Consolidated Entity leases property and equipment under operating leases expiring from one to twelve years. Liabilities in respect of lease incentives are disclosed in Note 15 to the financial statements.

Operating leases
Leasing arrangements
Operating leases have been entered into to operate serviced office floors. The average lease term is seven years with market review clauses and options to review. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		The Company		Consolidated		The Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Not later than 1 year	-	15	-	-	-	15	-	-
Later than 1 year and not later than 5 years	-	-	-	-	-	-	-	-
Later than 5 years	-	-	-	-	-	-	-	-
Minimum lease payments (i)	-	15	-	-	-	15	-	-
Less future finance charges	-	-	-	-	-	-	-	-
Present value of minimum lease payments	-	15	-	-	-	15	-	-

Included in the financial statements as (Note 16):

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current borrowings	-	15	-	-
Non-current borrowings	-	-	-	-
	-	15	-	-

Notes:
(i) Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

25 Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2007 %	Ownership interest 2006 %
Parent entity			
Servcorp Limited (iii)	Australia		
Controlled entities			
Servcorp Australian Holdings Pty Ltd	Australia	100	100
Servcorp Offshore Holdings Pty Ltd (ii)	Australia	100	100
Servcorp Exchange Square Pty Ltd	Australia	100	100
Servcorp (Miller Street) Pty Ltd	Australia	100	100
Servcorp (North Ryde) Pty Ltd	Australia	100	100
Servcorp Smart Office Pty Ltd	Australia	100	100
Servcorp Smart Homes Pty Ltd	Australia	100	100
Servcorp Business Service (Beijing) Pty Ltd	Australia	100	100
Servcorp Virtual Pty Ltd	Australia	100	100
Servcorp Holdings Pty Ltd (ii)	Australia	100	100
Servcorp Administration Pty Ltd	Australia	100	100
Servcorp Adelaide Pty Ltd	Australia	100	100
Servcorp Bridge Street Pty Ltd	Australia	100	100
Servcorp Brisbane Pty Ltd	Australia	100	100
Servcorp Castlereagh Street Pty Ltd	Australia	100	100
Servcorp Chifley 25 Pty Ltd	Australia	100	100
Servcorp Chifley 29 Pty Ltd	Australia	100	100
Servcorp Communications Pty Ltd	Australia	100	100
Servcorp IT Pty Ltd	Australia	100	100
Servcorp Melbourne Virtual Pty Ltd	Australia	100	100
Servcorp MLC Centre Pty Ltd	Australia	100	100
Servcorp Melbourne 27 Pty Ltd	Australia	100	100
Servcorp Sydney Virtual Pty Ltd	Australia	100	100
Servcorp William Street Pty Ltd	Australia	100	100
Servcorp Melbourne 50 Pty Ltd	Australia	100	100
Servcorp Perth Pty Ltd	Australia	100	100
Servcorp Brisbane Riverside Pty Ltd	Australia	100	100
Servcorp Market Street Pty Ltd	Australia	100	100
Office Squared Pty Ltd	Australia	100	100
Servcorp WA Pty Ltd	Australia	100	100
Servcorp Parramatta Pty Ltd	Australia	100	-
Beechreef (New Zealand) Limited	New Zealand	100	100
Servcorp New Zealand Limited	New Zealand	100	100
Company Headquarters Limited	New Zealand	100	100
Servcorp Wellington Limited	New Zealand	100	100
Servcorp Serviced Offices Pte Ltd	Singapore	100	100
Servcorp Battery Road Pte Ltd	Singapore	100	100
Servcorp Marina Pte Ltd	Singapore	100	100
Servcorp Franchising Pte Ltd	Singapore	100	100
Servcorp Singapore Holdings Pte Ltd	Singapore	100	100
Office Squared Pte Ltd	Singapore	100	-
Servcorp Hottdesk Singapore Pte Ltd	Singapore	100	-
Servcorp Hong Kong Limited	Hong Kong	100	100
Servcorp Communications Limited	Hong Kong	100	100
Servcorp Business Services (Shanghai) Co. Ltd	China	100	100
Servcorp Business Service (Beijing) Co. Ltd	China	100	100
Servcorp Business Service (Chengdu) Co. Ltd	China	100	-

25 Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest 2007 %	Ownership interest 2006 %
Controlled entities (continued)			
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Servcorp Thai Holdings Limited	Thailand	100	100
Servcorp Company Limited	Thailand	100	100
Headquarters Co. Limited	Thailand	100	100
Servcorp Japan KK	Japan	100	100
Servcorp Tokyo KK	Japan	100	100
Servcorp Nippon International KK	Japan	100	100
Management International KK	Japan	100	100
Servcorp Ginza KK	Japan	100	100
Servcorp Shinagawa KK	Japan	100	100
Servcorp Nagoya KK	Japan	100	100
Servcorp Paris SARL	France	100	100
Servcorp Brussels SPRL	Belgium	100	100
Servcorp LLC (i)	UAE	49	49
Servcorp UK Limited	United Kingdom	100	100
Servcorp BFH WLL	Bahrain	100	-

Notes:

(i) A Company in the Consolidated Entity exercises control over Servcorp LLC despite owning 49% of the issued capital. Arrangements are in place that entitle the Company or its controlled entities to all the benefits and risks of ownership notwithstanding that the majority shareholding may be vested in another party.

(ii) Servcorp Holdings Pty Ltd and Servcorp Offshore Holdings Pty Ltd have each entered into a deed of guarantee and indemnity with Servcorp Limited in relation to loans owing from their respective subsidiaries. Servcorp Holdings Pty Ltd and Servcorp Offshore Holdings Pty Ltd have each entered into a deed of cross guarantee.

(iii) Servcorp Limited is the head entity within the tax consolidated group.

26 Acquisition / disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year. The operating results of each entity have been included in the consolidated operating profit from the date of the acquisition and up to the date of disposal:

	Consideration $'000	The Consolidated Entity's interest %
Acquisitions **2007**		
Servcorp Parramatta Pty Ltd *The entity was formed on 31 January 2007*	-	100
Servcorp BFH WLL *The entity was formed on 7 March 2007*	-	100
Servcorp Business Service (Chengdu) Co. Ltd *The entity was formed on 21 June 2007*	-	100
Office Squared Pte Ltd *The entity was formed on 8 May 2007*	-	100
Servcorp Hottdesk Singapore Pte Ltd *The entity was acquired on 22 May 2007*	-	100
Acquisitions **2006**		
Servcorp Market Street Pty Ltd *The entity was formed on 14 March 2006*	-	100
Office Squared Pty Ltd *The entity was formed on 4 April 2006*	-	100
Servcorp WA Pty Ltd *The entity was formed on 9 May 2006*	-	100

Disposals **2007**	**Country of Incorporation**	
Nil		
Disposals **2006**		
Servcorp Communications Limited	United Kingdom	100
Servcorp Consultancy Limited	United Kingdom	100
Servcorp Hammersmith Limited	United Kingdom	100
Servcorp Lombard Street Limited	United Kingdom	100
Servcorp Management Limited	United Kingdom	100
Servcorp Serviced Offices Limited	United Kingdom	100
Servcorp Virtual Limited	United Kingdom	100
Servcorp Wyvols Limited	United Kingdom	100
Servcorp Minories Limited	United Kingdom	100
Servcorp Otemachi KK	Japan	100
Servcorp Umeda KK	Japan	100
Servcorp Japan Holdings KK	Japan	100

27 Notes to the cash flow statement

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
(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	17,905	19,448	13	19
Short term deposits	37,496	38,765	-	-
Bank overdraft	(1,287)	(1,848)	-	-
	54,114	56,365	13	19
(b) Net cash outflow on acquisition of business (refer to Note 31)				
Cash and cash equivalents consideration	1,416	1,645	-	-
Less cash and cash equivalents balances acquired	-	-	-	-
	1,416	1,645	-	-
(c) Reconciliation of profit for the period to net cash flows from operating activities				
Profit after income tax	26,332	25,376	11,720	18,058
Add/(less) non-cash items:				
Movements in provisions	1,040	(1,182)	186	-
Depreciation of non-current assets	9,223	8,308	-	-
(Profit)/loss on disposal of non-current assets	(155)	231	-	-
(Decrease)/increase in current tax liability	(2,531)	335	(3,819)	452
(Increase)/decrease in deferred tax balances	(1,134)	453	(1)	23
Unrealised foreign exchange loss	3,561	65	-	-
Impairment in value of equity loans receivable	-	-	-	-
Reversal of impairment loss in value of equity loans receivable	-	-	-	(4,746)
Movement in intercompany to reflect the effect of tax consolidation on tax balances	-	-	(4,075)	(2,654)
Equity-settled share based payment	-	9	-	9
Other	-	(44)	-	-
Change in assets and liabilities adjusted for the effect of the acquisition of a business during the financial period:				
(Decrease)/increase in prepayments and receivables	(415)	320	(13,998)	(9)
(Increase)/decrease in trade debtors	(911)	(135)	-	-
(Decrease)/increase in current assets	(361)	426	-	1,197
Increase in deferred income	1,012	1,775	-	-
Increase in client security deposits	942	3,036	-	-
(Decrease)/increase in accounts payable	3,381	(3,628)	(257)	(105)
Net cash provided from operating activities	39,984	35,345	(10,244)	12,225

(d) Financing facilities

Refer to Note 17.

28 Key management personnel remuneration

The Remuneration Committee reviews the remuneration packages of all key management personnel (specified directors and specified executives) on an annual basis and makes recommendations to the Board. The following tables outline the nature and amount of the elements of the remuneration of the key management personnel of Servcorp Limited and its controlled entities for the year ended 30 June 2007. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries. During the financial year ended 30 June 2007 no service contracts were in place for the key management personnel of Servcorp Limited.

The specified directors of Servcorp Limited during the year were:

A G Moufarrige	Managing Director
T Moufarrige	Executive Director
B Corlett	Chairman
R Holliday-Smith	Non-Executive Director
J King	Non-Executive Director

	Short-term employee benefits			Post employment		Share based payment	Total
	Salary and fees $	Bonus $	Non-monetary $	Super $	Prescribed benefits $	Equity options and shares $	$
Directors							
A G Moufarrige (iii), (iv)							
2007	212,827	-	220,928	18,900	-	-	452,655
2006	202,829	200,000	120,951	36,018	-	-	559,798
T Moufarrige (iii), (iv)							
2007	216,295	68,000	36,700	25,320	-	-	346,315
2006	183,224	90,000	7,061	27,450	-	-	307,735
B Corlett (iii)							
2007	105,000	-	-	9,450	-	-	114,450
2006	90,000	-	-	8,100	-	-	98,100
R Holliday-Smith (iii)							
2007	58,750	-	-	5,288	-	-	64,038
2006	55,000	-	-	4,950	-	-	59,950
J King (iii)							
2007	58,750	-	-	5,288	-	-	64,038
2006	55,000	-	-	4,950	-	-	59,950
Aggregate							
2007	651,622	68,000	257,628	64,246	-	-	1,041,496
Disclosed							
2006 (ii)	586,053	290,000	128,012	81,468	-	-	1,085,533

Notes:

(i) Directors' and officers' indemnity insurance has not been included in the above figures since it is impractical to determine an appropriate allocation basis.

(ii) "Aggregate disclosed 2006" are the totals which were disclosed in the 2006 annual report.

(iii) Key management personnel of the Company.

(iv) Refer to page 75 for further details on short term incentive components.

28 Key management personnel remuneration (continued)

The specified executives of the Consolidated Entity during the year were:

M Moufarrige	CIO
R Baldwin	General Manager ITS
O Vlietstra	General Manager Japan
T Wallace	Chief Financial Officer
S Martin	General Manager Australia and New Zealand

	Short-term employee benefits			Post employment		Share based payment	Total
	Salary and fees $	Bonus $	Non-monetary $	Super $	Prescribed benefits $	Equity options and shares $	$
Specified executives							
Richard Baldwin (i)							
2007	438,365	-	-	16,048	-	-	454,413
2006	172,091	62,500	-	21,815	-	-	256,406
Marcus Moufarrige (i)							
2007	217,870	68,000	7,299	25,320	-	-	318,489
2006	183,136	85,000	20,061	23,850	-	-	312,047
Olga Vlietstra (i)							
2007 (iv)	213,713	102,907	-	-	-	-	316,620
2006	163,462	93,492	12,088	-	-	-	269,042
T Wallace (i), (iii)							
2007	181,324	73,000	-	22,774	-	-	277,098
2006	153,374	43,000	-	19,630	-	9,127	225,131
S Martin (i)							
2007 (iv)	167,457	51,920	-	16,650	-	-	236,027
2006	118,123	20,050	-	12,368	-	-	150,541
S Lombardo (v)							
2006	144,142	10,000	-	13,800	-	-	167,942
Aggregate							
2007	1,218,729	295,827	7,299	80,792	-	-	1,602,647
Disclosed							
2006 (ii), (v)	816,205	293,992	32,149	79,095	-	9,127	1,230,568

Notes:

(i) The short term incentive component of executive remuneration may comprise an annual cash bonus. Bonuses are performance based and are linked to the performance of the individual and to the net profit before tax of the Consolidated Entity.

Cash bonuses are usually paid following the finalisation of the results of the Consolidated Entity. Linking bonus payments to the net profit before tax of the Consolidated Entity ensures that a variable reward is only paid when value is created for the shareholders. The short term incentive plan is reviewed annually.

Executive remuneration does not include a fixed bonus related portion. Performance targets are agreed with executives at the start of each year and are aligned to specific business objectives for which the individual is responsible.

28 Key management personnel remuneration (continued)

Notes (continued)

(ii) "Aggregate disclosed 2006" are the totals which were disclosed in the 2006 annual report.

(iii) Equity option details for T Wallace are disclosed in Note 23.

(iv) An issue of shares was made to O Vlietstra and S Martin as a reward for meeting profit targets in the 2007 financial year. Shares were allotted on 20 July 2007.

(v) "Aggregate disclosed 2006" includes Steve Lombardo, a specified executive who resigned on 9 March 2007.

	Consolidated		The Company	
	2007 $	2006 $	2007 $	2006 $
The aggregate compensation of the key management personnel of the Consolidated Entity and the Company, are as follows:				
Short-term employee benefits:				
Salary and fees, bonus and non-monetary benefits	2,499,105	2,146,411	222,500	200,000
Post employment benefits - superannuation	145,038	160,563	20,026	18,000
Share based payment - equity options	-	9,127	-	-
	2,644,143	2,316,101	242,526	218,000

29 Executive share option scheme

The Consolidated Entity has an ownership based remuneration scheme for key management personnel (including executive directors) of the Company.

Each key management personnel's share option converts into one ordinary share of Servcorp Limited when exercised. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

Executive share options issued by Servcorp Limited

	Balance at 1/7/06 No.	Granted No.	Exercised No.	Balance at 30/6/07 No.	Vested and exercisable No.	Net vested No.
T Wallace	30,000	-	30,000	-	-	-
	30,000	-	30,000	-	-	-

Further details of options granted to employees under the Executive and Employee Share Option Schemes are disclosed in Note 23.

During the financial year 30,000 (2006: Nil) options were exercised by key management personnel into 30,000 (2006: Nil) ordinary shares in Servcorp Limited. No amounts remain unpaid on options exercised during the financial year as at 30 June 2007.

No options were issued to key management personnel during the year.

The fair value of the share options granted during the financial year was $Nil (2006: $Nil). Options were valued using the Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical share volatility over the past 5 years.

Inputs into the model

Grant date	21 May 2004
Exercise price	$2.00
Expected volatility	44.76%
Option life	3 years
Dividend yield	5.23%
Risk free interest rate	5.43%
Dividend effect	0.963

30 Related party disclosures

Other than the details disclosed in this note, no key management personnel have entered into any other material contracts with the Consolidated Entity or the Company during the financial year, and no material contracts involving directors' interests or specified executives existed at balance sheet date. Details of key management personnel remuneration are disclosed in Note 28 to the financial statements.

Key management personnel holdings of shares
Fully paid ordinary shares of Servcorp Limited

	Balance at 1/7/06 No.	Received on exercise of options No.	Net change No.	Balance at 30/6/07 No.
Specified directors				
B Corlett	340,397	-	43,077	383,474
R Holliday-Smith	250,000	-	-	250,000
A G Moufarrige	48,222,523	-	100,722	48,323,245
J King	87,500	-	5,000	92,500
T Moufarrige	59,992	-	1,800,000	1,859,992
Specified executives				
R Baldwin	45,000	-	(15,000)	30,000
M Moufarrige	128,842	-	1,800,000	1,928,842
O Vlietstra	10,000	-	-	10,000
T Wallace	-	30,000	(10,000)	20,000
S Martin	20,000	-	-	20,000
	49,164,254	30,000	3,723,799	52,918,053

Notes:
(i) T Moufarrige and M Moufarrige have a relevant interest in 1.8 million shares each in the Company. The shares are registered in the name of Sovori Pty Ltd and the total of 3.6 million shares is also included in the indirect interest of A G Moufarrige.

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

Other transactions with the Company or its controlled entities
The Consolidated Entity has a lease with Tekfon Pty Ltd for the use of Tekfon's premises for storage. A director of the Company, Mr A G Moufarrige, has an interest in and is a director of Tekfon Pty Ltd.

Enideb Pty Ltd operates the Servcorp franchise in Canberra. A relative of a director of the Company, Mr A G Moufarrige, has an interest in Enideb Pty Ltd. Mr A G Moufarrige has no interest in the affairs of Enideb Pty Ltd.

Rumble Australia Pty Ltd provided consulting services for the development of proprietary software to a company in the Consolidated Entity. Consulting fees of $13,200 (2006: $14,419) were paid on arms length terms. A director of the Company, Mr A G Moufarrige, has an interest in and is a director of Rumble Australia Pty Ltd.

A director of the Company, Mr A G Moufarrige, has an interest in and is a director of Sovori Pty Ltd. Mr T Moufarrige, a director of the Company is also a director of Sovori Pty Ltd.

A director of the Company, Mr A G Moufarrige, has an interest in and is a director of MRC Biotech Pty Ltd.

On 22 May 2007 a company in the Consolidated Entity acquired Servcorp Hottdesk Singapore Pte Ltd (formerly Suzmar Pte Ltd, a dormant company) for $10. The company was acquired from Ms S Martin, a specified executive.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

30 Related party disclosures (continued)

The value of the transactions during the year with directors and their director-related entities were as follows:

Director	Director-related entity	Transaction	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
A G Moufarrige	Tekfon Pty Ltd	Premises rental	48	49	-	-
A G Moufarrige	Enideb Pty Ltd	Franchisee	419	417	-	-
A G Moufarrige	Rumble Australia Pty Limited	Consulting	13	14	-	-
A G Moufarrige, T Moufarrige	Sovori Pty Ltd	Reimbursements	39	23	-	-
A G Moufarrige	MRC Biotech Pty Ltd	Reimbursements	13	13	-	-

Amounts receivable from and payable to directors and their director-related entities at balance sheet date arising from these transactions were as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000	The Company 2007 $'000	The Company 2006 $'000
Current receivable				
Enideb Pty Ltd	13	41	-	-

Other transactions with the Company and its controlled entities
From time to time directors of the Company and its controlled entities, or their director related entities, may purchase goods from or provide services to the Consolidated Entity. These purchases or sales are on the same terms and conditions as those entered into by other employees, suppliers or customers of the Consolidated Entity and are trivial or domestic in nature.

Wholly-owned group
Details of interests in wholly-owned controlled entities are set out in Note 25. Details of dealings with these entities are set out below.

Loans
Loans between entities in the wholly-owned group are repayable at call. Interest is charged monthly on outstanding balances. The weighted average interest rate for the year ended 30 June 2007 on outstanding loan balances was 3.99% for secured loans and 11.74% for unsecured loans (2006: 4.71% for secured loans and 11.18% for unsecured loans).

Interest revenue brought to account by the Company in relation to these loans during the year:

	The Company 2007 $'000	The Company 2006 $'000
Interest revenue	1,311	2,343

Balances with entities within the wholly-owned group
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance sheet date and the significant transactions comprising the movement in the balance are:

	The Company 2007 $'000	The Company 2006 $'000
Current receivables		
Amounts receivable from controlled entities	58,673	78,587

Current receivables comprise of day to day funding of expenses

During the financial year, under the tax sharing agreement, Servcorp Limited recognised a net receivable of $2,331,851 (2006: $2,570,400) from its wholly-owned subsidiaries within the tax consolidated group for the year ended 30 June 2007

	The Company	
	2007 $'000	2006 $'000
30 Related party disclosures (continued)		
Current payables		
Amounts payable to controlled entities	5,945	14,544
Current payables comprise of day to day funding of expenses		
Non-current payables		
Loans from controlled entities - unsecured	-	543
Non-current other financial liabilities		
Loans from controlled entities - unsecured	-	582
Non-current payables and other financial liabilities comprise of the transfer of funds for investment purposes and interest		
Dividends		
Dividends received or due and receivable by the Company from wholly-owned controlled entities	5,000	-
Royalties		
Royalties received or due and receivable by the Company from wholly-owned controlled entities	8,384	17,276

31 Acquisition of businesses

The financial statements for the year ended 30 June 2007 include changes in the composition of the Consolidated Entity as follows:

Business combinations

30 June 2007
Servcorp WA Pty Ltd
Servcorp WA Pty Ltd acquired 100% of a serviced office business trading as Level 18, Central Park, Perth, Australia from a third party on 20 July 2006. The cash consideration paid for the business, assets, liabilities and customer license agreements was $1,416,397. The components of the consideration were:

	Fair value at acquisition $'000	Pre-acquisition net book value $'000
Business combination cost:		
Purchase consideration	1,357	-
Legal fees and stamp duty	59	-
	1,416	-
Tangible assets/ liabilities acquired:		
Property, plant and equipment	268	268
Security deposits	(110)	(110)
Working capital	67	67
Lease premium	669	-
	894	225
Goodwill on acquisition	522	-

The initial accounting for the acquisition was provisionally determined at 31 December 2006. At the date of finalisation of this report, the necessary market valuations and other calculations were finalised. The goodwill on acquisiton was initially determined as an intangible asset pertaining to the acquired customer list. However, it has since been reclassified to goodwill as this more accurately reflects the substance of the premium paid on acquisition. Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the business. In addition, the consideration paid for the combination effectively included amounts in relation to the expected synergies, revenue growth, future market development and the assembled workforce of Parkwater (WA) Pty Limited.

31 Acquisition of businesses (continued)

The amount of the net profit before tax since the acquisition date included in the Consolidated Entity's results for the year ended 30 June 2007 was $495,103.

The impact on the Consolidated Entity's revenue and net profit for the financial year ended 30 June 2007 from the acquired business had it operated from the beginning of the financial period commencing 1 July 2006 to the date of acquisition is considered to be immaterial.

32 Subsequent events

Issue of shares
An issue of shares was made to seven general and senior managers in settlement of their short term incentive remuneration subsequent to the year end. The shares were allotted on 20 July 2007.

Office^2 - joint venture agreement
On 1 August 2007, a joint venture agreement was entered into between Office Squared Malaysia Sdn Bhd (incorporated on 27 July 2007) and I-Berhad, a publicly listed Malaysian company. Office^2 and I-Berhad have invested US$650,000 and US$350,000 respectively into the share capital of the joint venture. Profits of the joint venture will be shared in proportion to the shareholding. The joint venture agreement requires Office^2 to issue a bank guarantee to I-Berhad in the amount of US$350,000. In the event that I-Berhad calls the bank guarantee their 35% shareholding will revert to Office^2.

Directors' declaration

In the opinion of the directors of Servcorp Limited:

(a) the financial statements and notes, set out on pages 34 to 81, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Accounting Standards in Australia; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295 (5) of the Corporations Act 2001.

On behalf of the directors

A G Moufarrige
Managing Director and Chief Executive Officer

Dated at Sydney this 22nd day of August 2007.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

The Barrington
Level 10
10 Smith Street
Parramatta NSW 2150
PO Box 38
Parramatta NSW 2124 Australia

DX 28485
Tel: +61 (0) 2 9840 7000
Fax: +61 (0) 2 9840 7001

www.deloitte.com.au

Independent Auditor's Report to the members of Servcorp Limited

We have audited the accompanying financial report of Servcorp Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 34 to 82.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Servcorp Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants
Parramatta, 22 August 2007

Shareholder information

As at 5 September 2007

The shareholder information set out below is provided in accordance with the Listing Rules and was applicable as at 5 September 2007.

On-market buy-back

There is no current on-market buy-back.

Class of shares and voting rights

Ordinary shares
There were 814 holders of the ordinary shares of the Company.

At a general meeting:

- On a show of hands, every member present has one vote;
- On a poll, every member present has one vote for each fully paid share held.

Options
There were no holders of options over unissued ordinary shares of the company.

Distribution of shareholders and optionholders

	Ordinary shares			Options		
Size of holding	**Number of holders**	**Number of shares**	**% of shares**	**Number of holders**	**Number of options**	**% of options**
1 - 1,000	214	132,600	0.16%	-	-	-
1,001 - 5,000	380	1,069,545	1.33%	-	-	-
5,001 - 10,000	105	858,347	1.07%	-	-	-
10,001 - 100,000	90	2,970,815	3.69%	-	-	-
100,001 and over	25	75,436,003	93.75%	-	-	-
Totals	**814**	**80,467,310**	**100%**	**-**	**-**	**-**

There were 23 holders of ordinary shares holding less than a marketable parcel, based on the closing market price at the specified date.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to Servcorp:

Name	Number of shares	% of voting power advised
Sovori Pty Ltd	48,379,753	60.51%
Perpetual Limited	11,917,262	14.82%

Shareholder information (continued)

As at 5 September 2007

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
AMP Life Limited	175,295	0.22%
ANZ Nominees Limited (Cash Income Account)	620,682	0.77%
Bond Street Custodians Limited (Officium Ganes Value Growth)	193,000	0.24%
Citicorp Nominees Pty Limited	712,948	0.89%
Citicorp Nominees Pty Limited (CFS Developing Companies Account)	2,761,023	3.43%
Cogent Nominees Pty Limited (SMP Accounts)	504,898	0.63%
Equity Trustees Limited (SGH Pi Smaller Co's Fund)	1,342,290	1.67%
Holliday-Smith R	250,000	0.31%
HSBC Custody Nominees (Australia) Limited	400,629	0.50%
HSBC Custody Nominees (Australia) Limited - Account 2	420,795	0.52%
JP Morgan Nominees Australia Limited	9,547,028	11.86%
Moufarrige A G	540,890	0.67%
National Nominees Limited	2,522,442	3.13%
RBC Dexia Investor Services Australia Nominees Pty Limited (Piic Account)	1,485,188	1.85%
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled Account)	4,134,013	5.14%
RBC Dexia Investor Services Australia Nominees Pty Limited (Piselect Account)	239,039	0.30%
Sovori Pty Limited	47,828,355	59.44%
UBS Wealth Management Australia Nominees Pty Limited	715,497	0.89%
Uvira Superannuation Pty Limited (Uvira Holdings Employees Super Fund Account)	339,689	0.42%
VBS Exchange Pty Ltd	360,429	0.45%
Totals for Top 20	**75,094,130**	**93.33%**

Options

Category	Number on issue	Number of holders
Executive and employee	-	-

Corporate information

Directors

Alf Moufarrige
Bruce Corlett
Rick Holliday-Smith
Julia King
Taine Moufarrige

Company secretary

Greg Pearce

Registered office and principal office

Level 17, BNP Paribas Centre
60 Castlereagh Street
Sydney NSW 2000

Telephone: (02) 9231 7500
Facsimile: (02) 9231 7665

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Share registry

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000

PO Box R67
Royal Exchange
Sydney NSW 1223

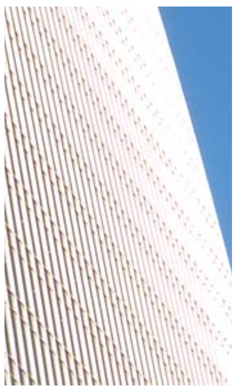
Telephone: (02) 9290 9600
Facsimile: (02) 9279 0664

Stock exchange

Servcorp Limited shares are quoted on the Australian Stock Exchange under the code SRV. The Home Exchange is Sydney.

Annual general meeting

The annual general meeting of Servcorp Limited will be held at Level 29, The Chifley Tower, 2 Chifley Square, Sydney at 5pm on Thursday 8 November 2007.



www.servcorp.net