SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2014

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the six months ended 31 December 2014, the 2014 Annual Financial Report and any public announcements made during the period in accordance with continuous disclosure obligations arising under Corporations Act 2001 and ASX Listing Rules

.

Reporting Period

Current period:	1 July 2014 to 31 December 2014
Previous corresponding period:	1 July 2013 to 31 December 2013

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	up	10%	to	129,863
Profit from ordinary activities after tax attributable to members	up	36%	to	16,039
Net profit for the period attributable to members	up	36%	to	16,039

Dividends	Total amount $'000	Amount per security (Cents per share)	Franked amount per security (Cents per share)
Current period *Interim dividend declared*	10,828	11.00	2.20
Previous corresponding period Interim dividend paid	8,859	9.00	0.00

Record date for determining entitlements to the dividend	5 March 2015
Dividend payment date	1 April 2015

There is no foreign conduit income attributed to this dividend

	31 December 2013 $	31 December 2014 $
Net tangible asset backing		
Net tangible asset backing per ordinary security	$2.04	$2.19

The interim dividend for the six months ended 31 December 2014 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2014. On the basis that the Directors will continue to publicly recommend dividends subsequent to reporting date, in future half-year reports, the amounts disclosed as 'recognised' will be the final dividends in respect of the prior year.

Management Discussion & Analysis

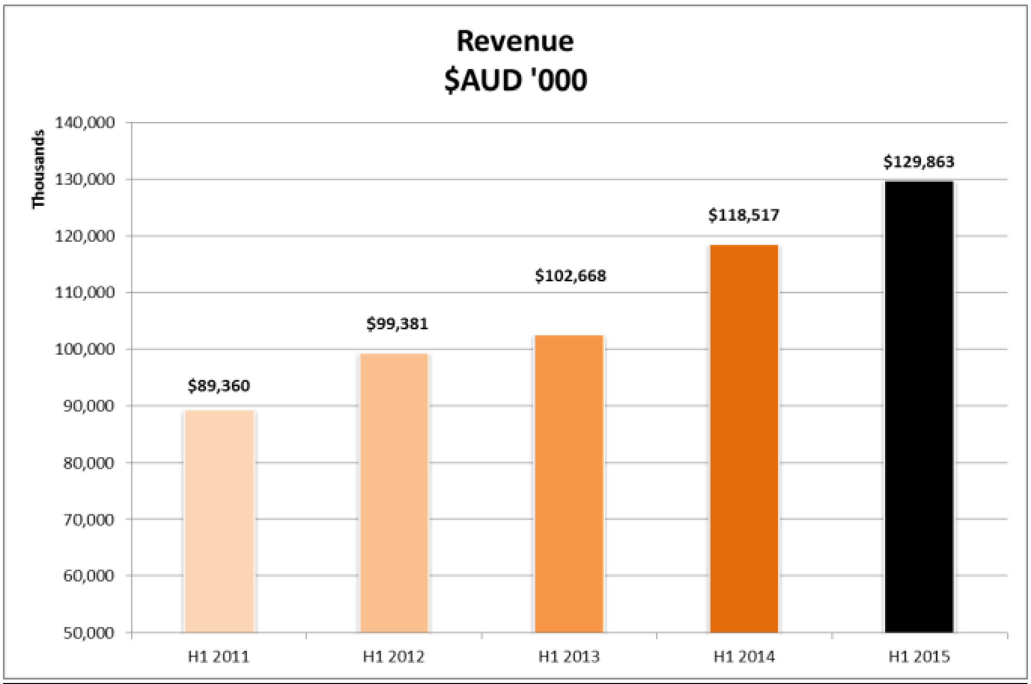
SERVCORP REPORTS STRONG RESULTS

HEADLINE RESULTS – H1 FY 2015

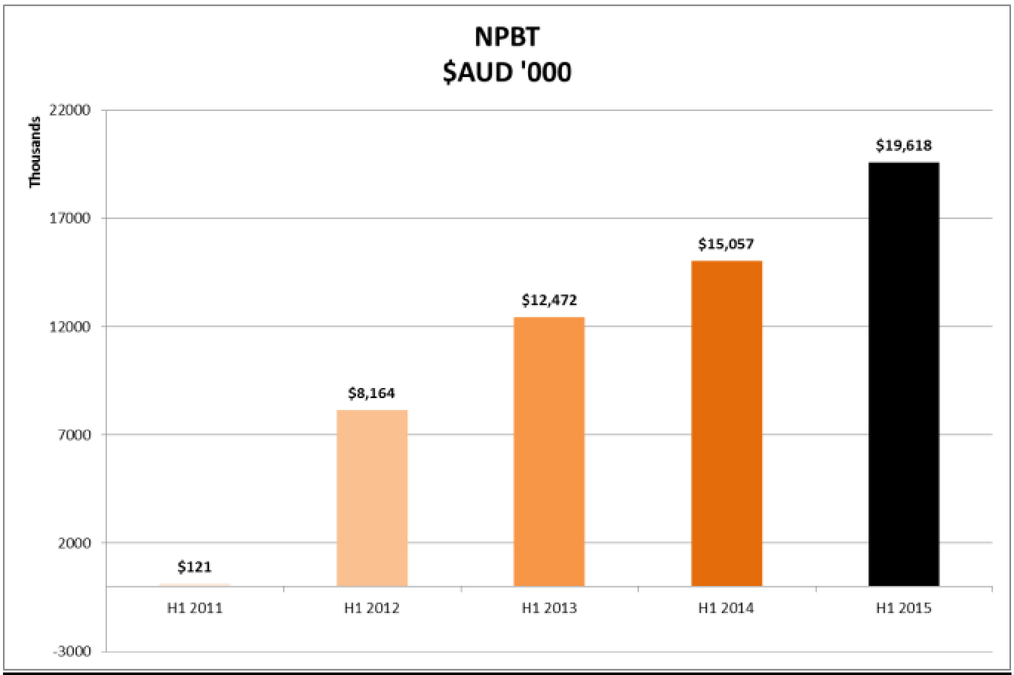
- Revenue of $129,863,000, up 10%
- NPBT of $19,618,000, up 30%
- NPAT of $16,039,000, up 36%
- Like for like NPBT of $21,193,000, up 39%
- Operating cash flow from operations of $29,246,000, up 61%
- Unencumbered cash and investment balances of $94,199,000
- NTA backing of $2.19 per share, up 7%
- EPS of 16.3 cps, up 36%
- Reaffirm guidance of not less than 15% NPBT growth for FY 2015
- Interim dividend 11.00 cps, declared for H1 FY 2015, 20% franked
- Forecast H2 FY 2015 dividend of 11.00 cps, 30% franked
- Approximately 80% of revenue and profits earned offshore

H1 FY 2015 – Overview

Management is pleased with the Group's performance for H1 FY 2015. Both revenue and profit have improved materially compared to the prior comparative period, which marks 5 consecutive years of revenue and profit growth.



Management Discussion & Analysis



Notwithstanding the ongoing volatility in currency and financial markets, our office sales and occupancy rates continue to improve.

Like for Like occupancy at 31 December 2014 has improved to 80% (31 December 2013: 78%).

Future earnings should benefit from a weaker AUD, as approximately 80% of our revenue and profits are denominated in currencies other than AUD.

Fixed Rent Increases

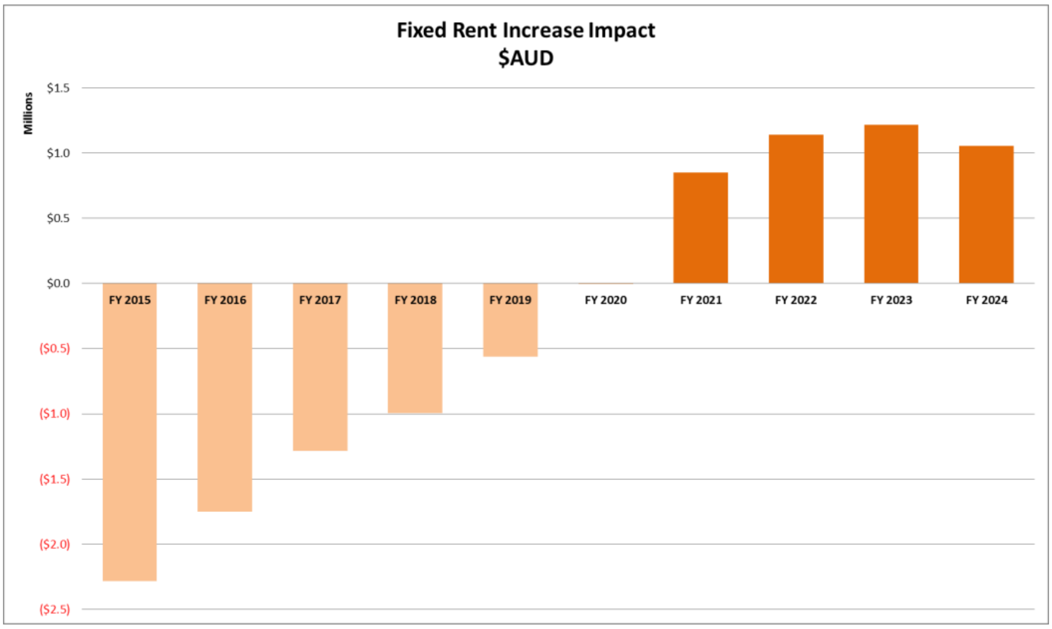
Accounting standards require the impact of fixed rent increases in leases to be straight-lined across the lease term. Historically the impact was not material, however we have just entered into 10 new leases that contain fixed increase clauses, and this is now having a material impact on the profit of the business. The required accounting treatment has the effect of increasing rent expense in earlier years and decreasing rent expense in the later years of a lease.

As the difference between cash rent and accounting rent is now material, Management believe it is appropriate to explain the impact of the fixed rent increases so that the user can better understand the performance of the business.

The impact in H1 FY 2015 reduced NPBT by $(1,119,000). The full FY 2015 impact is expected to be approximately $(2,300,000).

The chart below outlines the estimated NPBT impact for current leases (in constant currency) for the next 10 years:

Management Discussion & Analysis

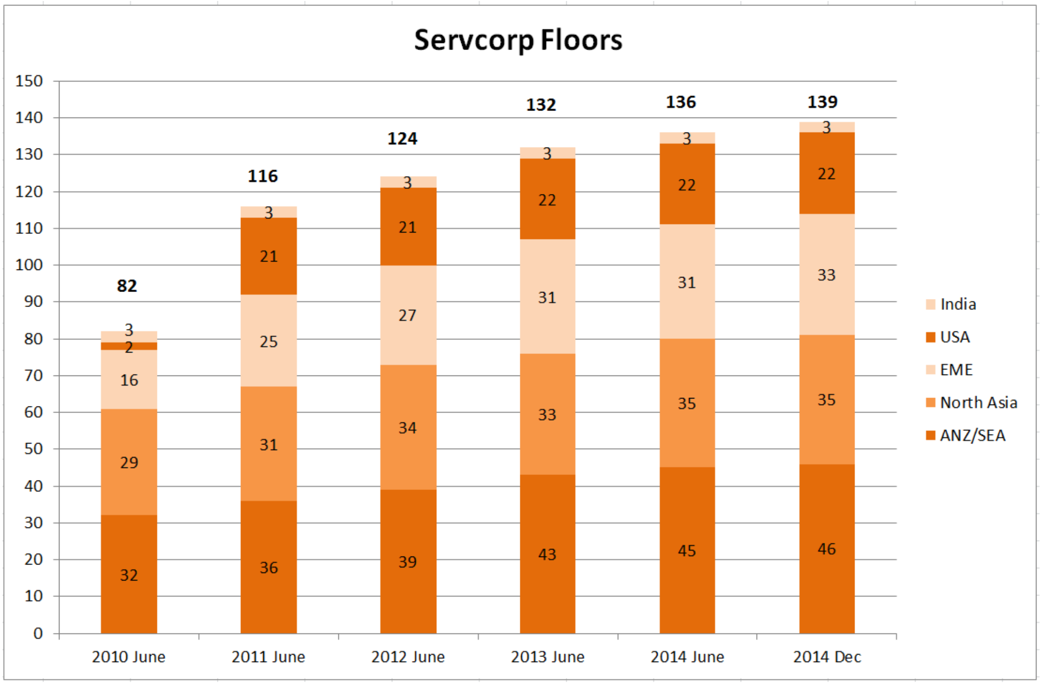


The Servcorp Footprint

Since 2010 we have substantially enhanced our footprint, opening 57 (net of closures) new locations resulting in the footprint set out below.

A total of 4 new floors were opened and 3 floors were expanded in H1 FY 2015. There are plans to open a further 7 floors and expand 3 existing floors in H2 FY 2015 which will add no less than 10% to office capacity in FY 2015.

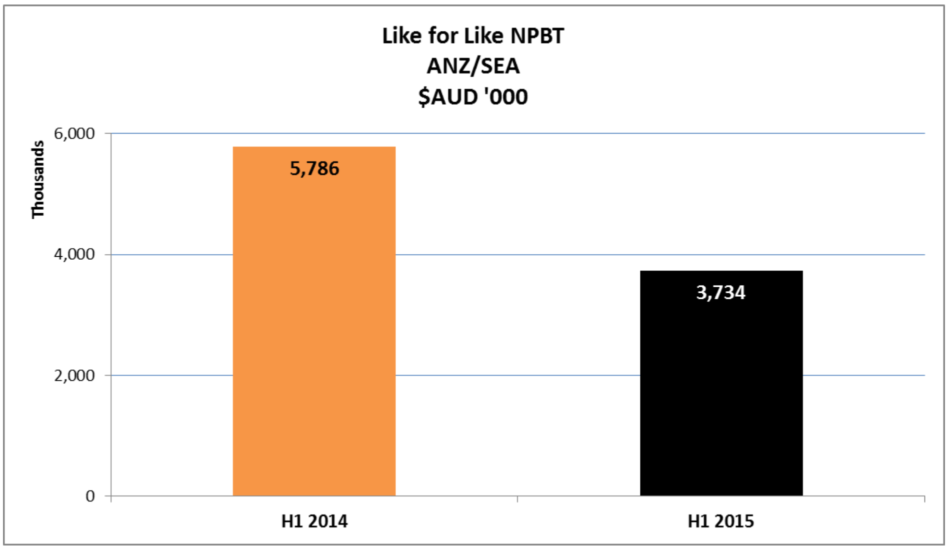
As at 31 December 2014 there were 139 floors in 52 cities in 21 countries.



Management Discussion & Analysis

Operating Summary by Segment

Australia, New Zealand and Southeast Asia



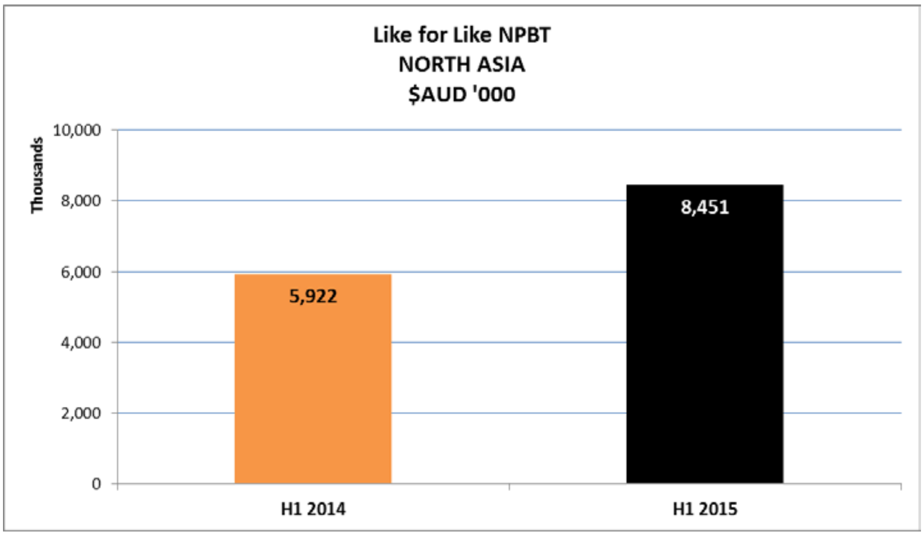
On a Like for Like basis NPBT performance in ANZ / SEA was down 35% when compared to the prior period.

Both New Zealand and Thailand continue to produce solid results. Our floors in the Philippines are now profitable and we expect margins to continue to improve.

The performance of Malaysia and Singapore was impacted in FY 2014 by the management restructure we undertook in this market. Performance bottomed out in July 2014, and sales and profitability have been steadily improving since this date. Office sales were strong during H1 FY 2015 and we expect both Malaysia and Singapore to return to profitability in the coming months.

Overall, Australia is performing as expected; Adelaide, Brisbane and Melbourne exceeded expectations but Sydney and Perth underperformed. The Perth market is slowly recovering and we have seen an improvement in sales and profit in this market. The two new locations that opened in FY 2014 have impacted the results for Sydney, however occupancy has lifted and we will see the benefit of this in H2 FY 2015.

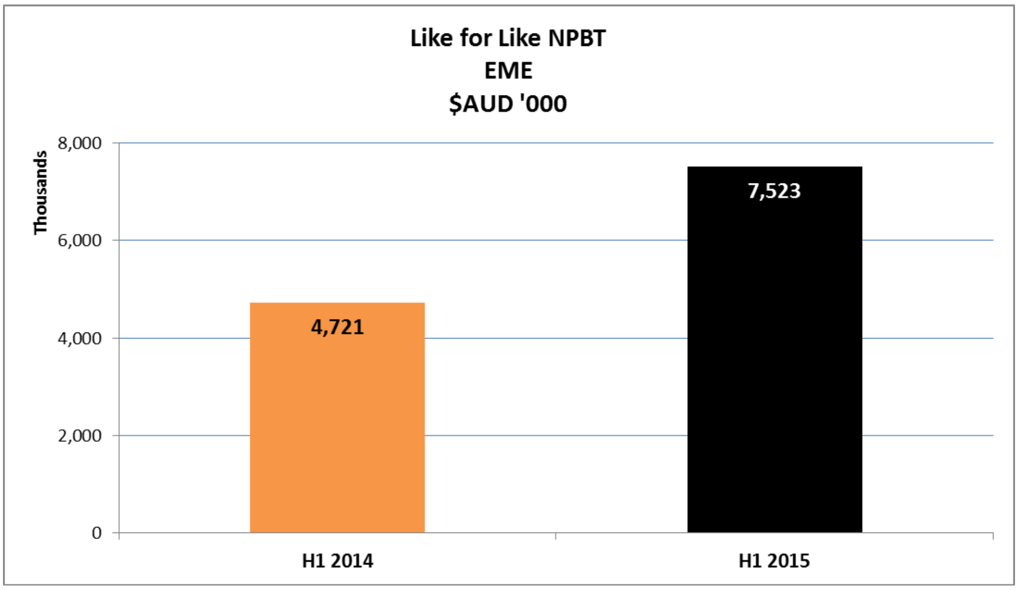
North Asia



North Asia as a whole produced a solid result in H1 FY 2015, reporting Like for Like NPBT growth of 43%.
We are satisfied with the performance of all markets in this segment, with the exception of China where margins can improve.

Management Discussion & Analysis

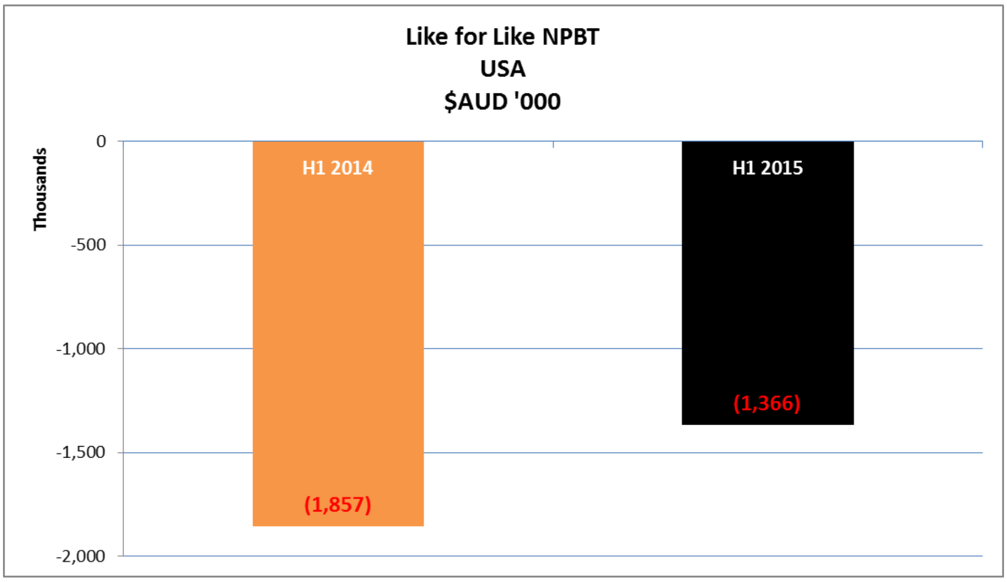
Europe and the Middle East



Like for Like NPBT growth in H1 FY 2015 in EME was 59%.

All markets performed to expectations and Management is pleased with this outcome. We will continue to expand our footprint in the region. We have now opened our new prestigious London locations in One Mayfair Place and the Leadenhall Building, which is the tallest building in the City of London.

USA



Like for Like Net Loss Before Tax for the USA reduced by 26% during H1 FY 2015.

Our USA business has historically underperformed but revenue continues to improve and our losses continue to decrease. The loss for H1 FY 2015 includes costs of approximately $(882,000) in relation to 3 floors that we expanded. Excluding these costs the USA is currently profitable. We are excited to open our new landmark location on Level 85, One World Trade Centre, in March 2015. One World Trade Centre is the most significant addition to our global office portfolio in recent times and we expect it to be a significant catalyst to the turnaround of the USA business.

Management Discussion & Analysis

FINANCIAL SUMMARY

In H1 FY 2015 revenue and other income from operating activities was up 10% to $129,863,000 (H1 FY 2014: $118,517,000). During H1 FY 2015, the USD strengthened by 3% against the AUD, and the JPY and EUR weakened on average by 6% and 2% respectively against the AUD. In constant currency terms revenue also increased 10% compared to H1 FY 2014.

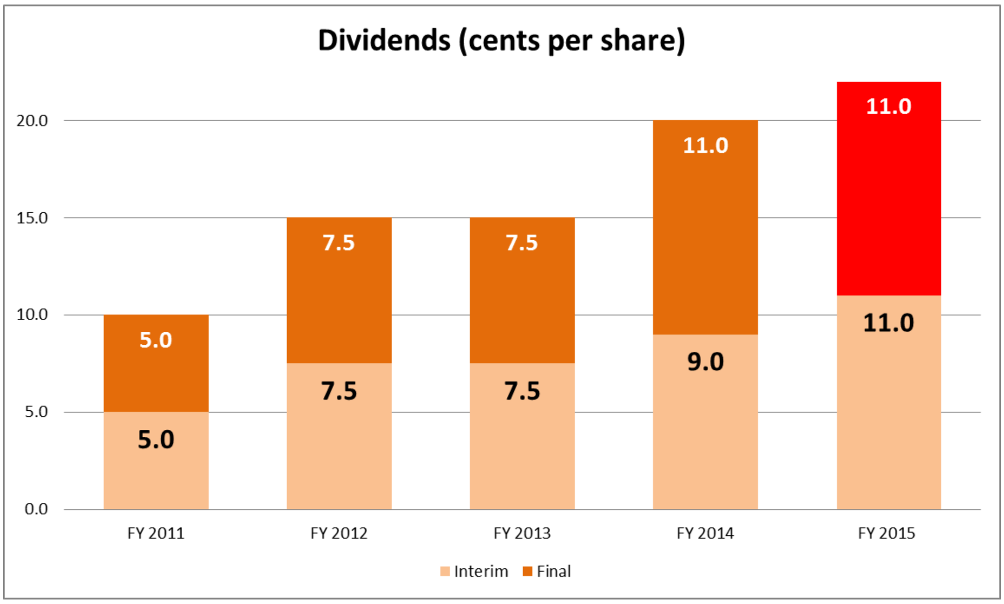
NPBT for H1 FY 2015 was $19,618,000, up 30% from a NPBT of $15,057,000 in H1 FY 2014. In constant currency terms NPBT also increased by 30% compared to H1 FY 2014.

Cash and investment balances as at 31 December 2014 remained healthy at $110,279,000 (30 June 2014: $108,788,000). Of this balance, $16,080,000 was lodged with banks as collateral for bank guarantees and facilities, leaving unencumbered free cash and investment balances of $94,199,000 in the business as at 31 December 2014 (30 June 2014 $93,452,000).

The encumbered cash balance includes investments in bank hybrid variable rate securities of $15,186,000.

During H1 FY 2015 the business produced strong operating cash flows of $29,246,000 (H1 FY 2014: $18,127,000), up 61%.

DIVIDENDS



The Directors have declared an interim dividend of 11.00 cents per share 20% franked, payable on 1 April 2015.

A final dividend of 11.00 cents per share is expected to be paid for FY 2015, with an anticipated franking level of 30%. This would bring total dividends payable in relation to FY 2015 to 22.00 cents per share, with an expected franking level of 25%.

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

OUTLOOK

Management reaffirms guidance of not less than 15% NPBT growth for FY 2015.

We still aim to grow capacity by not less than 10% in FY 2015. In H2 FY 2015 we will open 7 new centres including 2 landmark floors in New York (One World Trade Centre) and London (One Mayfair Place). New floor opening costs, particularly in relation to the landmark floors, will temper growth in NPBT in H2 FY 2015 and in FY 2016.

Future earnings should benefit from a weaker AUD as approximately 80% of our revenue and profits are denominated in currencies other than AUD.

Management Discussion & Analysis

Key:

H1 FY 2015	Six Months ended 31 December 2014
H1 FY 2014	Six Months ended 31 December 2013
FY 2015	Year ending 30 June 2015
FY 2014	Year ended 30 June 2014
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
H1	First Half of Financial Year
H2	Second Half of Financial Year

SERVCORP LIMITED

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

WORLD'S FINEST SERVICED OFFICES, VIRTUAL OFFICES AND CO-WORKING SOLUTIONS
Level 63 MLC Centre, 19-29 Martin Place, Sydney NSW 2000 Australia
T +61 2 9231 7616 F +61 2 9231 7665 Servcorp Limited ABN 97 089 222 506 SERVCORP.COM.AU

SERVCORP

AUSTRALIA BAHRAIN BELGIUM CHINA FRANCE HONG KONG INDIA JAPAN KUWAIT LEBANON MALAYSIA NEW ZEALAND PHILIPPINES QATAR SAUDI ARABIA SINGAPORE THAILAND TURKEY UAE UK USA

INTERIM FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

The directors of Servcorp Limited ('the Company') submit herewith the condensed consolidated financial report for the six months ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001 the directors' report as follows:

The names of the directors of the Company during or since the end of the six months ended 31 December 2014 are:

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

Review of operations

Revenue and other income from operating activities was up 10% to $129.86 million for the half year ended 31 December 2014 (31 December 2013: $118.52 million). During the half year ended 31 December 2014, the US dollar strengthened by 3% against the Australian dollar, and the Japanese yen and the Euro weakened on average by 6% and 2% respectively against the Australian dollar. In constant currency terms, revenue also increased by 10% compared to the half year ended 31 December 2013.

Net profit before tax for the half year ended 31 December 2014 was $19.62 million, up 30% from $15.06 million for the half year ended 31 December 2013. When expressed in constant currency terms, net profit before tax also increased by 30%. Net profit after tax was $16.04 million.

Cash and investment balances as at 31 December 2014 remained healthy at $110.28 million (30 June 2014: $108.79 million). Of this balance, $16.08 million was lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash and investment balance of $94.20 million in the business as at 31 December 2014 (30 June 2014: $93.45 million). The encumbered cash balance includes investments in bank hybrid variable rate securities of $15.19 million.

The business produced net operating cash flows during the half year ended 31 December 2014 of $29.25 million (31 December 2013: $18.13 million), an increase of 61%.

The directors have declared an interim dividend of 11.00 cents per share, 20% franked, payable on 1 April 2015.

Business Overview
Directors are pleased with the Consolidated Entity's performance for the first half of the 2015 financial year. Both revenue and profit have improved materially compared to the corresponding prior period, which marks five consecutive years of revenue and profit growth.

Office sales and occupancy rates continue to improve. Like for Like occupancy at 31 December 2014 has improved to 80% (31 December 2013: 78%).

Directors are of the opinion that future earnings should benefit from a weaker Australian dollar as approximately 80% of Servcorp's revenue and profits are denominated in currencies other than the Australian dollar.

Fixed Rent Increases
Accounting standards require the impact of fixed rent increases in leases to be straight-lined across the lease term. Historically the impact was not material, however we have entered into ten new leases that contain fixed increase clauses, and this is now having a material impact on the profit of the business. The required accounting treatment has the effect of increasing rent expense in earlier years and decreasing rent expense in the latter years of a lease.

As the difference between cash rent and accounting rent is now material, directors and management believe it is appropriate to explain the impact of the fixed rent increases so that the user can better understand the performance of the business.

The impact for the half year ended 31 December 2014 was a reduction in net profit before tax of $1.12 million. The impact for the full 2015 financial year is expected to be approximately $2.30 million.

DIRECTORS' REPORT (CONT.)

Expansion

A total of four new floors were opened and three floors were expanded in the first half of the 2015 financial year. The new floors were in Canberra, Qatar, Kuala Lumpur and London.

There are plans to open a further seven floors in the second half, bringing the total to eleven large floors in the 2015 financial year, which will add no less than 10% to office capacity.

As at 31 December 2014, Servcorp operated 139 floors in 52 cities across 21 countries.

Australia, New Zealand and Southeast Asia

On a Like for Like basis, net profit before tax performance in Australia, New Zealand and Southeast Asia was down 35% when compared to the prior corresponding period.

Both New Zealand and Thailand continue to produce solid results. Our floors in the Philippines are now profitable and we expect margins to continue to improve.

The performance of Malaysia and Singapore was impacted in the 2014 financial year by the management restructure we undertook in this market. Performance bottomed out in July 2014 and sales and profitability have been steadily improving since this date. Office sales were strong during the six months ended 31 December 2014, and we expect both Malaysia and Singapore to return to profitability in the coming months.

Overall, Australia is performing as expected; Adelaide, Brisbane and Melbourne exceeded expectations, however Sydney and Perth underperformed. The Perth market is slowly recovering and we have seen an improvement in sales and profit in this market. The two new locations that opened in the 2014 financial year have impacted the results for Sydney, however occupancy has lifted and we will see the benefit of this in the second half of the 2015 financial year.

North Asia

North Asia as a whole produced a solid result in the six months ended 31 December 2014, reporting Like for Like net profit before tax growth of 43%. Directors are satisfied with the performance of all markets in this segment, with the exception of China where margins can improve.

Europe and the Middle East

Like for Like net profit before tax growth in the six months ended 31 December 2014 in Europe and the Middle East was 59%. All markets performed to expectations and directors are pleased with this outcome. We will continue to expand our footprint in the region. We have now opened our new prestigious London locations in One Mayfair Place and the Leadenhall Building.

USA

Like for Like net loss before tax for the USA reduced by 26% during the six months ended 31 December 2014. Our USA business has historically underperformed, however revenue continues to improve and our losses continue to decrease. The loss for the six months ended 31 December 2014 includes costs of approximately $0.88 million in relation to three floors that were expanded. Excluding these costs the USA is currently profitable. We are excited to open our new landmark location on Level 85, One World Trade Centre, in March 2015. One World Trade Centre is the most significant addition to our global office portfolio in recent times and we expect it to be a significant catalyst for the turnaround of the USA business.

DIRECTORS' REPORT (CONT.)

State of affairs

During the six months ended 31 December 2014 there were no significant changes in the state of affairs of the Company.

Auditor's independence declaration

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

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the half year financial report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s 306(3) of the Corporations Act 2001.

On behalf of the directors

A G Moufarrige
CEO
Dated at Sydney this 19th day of February 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7021
www.deloitte.com.au

The Board of Directors
Servcorp Limited
Level 63, MLC Centre
Martin Place
SYDNEY NSW 2000

19 February 2015

Dear Board Members

Auditor's Independence Declaration to Servcorp Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Servcorp Limited.

As lead audit partner for the review of the half-year financial report of Servcorp Limited for the period ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Sandeep Chadha
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' DECLARATION

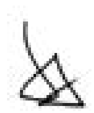
The directors declare that:

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

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

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

On behalf of the directors



A G Moufarrige
CEO

Sydney, 19th day of February 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2014

	Note	6 months ended 31 December 2014 $'000	6 months ended 31 December 2013 $'000
Revenue	2	124,483	113,749
Other revenue and income	2	5,380	4,768
		129,863	118,517
Service expenses		(33,745)	(32,074)
Marketing expenses		(7,064)	(7,678)
Occupancy expenses		(56,060)	(52,138)
Rent - fixed annual impact		(1,119)	67
Administrative expenses		(12,202)	(11,623)
Borrowing expenses		(55)	(14)
Total expenses		(110,245)	(103,460)
Profit before income tax expense		19,618	15,057
Income tax expense	3	(3,579)	(3,238)
Profit for the period		16,039	11,819
Other comprehensive profit			
Translation of foreign operations (Item may be reclassified subsequently to profit or loss)		7,755	3,406
Other comprehensive profit for the period (net of tax)		7,755	3,406
Total comprehensive profit for the period		23,794	15,225
Earnings per share			
Basic earnings per share	6	$0.163	$0.120
Diluted earnings per share	6	$0.163	$0.120

The Condensed consolidated statement of comprehensive income is to be read in conjunction with the notes to the condensed consolidated financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	31 December 2014 $'000	30 June 2014 $'000
Current assets			
Cash and cash equivalents	7	94,166	92,482
Trade and other receivables	8	34,419	32,243
Other financial assets	10	17,406	17,159
Current tax assets		550	575
Other	9	12,616	12,088
Total current assets		159,157	154,547
Non-current assets			
Other financial assets	10	26,857	25,847
Property, plant and equipment	11	111,612	91,301
Deferred tax assets		25,310	21,920
Goodwill	12	14,805	14,805
Total non-current assets		178,584	153,873
Total assets		337,741	308,420
Current liabilities			
Trade and other payables	13	38,682	32,421
Other financial liabilities	14	29,784	25,393
Current tax liabilities		3,256	2,749
Provisions	15	4,532	4,657
Total current liabilities		76,254	65,220
Non-current liabilities			
Trade and other payables	13	24,408	21,179
Other financial liabilities	14	5,183	3,557
Provisions	15	732	668
Deferred tax liabilities		1,097	695
Total non-current liabilities		31,420	26,099
Total liabilities		107,674	91,319
Net assets		230,067	217,101
Equity			
Issued capital	16	154,122	154,122
Reserves		(8,034)	(15,789)
Retained earnings		83,979	78,768
Equity attributable to equity holders of the parent		230,067	217,101
Total equity		230,067	217,101

The Condensed consolidated statement of financial position is to be read in conjunction with the notes to the condensed consolidated financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2014

Consolidated	Issued capital	Foreign currency translation reserve	Employee equity settled benefits reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2013	154,122	(14,895)	145	68,528	207,900
Profit for the period	-	-	-	11,819	11,819
Translation of foreign operations (net of tax)	-	3,406	-	-	3,406
Total comprehensive income for the period	-	3,406	-	11,819	15,225
Payment of dividends	-	-	-	(7,383)	(7,383)
Balance at 31 December 2013	154,122	(11,489)	145	72,964	215,742
Balance at 1 July 2014	154,122	(15,789)	-	78,768	217,101
Profit for the period	-	-	-	16,039	16,039
Translation of foreign operations (net of tax)	-	7,755	-	-	7,755
Total comprehensive income for the period	-	7,755	-	16,039	23,794
Payment of dividends	-	-	-	(10,828)	(10,828)
Balance at 31 December 2014	154,122	(8,034)	-	83,979	230,067

The Condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2014

	Note	6 months ended 31 December 2014 $'000	6 months ended 31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		137,289	115,958
Payments to suppliers and employees		(105,879)	(97,402)
Franchise fees received		198	283
Income tax paid		(4,309)	(2,059)
Interest and other costs of finance paid		(55)	(15)
Interest and other items of similar nature received		2,002	1,362
Net operating cash flows	17(b)	29,246	18,127
Cash flows from investing activities			
Payments for property, plant and equipment		(21,786)	(12,874)
Payments for variable rate securities		(1,972)	(6,332)
Payments for lease deposits		(819)	(2,692)
Proceeds from sale of fixed rate securities		1,553	998
Proceeds from sale of property, plant and equipment		1	41
Proceeds from refund of lease deposits		686	62
Net investing cash flows		(22,337)	(20,797)
Cash flows from financing activities			
Dividends paid		(10,828)	(7,383)
Landlord capital incentives received		1,430	-
Borrowings		1,668	2,555
Net financing cash flows		(7,730)	(4,828)
Net decrease in cash and cash equivalents		(821)	(7,498)
Cash and cash equivalents at the beginning of the period		92,482	99,758
Effect of exchange rate changes on cash transactions in foreign currencies		2,505	1,000
Cash and cash equivalents at the end of the period	17(a)	94,166	93,260

The Condensed consolidated statement of cash flows is to be read in conjunction with the notes to the condensed consolidated financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The half year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB134 Interim Financial Reporting. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS34 Interim Reporting. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation
The condensed financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments which are recognised at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Adoption of new and revised Accounting Standards
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new accounting standards did not have any material impact.

At the date of authorisation of the financial report, the following Standards and Interpretations relevant to the Group were on issue but not yet effective:

- AASB9 ‘Financial Instruments’ AASB2009-11 Amendments to Australian Accounting Standards arising from AASB9. Effective for annual reporting periods beginning 1 January 2015.
- AASB 13 ‘Fair Value Measurement’ and AASB 2011-8 ‘Amendments to Australian Accounting Standards arising from AASB 13’.
- IFRS 15 ‘Revenue from Contracts with Customers’. Effective for annual reporting periods beginning 1 January 2017.
- AASB 2014-4 ‘Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation’. Effective for annual reporting periods beginning on or after 1 January 2016.
- AASB 2015-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101’. Effective for annual reporting periods beginning on or after 1 January 2016.

The directors are currently in the process of assessing the future period impact of IFRS 15 ‘Revenue from Contracts with Customers’ on the financial statements. The remaining Standards and Interpretations on issue not yet effective will not have a material impact on the financial statements of the entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

2 PROFIT FROM OPERATIONS

	6 months ended 31 December 2014 $'000	6 months ended 31 December 2013 $'000
a. Revenue		
Revenue from continuing operations consisted of the following:		
Revenue from the rendering of services	124,285	113,471
Franchise fee income	198	278
	124,483	113,749
b. Other revenue and income		
Interest income - bank deposits	2,102	1,636
Net foreign exchange gain (realised and unrealised)	2,900	1,353
Other income	378	1,779
Total other revenue and income	5,380	4,768
c. Expenses		
Rent - fixed annual impact (i)	1,119	(67)

Note:
(i) The rent fixed annual impact represents the straight-lining of fixed annual increases ranging between 2.75% to 4.25% per annum in accordance with AASB 117 'Leases', and represents the difference between the actual cash paid and the rent expensed.

3 INCOME TAXES

Income tax recognised in the Condensed consolidated statement of comprehensive income		
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Condensed consolidated financial report as follows:		
Profit before income tax expense	19,618	15,057
Income tax expense calculated at 30%	5,885	4,517
Deductible local taxes	(303)	(120)
Effect of different tax rates on overseas income	(685)	(654)
Other non-assessable	169	(153)
Tax losses of controlled entities recovered	(8)	(27)
Income tax over provision in prior years	(299)	(501)
Prior year tax losses recognised for deferred tax assets	(1,180)	176
Income tax expense	3,579	3,238

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

4 SEGMENT INFORMATION

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

The Group's information reported to the Board of Directors is based on each segment manager directly responsible for the functioning of the operating segment. The segment manager has regular contact with members of the Board of Directors to discuss operating activities, forecasts and financial results. Segment managers are also responsible for disseminating management planning materials as directed by the Chief Operating Decision Maker. The segment manager motivates and rewards team members who meet or exceed sales targets. Four reportable operating segments have been identified: Australia, New Zealand and Southeast Asia (ANZ/SEA); USA; Europe and Middle East (EME); North Asia and other which reflect the segment requirements under AASB 8.

The Group's reportable operating segments under AASB 8 are presented below. The accounting policies of the reportable operating segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment Profit / (Loss)	
	31 December 2014 $'000	31 December 2013 $'000	31 December 2014 $'000	31 December 2013 $'000
Continuing operations				
Australia, New Zealand & Southeast Asia	38,865	39,398	3,121	5,739
USA	10,671	9,179	(1,366)	(1,857)
Europe & Middle East	32,119	27,527	6,920	4,535
Japan and Greater China	42,540	37,904	8,091	5,918
Other	468	473	79	54
	124,663	114,481	16,845	14,389
Finance costs	-	-	(55)	(14)
Interest revenue	2,102	1,636	2,102	1,636
Foreign exchange gains	2,900	1,353	2,900	1,353
Centralised unrecovered head office overheads	-	-	(1,829)	(2,230)
Franchise fees	198	283	198	283
Rent - fixed annual increase (i)	-	-	(1,119)	67
Unallocated	-	764	576	(427)
Profit before tax			19,618	15,057
Income tax expense			(3,579)	(3,238)
Consolidated segment revenue and profit for the period	129,863	118,517	16,039	11,819

Note:
(i) Refer to Note 2 (c)
(ii) The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full for the six months ended 31 December 2014. The Group's Virtual Office revenue and Serviced Office revenue were $32,937,000 and $91,726,000 respectively (31 December 2013: $31,349,000 and $83,132,000, respectively).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

5 DIVIDENDS

Dividends paid (recognised) during the six month period or proposed (unrecognised) in respect of the period by the Company are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Recognised amounts					
2014					
Final - fully paid ordinary shares	11.00	10,828	1 Oct 2014	30%	35%
Interim - fully paid ordinary shares	9.00	8,859	2 Apr 2014	30%	0%
2013					
Final - fully paid ordinary shares	7.50	7,383	2 Oct 2013	30%	100%
Interim - fully paid ordinary shares	7.50	7,382	4 Apr 2013	30%	100%
Unrecognised amounts					
Interim - fully paid ordinary shares	11.00	10,828	1 Apr 2015	30%	20%

In determining the level of future dividends, the directors will seek to balance growth objectives and rewarding shareholders with income. This policy is subject to the cash flow requirements of the Company and its investment in new opportunities aimed at growing earnings. The directors cannot give any assurances concerning the extent of future dividends, or the franking of such dividends, as they are dependent on future profits, the financial and taxation position of the Company and the impact of taxation legislation.

6 EARNINGS PER SHARE

	6 months ended 31 December 2014 $'000	6 months ended 31 December 2013 $'000
Net profit	16,039	11,819
Earnings used in the calculation of basic and diluted EPS	16,039	11,819
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic EPS	98,432,275	98,432,275
Weighted average number of ordinary shares used in calculation of diluted EPS	98,432,275	98,432,275
Basic earnings per share	$0.163	$0.120
Diluted earnings per share	$0.163	$0.120

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

	31 December 2014 $'000	30 June 2014 $'000

7 CASH AND CASH EQUIVALENTS

Cash	20,086	23,972
Bank short term deposits	74,080	68,510
	94,166	92,482

Note:
France has $894,000 (30 June 2014: $1,505,000) in cash which is encumbered.

8 TRADE AND OTHER RECEIVABLES

Current		
At amortised cost		
Trade receivables	25,755	22,679
Less: allowance for doubtful debts	(848)	(690)
Other debtors	9,512	10,254
	34,419	32,243

9 OTHER ASSETS

Current		
Prepayments	9,158	7,742
Other	3,458	4,346
	12,616	12,088

10 OTHER FINANCIAL ASSETS

Current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	495	321
Investment in bank hybrid variable rate securities (i)	16,113	16,306
At amortised cost		
Lease deposits	798	532
	17,406	17,159

Note:
i. Australia has $15,186,000 in bank hybrid variable rate securities which is encumbered (30 June 2014: $13,831,000).

Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	536	391
At amortised cost		
Lease deposits	26,263	25,397
Other	58	59
	26,857	25,847

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings at cost $'000	Leasehold improvements owned at cost $'000	Leasehold improvements at cost $'000	Office furniture & fittings owned at cost $'000	Office furniture & fittings leased at cost $'000	Office equipment owned at cost $'000	Office equipment leased at cost $'000	Motor vehicles owned at cost $'000	WIP at Cost $'000	Total $'000
Gross carrying amounts										
Balance at 30 June 2014	9,960	134,176	1,004	20,671	116	33,826	101	721	-	200,575
Additions	-	12,689	-	1,531	-	1,095	-	-	6,471	21,786
Disposals	-	(30)	-	(33)	-	(89)	-	-	-	(152)
Net foreign currency differences on translation of foreign operations	(136)	10,756	(24)	1,320	(3)	2,072	(3)	36	-	14,018
Balance at 31 December 2014	9,824	157,591	980	23,489	113	36,904	98	757	6,471	236,227
Accumulated depreciation										
Balance at 30 June 2014	833	66,375	958	12,517	116	27,805	100	570	-	109,274
Depreciation expense	109	5,773	-	1,077	-	1,781	-	43	-	8,783
Disposals	-	(2)	-	(33)	-	(83)	-	-	-	(118)
Net foreign currency differences on translation of foreign operations	(3)	4,248	(25)	699	(3)	1,742	(2)	20	-	6,676
Balance at 31 December 2014	939	76,394	933	14,260	113	31,245	98	633	-	124,615
Net book value										
Balance at 31 December 2014	8,885	81,197	47	9,229	-	5,659	-	124	6,471	111,612
Balance at 30 June 2014	9,127	67,801	46	8,154	-	6,021	1	151	-	91,301

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

	31 December 2014 $'000	30 June 2014 $'000

12 GOODWILL

Gross carrying amount and net book value		
Balance at the beginning of the period	14,805	14,805
Balance at the end of the period	14,805	14,805

13 TRADE AND OTHER PAYABLES

Current		
At amortised cost		
Trade creditors	6,282	5,888
Deferred income	19,076	16,695
Deferred lease incentive	5,833	3,943
Other creditors and accruals	7,491	5,895
	38,682	32,421

Non-current		
At amortised cost		
Deferred lease incentive	24,408	21,179
	24,408	21,179

14 OTHER FINANCIAL LIABILITIES

Current		
At amortised cost		
Security deposits	29,291	24,887
External borrowings (i)	493	506
	29,784	25,393

Non-current		
At amortised cost		
External borrowings (i)	5,183	3,557
	5,183	3,557

Note

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

	31 December 2014 $'000	30 June 2014 $'000

15 PROVISIONS

Current		
Employee benefits	4,532	4,456
Other	-	201
	4,532	4,657

Non-current		
Employee benefits	732	668
	732	668

16 ISSUED CAPITAL

Fully paid ordinary shares 98,432,275 (June 2014: 98,432,275)	154,122	154,122

Movements in issued capital		
Balance at the beginning of the period	154,122	154,122
Balance at the end of the period	154,122	154,122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

17 NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31 December 2014 $'000	6 months ended 31 December 2013 $'000
(a) Reconciliation of cash and cash equivalents		
For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank, short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the Condensed consolidated statement of cash flows are reconciled to the related items in the Condensed consolidated statement of financial position as follows:		
Cash	20,086	16,774
Short term deposits	74,080	76,486
	94,166	93,260
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	16,039	11,819
Add/(less) non-cash items:		
Movements in provisions	(61)	(394)
Depreciation of non-current assets	8,783	7,964
Loss on disposal of non-current assets	-	4
Increase in current tax liability	507	236
(Increase)/ decrease in deferred tax balances	(2,988)	440
Unrealised foreign exchange (gain)/ loss	(4,991)	2,196
Change in assets and liabilities during the financial period:		
Increase in prepayments	(1,416)	(380)
Increase in trade debtors	(2,176)	(5,661)
Increase/ (decrease) in other current assets	1,655	(259)
Increase in deferred income	7,500	4,520
Increase in client security deposits	4,404	1,634
Increase/ (decrease) in trade and other payables	1,990	(3,992)
Net cash provided from operating activities	29,246	18,127

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Consolidated			
31 December 2014			
Bank hybrid variable rate securities	16,113	-	-
Forward foreign currency exchange contracts	-	1,031	-
	16,113	1,031	-
31 December 2013			
Bank hybrid variable rate securities	8,370	-	-
Forward foreign currency exchange contracts	-	766	-
	8,370	766	-

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 Dec 2014 $'000	Fair value as at 30 Jun 2014 $'000	Fair value hierarchy	Valuation tecnhique(s) and key input(s)
Bank hybrid variable rate securities	16,113	16,306	1	Quoted prices in an active market
Forward foreign currency exchange contracts	1,031	712	2	Future cash flows are estimated based on observable forward exchange rates

19 SUBSEQUENT EVENTS

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

Dividend

On 19 February 2015, the Directors declared an interim dividend of 11.00 cents per share, 20% franked, payable on 1 April 2015.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7021
www.deloitte.com.au

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Servcorp Limited, which comprises the condensed statement of financial position as at 31 December 2014, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Servcorp Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Servcorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Servcorp Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 19 February 2015