SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4E

Preliminary Final Report for the financial year ended 30 June 2014

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the twelve months to 30 June 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

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Servcorp Limited
ABN 97 089 222 506
Financial Report
30 June 2014

Reporting Period

Current period:	1 July 2013 to 30 June 2014
Previous corresponding period:	1 July 2012 to 30 June 2013

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	up	17%	to	242,247
Profit from ordinary activities after tax attributable to members	up	24%	to	26,336
Net profit for the period attributable to members	up	24%	to	26,336

Dividends	Total amount $'000	Amount per security	Franked amount per security
Current period			
Final dividend declared	10,828	11.000c	3.850c
Interim dividend paid	8,859	9.000c	0.000c
Previous corresponding period			
Final dividend declared	7,382	7.500c	7.500c
Interim dividend paid	7,382	7.500c	7.500c
Record date for determining entitlements to the dividend	17 September 2014		
Dividend payment date	1 October 2014		
There is no foreign conduit income attributed to this dividend			

	30 June 2014 $	30 June 2013 $
Net tangible asset backing		
Net tangible asset backing per ordinary security	$2.06	$1.96

Control over entities

Control was not gained or lost over any entity during the financial year ended 30 June 2014 that had a material effect on the profit for the period.

Material interest in entities

There were no material interests in entities that were not controlled entities.

Details of associates and Joint Venture entities

There are no associates or joint venture entities.

Management Discussion & Analysis

SERVCORP REPORTS NET PROFIT BEFORE TAX OF $34.26 MILLION, UP 24%

OPERATING CASH FLOW OF $40.21 MILLION, UP 48%

- Revenue of $242,247,000, up 17%
- NPBT of $34,257,000, up 24%
- NPAT of $26,336,000, up 24%
- NPBT (like for like) of $38,249,000 up 35%
- Operating cash flow of $40,214,000, up 48%
- NTA backing of $2.06 per share, up 5%
- EPS of $0.27, up 24%
- Final dividend of 11.00 cps, 35% franked, declared for FY 2014
- Forecast FY 2015 dividend of 22.00 cps

Like for Like Floor Performance FY 2013 vs FY 2014

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

Now, with more than 120 mature floors, we believe that it is more appropriate to describe the performance of the floors in Like for Like terms. Like for Like results will only include the results for floors that were open in both the current and comparative reporting periods i.e. it will exclude new floor openings in the 12 months ended 30 June 2014, and any floors that were closed in the year ended 30 June 2013.

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

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

	FY 2013 $AUD '000s	FY 2014 $AUD '000s	Variance $AUD '000s	%
Total Revenue	207,995	242,247	34,252	17%
NPBT - Like for like Floors	28,295	38,249	9,954	35%
NPBT - Floors closed	(665)	23	688	-
NPBT - New floors	-	(4,015)	(4,015)	-
Total NPBT	27,630	34,257	6,627	24%

Management Discussion & Analysis

FY 2014 - Overview

Management is satisfied with the Group's overall performance in FY 2014 and is encouraged to see that our revenue growth is gathering momentum and that our margins are improving. We are particularly pleased with the performance in the Middle East and Japan, however we note that the performance of Australia and Singapore can improve.

Revenue increased by 17% compared to FY 2013 and NPBT on like for like floors increased by 35%.

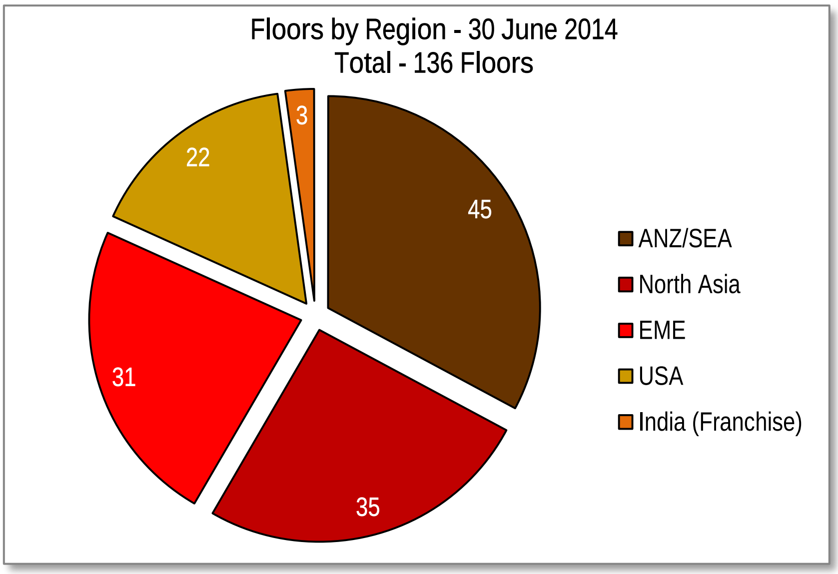
Our virtual office business continued to grow steadily, recording package growth of 7% in FY 2014.

Occupancy of like for like floors open at 30 June 2014 was 79% (30 June 2013: 78%) and the number of occupied offices increased by 10% during FY 2014. We view our current vacancy levels as a significant opportunity to improve our margins and operating results. We will continue to focus on improving occupancy and margins across the office business.

The Servcorp Footprint

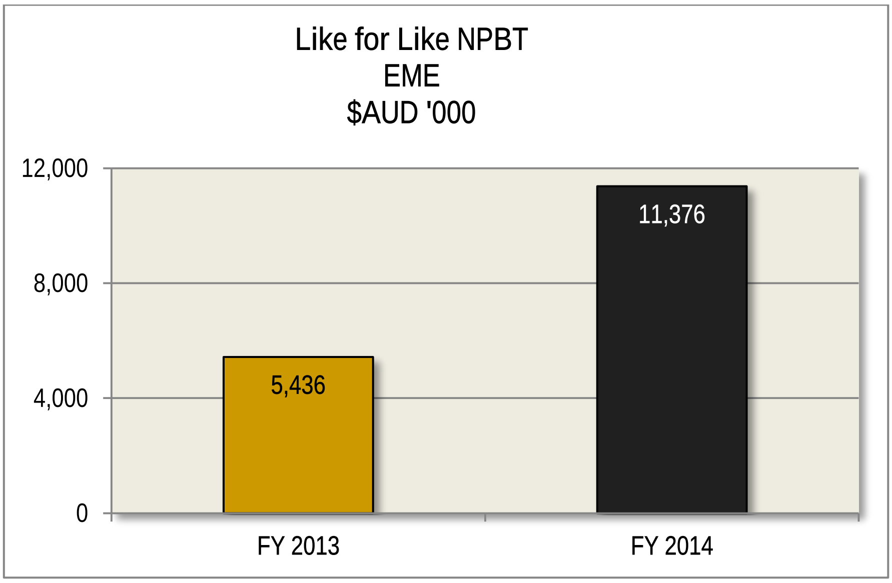
A total of 6 new floors were opened and 5 floors were expanded in FY 2014, adding approximately 11% to office capacity. This brings the total new floor openings to 78 floors in the 60 months to 30 June 2014. There are plans to open a further 9 floors and expand 3 existing floors in FY 2015 which will add a further 10% to office capacity in FY 2015.

As at 30 June 2014 there were 136 floors in 52 cities in 21 countries.



Operating Summary by Region

EME

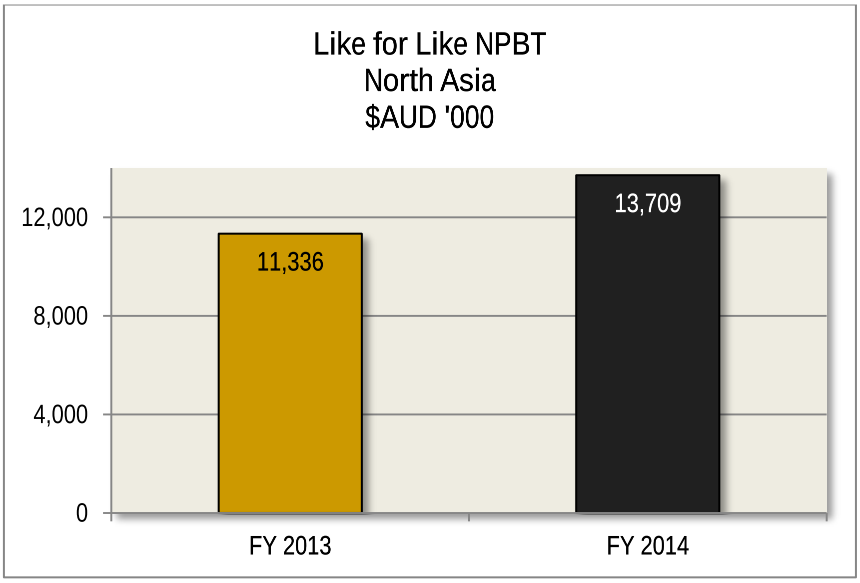


Like for like NPBT growth in the EME segment was 109% in FY 2014. Management is pleased with this outcome and remains focused on expanding in identified high growth areas.

Towards the end of FY 2014 we consolidated our operation in Paris by closing an ageing location. The performance of our London floors continue to improve as office vacancies in London decrease.

In FY 2015 we will open in two of the best locations in London, 1 Mayfair Place and the Leadenhall Building (The Cheesegrater), which is the tallest building in London. We will also open in Etihad Towers in Abu Dhabi, UAE.

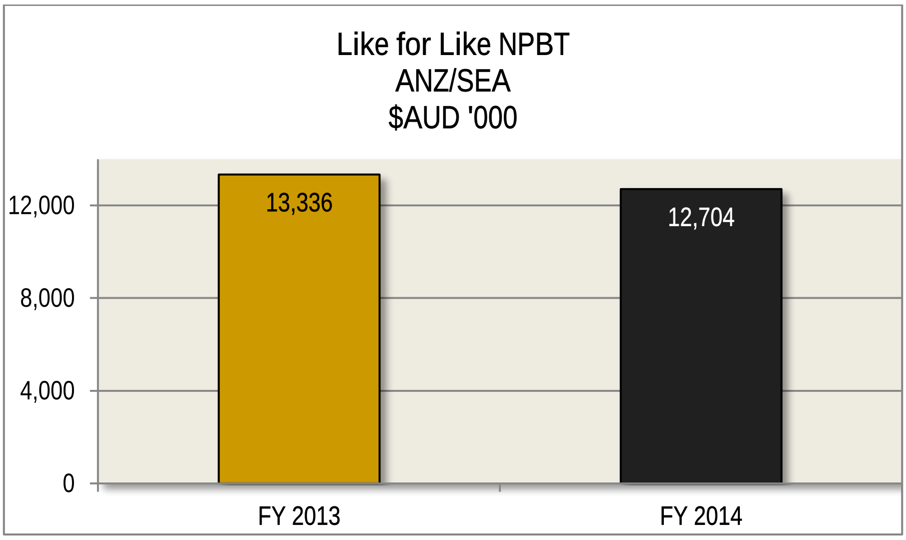
NORTH ASIA



The like for like NPBT growth for North Asia was robust, reporting growth of 21%. Our Japanese business continues to outperform, whereas there is still considerable upside potential in China. During FY 2014 we opened our new landmark location in Fortune Financial Centre, Beijing. The performance of Hong Kong is improving and we expect margin growth to continue in this city.

Management Discussion & Analysis

ANZ / SEA

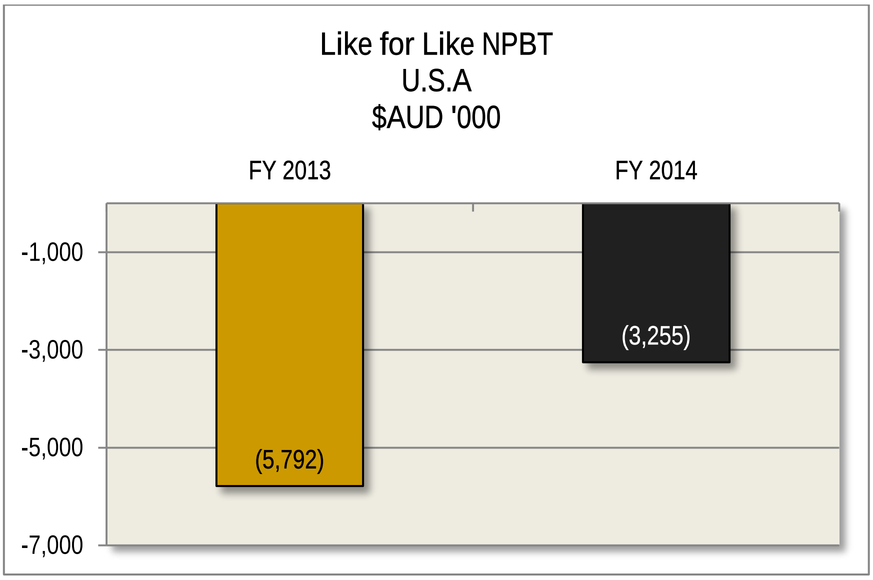


On a like for like basis NPBT performance in ANZ / SEA was down 5% when compared to the prior period.

In SEA we had a complete management restructure which negatively impacted sales and margins for both Singapore and Malaysia. We believe that we are at the bottom of the cycle and expect our results to improve in FY 2015. Despite continued civil unrest in Thailand our performance remained strong.

The Australian market in general remained competitive. The Perth market has not recovered after the collapse in FY 2013 but we do expect the margins in both Sydney and Melbourne to improve throughout the course of FY 2015.

USA



Despite ongoing challenging economic conditions in the USA, revenue and margins continued to improve throughout FY 2014. We are now close to a NPBT breakeven position and we anticipate generating a modest like for like profit in FY 2015.

Management continue to have confidence in our USA business model and we are looking forward to opening one of our most prestigious floors to date on Level 85, World Trade Centre 1, New York in H2 FY 2015. We will also expand our Boston and Los Angeles locations.

Management Discussion & Analysis

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue and other income from operating activities was up 17% to $242,247,000 for FY 2014 (FY 2013: $207,995,000). During FY 2014 the AUD appreciated on average by 3% against the JPY, and depreciated by an average of 11% and 15% against the USD and EUR respectively. In constant currency terms revenue for FY 2014 increased by 10% compared to FY 2013.

NPBT for FY 2014 was $34,257,000, up 24% from a NPBT of $27,630,000 in FY 2013. When expressed in constant currency terms NPBT increased by 20% for FY 2014 compared to FY 2013.

Cash and Investment Balances

Cash and investment balances as at 30 June 2014 remained strong at $108,788,000 (30 June 2013: $99,758,000). Of this balance, $15,336,000 was lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash and investment balance of $93,452,000 in the business as at 30 June 2014 (30 June 2013: $90,616,000).

The business produced operating cash flows after tax during FY 2014 of $40,214,000 (FY 2013: $27,092,000), up 48%.

DIVIDEND

The Directors have declared a final dividend payable of 11.00 cents per share, 35% franked, bringing total dividends payable in relation to FY 2014 to 20.00 cents per share, 19% franked. There is no foreign conduit income attributed to this dividend.

Reduced profits and resultant lower tax payments in Australia have reduced the franking percentage below the level anticipated in the half year results announcement. Accordingly, the Directors have increased the dividend per share from the anticipated 9.00 cents per share to 11.00 cents per share to partly compensate shareholders for the lower level of franking.

Dividends of no less than 22.0 cents per share (11.00 cents in each half) are expected to be paid in relation to the 2015 financial year. At this point, future franking levels are uncertain.

Future dividends are subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

SHARE BUY BACK

The Directors have resolved to finalise the share buy-back commenced on 11 September 2012.

OUTLOOK

Notwithstanding significant levels of global political and economic uncertainty, we anticipate further revenue growth and an improvement in occupancy.

We will also remain focused on expanding our office footprint in identified growth markets, where we have critical mass and experienced management. We expect to add 10% to office capacity in FY 2015.

We forecast the Group’s NPBT to improve by no less than 15% in FY 2015.

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

Management Discussion & Analysis

Key:

FY 2015	Year ending 30 June 2015
FY 2014	Year ended 30 June 2014
FY 2013	Year ended 30 June 2013
H2 FY 2015	Second half of year ending 30 June 2015
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
ANZ	Australia and New Zealand
SEA	South East Asia
EME	Europe and Middle East

Servcorp Limited

and its controlled entities

2014 Statutory Accounts

For the 12 months ended

30 June 2014

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CORPORATE GOVERNANCE

The Board has responsibility for the long term financial 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 Principles and 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.

Details of Servcorp's compliance are set out below, and in the ASX principles compliance statement on pages 6 to 10 of this annual report.

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;
– endorsing strategic direction;
– monitoring the Company's performance within that strategic direction;
– appointing the Chief Executive Officer and evaluating his performance and remuneration;
– monitoring business performance and results;
– identifying areas of significant risk and seeking to put in place appropriate and adequate control, monitoring and reporting mechanisms to manage those risks;
– establishing appropriate standards of ethical behaviour and a culture of corporate and social responsibility;
– approving senior executive remuneration policies;
– ratifying the appointment of the Chief Financial Officer and the Company Secretary;
– monitoring compliance with continuous disclosure policy in accordance with the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange;
– monitoring that the Company acts lawfully and responsibly;
– reporting to shareholders;
– addressing all matters in relation to issued securities of the Company including the declaration of dividends;
– ensuring the Board is, and remains, appropriately skilled to meet the changing needs of the Company.

The Board Charter is available on the Company's website; servcorp.com.au

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 (one executive and four non-executive). Three non-executive directors are 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 are set out on pages 11 and 12 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 in the table on the following page.

DIRECTORS' INDEPENDENCE

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

The non-executive directors, with the exception of Mr Taine Moufarrige, 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.

Mr Taine Moufarrige is the only non-executive director who has been employed by Servcorp. Mr Taine Moufarrige resigned as an executive of Servcorp on 31 December 2011 after 15 years of service.

NAMES OF DIRECTORS IN OFFICE AT THE DATE OF THIS ANNUAL REPORT

Director	First Appointed	Non-executive	Independent	Retiring at 2014 AGM	Seeking re-election at 2014 AGM
B Corlett	19 October 1999	Yes	Yes	No	N/A
R Holliday-Smith	19 October 1999	Yes	Yes	No	N/A
A G Moufarrige	24 August 1999	No	No	No	N/A
T Moufarrige	25 November 2004	Yes	No	Yes	Yes
M Vaile	27 June 2011	Yes	Yes	Yes	Yes

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.

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 will abstain 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 26 to the Consolidated financial report.

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 any written advice received by the director is made available to all other members of the Board.

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 announcement to the ASX of the Company's half-year and full-year results; or
- whilst in possession of non-public price sensitive information.

Directors must discuss proposed purchases or sales of shares in the Company with the Chairman before proceeding. If the Chairman proposes to purchase or sell shares in the Company, he must receive approval from the next most senior director 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.

The Company's Securities Trading Policy is available on the Company's website; servcorp.com.au

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.

AUDITOR INDEPENDENCE

The Company's auditor Deloitte Touche Tohmatsu (Deloitte) was appointed at the annual general meeting of the Company on 6 November 2003.

Deloitte rotate their audit engagement partner every five years.

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.

DIVERSITY

The Company has a culture that both embraces and achieves diversity in its global operations.

The Company is culturally diverse in its employment practices and has a global culture of employing the best qualified available talent for any position regardless of gender, age or race. The Company benefits from the diversity of its team members and has training programs to assist with developing their skills and with career advancement. The Company travels team members to work in its global locations, giving them exposure to and understanding of various differing cultures and marketplaces.

The Company has a high participation of women across all employment levels. The proportion of women employees in the whole organisation, senior executive positions and on the Board is set out in the following table.

Full time employees	Total No.	Women %	Men %
Consolidated entity	776	84%	16%
Senior executives	22	55%	45%
Board	5	0%	100%

Under the Workplace Gender Equality Act 2012 (WGE Act), any employer with 100 or more employees must submit an Annual Compliance Report detailing the composition of its workplace profile in Australia. Servcorp has lodged its WGE Report for 2014 with the WGE Agency and has received notice that the Company is compliant with the WGE Act.

Shareholders may access the report on the Company's website; servcorp.com.au

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.

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
- Mr T Moufarrige

All three members are non-executive directors, with two being independent. Although Mr T Moufarrige is not an independent director, the Board considers that his appointment adds value due to his depth of knowledge of the Consolidated Entity's day-to-day operations, especially in its overseas jurisdictions.

The Chairman of the Audit and Risk Committee is independent and is not the Chairman of the Board.

The primary function of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to:

- ensuring the Company adopts, maintains and applies appropriate accounting and financial reporting processes and procedures;
- reviewing and monitoring the integrity of the Company's financial reports and statements;
- ensuring the Company maintains an effective risk management framework and internal control systems;
- monitoring the performance and independence of the external audit process and addressing issues arising from the audit process.

It is the Committee's responsibility to maintain free and open communication between the Committee and the external auditor and the management of Servcorp.

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

The Audit and Risk Committee met four 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;
– reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
– monitoring the procedures in place to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements;
– assisting management in improving the quality of the accounting function;
– monitoring the internal control framework and compliance structures and considering enhancements;
– overseeing the risk management framework;
– 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 reports on any major defalcations, frauds and thefts from the Company;
– considering the appointment and fees of the external auditor;
– reviewing and approving the terms of engagement and fees of the external auditor at the start of each audit;
– considering and reviewing the scope of work, reports and activities of the external auditor;
– establishing appropriate policies in regard to the independence of the external auditor and assessing that independence;
– liaising with the external auditor to ensure that the statutory annual audit and half-yearly review are conducted in an effective manner;
– addressing with management any matters outstanding with the auditors, taxation authorities, corporate regulators, Australian Securities Exchange and financial institutions;
– monitoring the establishment of appropriate ethical standards.

The Audit and Risk Committee Charter is available on the Company's website; servcorp.com.au

Remuneration Committee

The Remuneration Committee members during the year were:

– The Hon. M Vaile (Chair)
– Mr R Holliday-Smith
– Mr T Moufarrige

The primary function of the Remuneration Committee is to assist the Board in 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:

– making recommendations to the Board on appropriate remuneration, in relation to both the amount and its composition, for the Chief Executive Officer and senior executives who report to the Chief Executive Officer;
– developing and recommending to the Board short term and long term incentive programs;
– monitoring superannuation arrangements for the Company;
– reviewing recruitment, retention and termination strategies and procedures;
– ensuring the total remuneration policy and practices are designed with proper consideration of accounting, legal and regulatory requirements for both local and foreign jurisdictions;
– reviewing the Remuneration Report for the Company and ensuring that publicly disclosed information meets all legal requirements and is accurate.

The Remuneration Committee shall ensure the Company is committed to the principles of accountability and transparency and to ensuring that remuneration arrangements achieve a balance between shareholder and executive rewards.

During the year, the Remuneration Committee undertook a comprehensive review of the Company's executive remuneration structures, as detailed in the Remuneration Report on pages 21 to 32 of this annual report.

The Remuneration Committee met two times during the year. The Chief Executive Officer may attend Committee meetings by invitation to assist the Committee in its deliberations.

The Remuneration Committee Charter is available on the Company's website; servcorp.com.au

ASX PRINCIPLES COMPLIANCE STATEMENT

This table provides a description of the manner in which Servcorp complies with the ASX Corporate Governance Principles and Recommendations or where applicable, an explanation of any departures from the Principles. Compliance has been measured against the 2nd edition of the Principles and Recommendations with 2010 Amendments.

Servcorp will undertake a transition to the 3rd edition of the ASX Corporate Governance Principles and Recommendations, in readiness for when they take effect in the financial year ending 30 June 2015.

Principle 1	**Lay solid foundations for management and oversight** *Establish and disclose the respective roles and responsibilities of board and management.*
Recommendation 1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
Servcorp Board Response	The Board has adopted a charter that sets out the responsibilities reserved for the Board and those delegated to the Managing Director and senior executives. Primary responsibilities are set out on page 2. The Board Charter is available on the Company's website; servcorp.com.au
Recommendation 1.2	Disclose the process for evaluating the performance of senior executives.
Servcorp Board Response	The process for evaluating the performance of senior executives is included in the remuneration report on pages 25 to 28 of this annual report.
Recommendation 1.3	Provide the information indicated in the Guide to reporting on Principle 1.
Servcorp Board Response	All relevant information is included in the corporate governance section on pages 2 to 10 of this annual report.
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 Response	The Board has a majority of independent directors. Three of the four currently serving non-executive directors are independent.
Recommendation 2.2	The chair should be an independent director.
Servcorp Board Response	The Chair is an independent director.
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.
Servcorp Board Response	The roles of Chair and Managing Director / CEO are not exercised by the same individual.
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 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. A specific skills matrix has not been developed, however the current non-executive directors each bring a mix of skills and experience to the Board. The Board has endeavoured to expand this skills mix when considering new appointments.
Recommendation 2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.
Servcorp Board Response	The Board operates under a charter and a code of conduct which recognises that strong ethical values must be at the heart of director and Board performance. The non-executive directors evaluate 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 non-executive directors. There is good interaction between all directors and with senior executives and it is considered that the non-executive directors have a solid understanding of the culture and values of the Company.
Recommendation 2.6	Provide the information indicated in the Guide to reporting on Principle 2.
Servcorp Board Response	All relevant information is included in the corporate governance section on pages 2 to 10 of this 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 and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; – 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. 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 Securities 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; – briefings are held following the release of the half-year and full-year financial results.
Recommendation 3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
Servcorp Board Response	The Company has not established a written policy concerning diversity. The Company has a culture that both embraces and achieves diversity in its global operations. The establishment of a written policy with measurable objectives for achieving gender diversity would not, in the Board's view, bring any efficiency or greater benefit to the current diverse culture.
Recommendation 3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
Servcorp Board Reponse	The Board has not set measurable objectives for gender diversity. The Company is culturally diverse in its employment practices and has a global culture of employing the best qualified available talent for any position regardless of gender, age or race. The Company benefits from the diversity of its team members and has training programs to assist with developing their skills and with career advancement. The Company travels team members to work in its global locations, giving them exposure to and understanding of various differing cultures and marketplaces.
Recommendation 3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
Servcorp Board Reponse	The Company has a high participation of women across all employment levels, including in senior executive positions, however there are no women on the Board. The composition of the current Board is merit based and accordingly, in the view of Directors, is appropriate to maximise commercial returns for the benefit of shareholders. The proportion of women employees in the Company is provided in the table on page 4 of this annual report.
Recommendation 3.5	Provide the information indicated in the Guide to reporting on Principle 3.
Servcorp Board Response	An explanation of departures from Recommendations 3.2 and 3.3 is included in the respective responses. The relevant 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.

ASX PRINCIPLES COMPLIANCE STATEMENT (CONTINUED)

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	The board should establish an audit committee.
Servcorp Board Response	The Board has established an Audit and Risk Committee.
Recommendation 4.2	The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the board; – has at least three members.
Servcorp Board Response	All three members of the Audit and Risk Committee are non-executive directors, and two members are independent directors. The Chair of the committee is not the Chair of the Board.
Recommendation 4.3	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. The Audit and Risk Committee charter is available on the Company's website; servcorp.com.au
Recommendation 4.4	Provide the information indicated in the Guide to reporting on Principle 4. – the names and qualifications of those appointed to the audit committee, and their attendance at meetings of the committee; – the number of meetings of the audit committee.
Servcorp Board Response	This information is provided on pages 4, and 11 to 13 of this annual report.
Recommendation 4.4 (continued)	– 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 (Deloitte), under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. Deloitte 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. Deloitte rotate their audit engagement partner every five years.
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 designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
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 Chair and Managing Director.
Recommendation 5.2	Provide the information indicated in the 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 a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.
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. Briefings are held following the release of annual and half-year results and the time and location of these briefings are notified to the market.
Recommendation 6.2	Provide the information indicated in the Guide to reporting on Principle 6.
Servcorp Board Response	The information has been provided in the response to recommendation 6.1.

Principle 7	**Recognise and manage risk** *Establish a sound system of risk oversight and management and internal control.*
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
Servcorp Board Response	Management has a sound and comprehensive understanding of the inherent risks of the business which have been identified and managed through the experience of the Chief Executive Officer and long serving executives. Management have identified and documented the key risks of the business across the spectrum of strategic, information technology, human resources, operational, financial and legal / compliance. The Company does not have formal written policies for all aspects of its risk oversight and management. The Company is a globally run business where senior executives have oversight through the systems and reporting mechanisms of all activities in all global locations. The systems infrastructure is centrally managed through a small group of senior executives. Management's objective is to create a culture in which all executives focus on risk as a natural part of their day to day activities. The senior executives responsible for the day to day management of key risks have been identified. Many processes are documented through the Company's manuals which are proprietary and confidential, and these are regularly being strengthened and improved with time. Business processes are continually improved to reduce the potential for financial loss.
Recommendation 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
Servcorp Board Response	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. The Committee is satisfied that the Company and management have a culture of risk control and are gradually formalising the infrastructure of this culture. Although not all policies have been formally documented, the identified risks are tightly controlled and being managed effectively. The Company is heavily reliant on financial controls and senior executive controls. Day to day responsibility is delegated to the Chief Executive Officer and senior management. The Chief Executive Officer and senior management are responsible for: – identification of risk; – monitoring risk; – communication of risk events to the Board; and – responding to risk events, with Board authority. 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. The Audit and Risk Committee is working with management to ensure continuous improvement to the risk management and internal control systems.
Recommendation 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
Servcorp Board Response	The Chief Executive Officer and Chief Financial Officer provide such assurance.
Recommendation 7.4	Provide the information indicated in the Guide to reporting on Principle 7.
Servcorp Board Response	This information is provided above.

ASX PRINCIPLES COMPLIANCE STATEMENT (CONTINUED)

Principle 8	**Remunerate fairly and responsibly** *Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.*
Recommendation 8.1	The board should establish a remuneration committee.
Servcorp Board Response	The Board has established a Remuneration Committee.
Recommendation 8.2	The remuneration committee should be structured so that it: – consists of a majority of independent directors; – is chaired by an independent chair; – has at least three members.
Servcorp Board Response	All three members of the Remuneration Committee are non-executive directors and two members are independent directors. The Chair of the Committee is an independent non-executive director.
Recommendation 8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
Servcorp Board Response	This information is provided in the remuneration report on page 25 of this annual report.
Recommendation 8.4	Provide the information indicated in the Guide to reporting on Principle 8. – 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 5 and 13 of this annual report.
Recommendation 8.4 (continued)	– the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors.
Servcorp Board Response	There are no such schemes in existence.

DIRECTORS' REPORT

The directors of Servcorp Limited ("the Company") present their report together with the Consolidated financial report of the "Consolidated Entity", being the Company and its controlled entities, for the financial year ended 30 June 2014.

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 35 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 AM

Chair

Independent
Non-executive director

BA, LLB

Member of Audit and Risk Committee
Appointed October 1999

For more than 30 years Bruce has been a director of many public listed and unlisted companies. He has an extensive business background involving a range of industries including banking, property and maritime.

Bruce is Chair of Australian Maritime Systems Ltd and, until December 2013, was Chair of The Trust Company Limited.

Bruce is also Chair of the Mark Tonga Perpetual Relief Trust, Chair of Lifestart Co-operative Limited and an Ambassador of The Australian Indigenous Education Foundation.

Directorships of listed entities in the last three years:

– The Trust Company Limited (TRU) from October 2000 to December 2013 (Chair) (The Trust Company was acquired by Perpetual Limited and was removed from the official list of ASX on 19 December 2013).

Rick Holliday-Smith

Independent
Non-executive director

BA (Hons), CA, FAICD

Chair of Audit and Risk Committee
Member of Remuneration 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 Hong Kong Bank Limited, a wholly owned merchant banking subsidiary of HSBC Bank.

Rick is currently Chair of ASX Limited and Cochlear 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 (ASX) since July 2006 (Chair since March 2012);

– Cochlear Limited (COH) since February 2005 (Chair since July 2010).

The Hon. Mark Vaile AO

**Independent
Non-executive director**

**Chair of Remuneration Committee
Appointed June 2011**

Mark had a distinguished career as an Australian Federal Parliamentarian from 1993 to 2008. Ministerial Portfolios held by Mark during his five terms in Federal Parliament include Minister for Transport and Regional Development, Minister for Agriculture, Fisheries and Forestry, Minister for Trade, and Minister for Transport and Regional Services.

Mark also served as Deputy Prime Minister of Australia from July 2005 through to December 2007. He was instrumental in securing or initiating a range of free trade agreements between Australia and the United States, Singapore, Thailand, China, Malaysia and the ASEAN countries.

Since leaving the Federal Parliament in July 2008, Mark has embarked on a career in the private sector utilising his extensive experience across a number of portfolio areas. His current directorships include Virgin Australia Holdings Limited, StamfordLand Limited and Chair of Whitehaven Coal Limited. Mark is also Chair of GEMS Education Regional Board and is a director /trustee of Hostplus Superfund Limited. Mark also provides corporate advice to a number of Australian companies in the international marketplace.

In November 2013, at the request of The Hon. Julie Bishop, Mark accepted an appointment to the Council for Australian-Arab Relations (CAAR).

Directorships of listed entities in the last three years:

– Aston Resources Limited (AZT) since September 2009 (Aston Resources merged with Whitehaven Coal and was removed from the official list of ASX on 3 May 2012);

– CBD Energy Limited (CBD) from August 2008 to February 2013 (Chair);

– StamfordLand Corporation Ltd (SLC - listed on SGX) since August 2009;

– Virgin Australia Holdings Limited (VAH) since September 2008;

– Whitehaven Coal Limited (WHC) since May 2012 (Chair).

Taine Moufarrige

Non-executive director

BA, LLB

**Member of Audit and Risk Committee
Member of Remuneration Committee
Appointed November 2004**

Taine joined Servcorp in 1996 as a Trainee Manager. Taine played a key role in establishing Servcorp locations in Europe, the Middle East, New Zealand and throughout Australia, and in India through the Company's franchise venture.

Taine resigned from his operational role at Servcorp effective 31 December 2011, but remains on the Board as a non-executive director. His experience in the Company's operations brings important perspective to the Board.

Taine also still takes a role in the philanthropic activities of Servcorp.

Directorships of listed entities in the last three years:

– None.

Company Secretary
Greg Pearce

BCom, CA, AGIA, 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 10 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 the Governance Institute of Australia.

DIRECTORS' MEETINGS HELD AND ATTENDANCES AT MEETINGS

The number of directors' and board committee meetings held, and the number of meetings attended by each of the directors of the Company during the financial year is set out in the following table. Only those directors who are members of the relevant committees have their attendance recorded. Other directors do attend committee meetings from time to time.

Director	Board	Audit & Risk Committee	Remuneration Committee
Number of meetings held	7	4	2
Number of meetings attended			
B Corlett	7	4	
R Holliday-Smith	7	4	2
A G Moufarrige	7		
T Moufarrige	7	4	2
M Vaile	6		2

The details of the function and membership of the committees are presented in the Corporate Governance statement on pages 4 and 5.

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 Securities Exchange in accordance with s205G (1) of the Corporations Act 2001, at the date of this report is set out in the following table.

Director	Ordinary shares in Servcorp Limited		Options over ordinary shares
	Direct	Indirect	
B Corlett	-	413,474	-
R Holliday-Smith	-	250,000	-
A G Moufarrige (i)	547,436	49,566,667	-
T Moufarrige (i)	-	1,800,000	-
M Vaile	-	3,500	-

Notes:
i. The 1.8 million shares shown as being an indirect interest of T Moufarrige are also included in the indirect interest of A G Moufarrige.

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.

OPTIONS GRANTED

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

OPTIONS ON ISSUE

At the date of this report, there are no unissued ordinary shares of the Company under option (2013: Nil).

OPTIONS EXPIRED

During the year, or since the end of the financial year, no options over unissued shares expired or were cancelled (2013: 140,000).

SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the year, or since the end of the financial year, the Company has not issued any shares as a result of the exercise of an option over unissued shares.

SHARE BUY-BACK

On 28 August 2012, the Company announced it was establishing an on-market buy-back program to enable the Company to repurchase shares in itself from 11 September 2012, for a maximum period of 12 months. The program sought to buy up to 5.0 million ordinary shares (being approximately 5% of the issued ordinary share capital).

On 27 August 2013, the Company announced it would continue the share buy-back for a further 12 month period.

On 26 August 2014, the Company announced it had finalised the share buy-back.

During the year, or since the end of the financial year, the Company has bought back the following shares:

Number of shares	Nil	(2013: 8,532)
Total consideration paid	Nil	(2013: $26,449)

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, The Hon. M Vaile, Mr T Moufarrige and Mrs J King 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.

CORPORATE GOVERNANCE

A statement of the Board's governance practices is set out on pages 2 to 10 of this annual report.

STATE OF AFFAIRS

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

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during 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 $26.34 million (2013: $21.27 million). Operating revenue was $242.25 million (2013: $208.00 million). Basic and diluted earnings per share was 26.8 cents (2013: 21.6 cents).

	2014 $'000	2013 $'000
Revenue & other income	242,247	207,995
Net profit before tax	34,257	27,630
Net profit after tax	26,336	21,271
Net operating cash flows	40,214	27,092
Cash & investments balances	108,788	99,758
Net assets	217,101	207,900
Earnings per share	$0.268	$0.216
Dividends per share	$0.200	$0.150

DIVIDENDS PAID AND DECLARED

Dividends totalling $19.69 million have been paid or declared by the Company in relation to the financial year ended 30 June 2014 (2013: $14.76 million).

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, is set out in the following table.

Type		Cents per share	Total amount $'000	Date of payment	Franked %	Tax rate for franking credit
In respect of the previous financial year: 2013						
Interim	Ordinary shares	7.50	7,382	4 April 2013	100%	30%
Final	Ordinary shares	7.50	7,382	2 October 2013	100%	30%
In respect of the current financial year: 2014						
Interim	Ordinary shares	9.00	8,859	2 April 2014	0%	30%
Final	Ordinary shares	11.00	10,828	1 October 2014	35%	30%

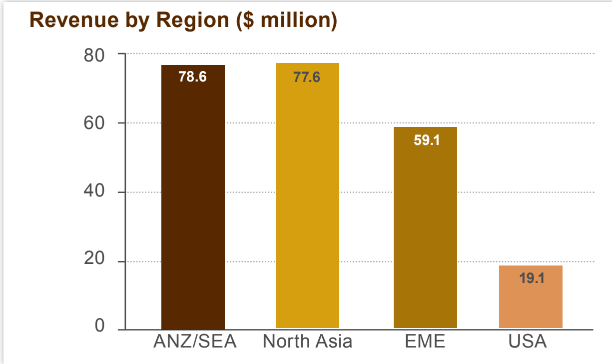
REVIEW OF OPERATIONS

Revenue and other income from ordinary activities for the twelve months ended 30 June 2014 was $242.25 million, up 17% from the twelve months ended 30 June 2013. During the year, the Australian dollar decreased by an average of 11% against the US dollar and 15% against the Euro and increased 3% against the Japanese yen. In constant currency terms revenue increased by 10% compared to the 2013 year.

Net profit before tax for the twelve months to 30 June 2014 was $34.26 million, up 24% from $27.63 million in the prior year. When expressed in constant currency terms, net profit before tax increased by 20% compared to the 2013 year.

Cash and investment balances were $108.79 million at 30 June 2014 (30 June 2013: $99.76 million). Of this balance, $15.34 million has been pledged with banks as collateral for bank guarantees and facilities, leaving an unencumbered cash and investment balance of $93.45 million in the business as at 30 June 2014 (30 June 2013: $90.62 million).

The business generated strong net operating cash flows during the 2014 financial year of $40.21 million, up 48% compared to the 2013 financial year (2013: $27.09 million). Before tax payments, the business produced cash flows of $44.81 million (2013: $37.22 million).

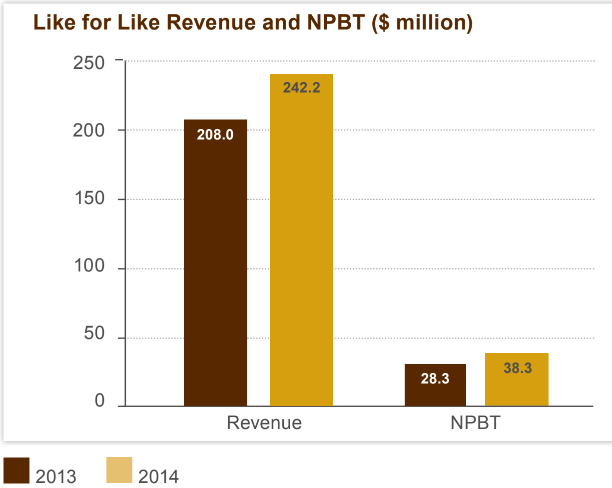


Like for Like Floor Performance

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

Now, with more than 120 mature floors, we believe that it is more appropriate to describe the performance of the floors in Like for Like terms. Like for Like results will only include the results for floors that were open in both the current and comparative reporting periods; that is, it will exclude new floor openings since the previous period and any floors closed during the previous period.

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



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

	2014 $'000	2013 $'000	Variance $'000	%
Total revenue	242,247	207,995	34,252	17%
Net profit before tax - Like for Like Floors	38,249	28,295	9,954	35%
Net profit before tax - floors closed 2013 financial year	23	(665)	688	
Net profit before tax - new floors 2014 financial year	(4,015)	-	(4,015)	
Statutory net profit before tax	34,257	27,630	6,627	24%

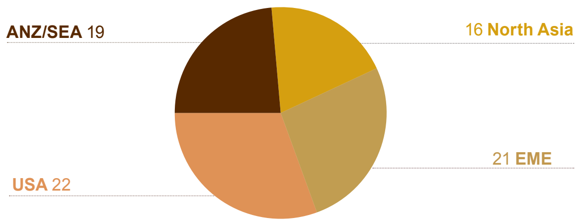
REVIEW OF OPERATIONS (CONTINUED)

Servcorp footprint

In the 2014 financial year, the Company continued to grow the "Servcorp footprint" in established markets. Six new floors were opened, bringing total new floor openings to 78 floors in the 60 months to 30 June 2014. In addition, five existing floors were expanded this year.

In total, office capacity increased by 11% in the 2014 financial year.

Expansion - 60 months to 30 June 2014



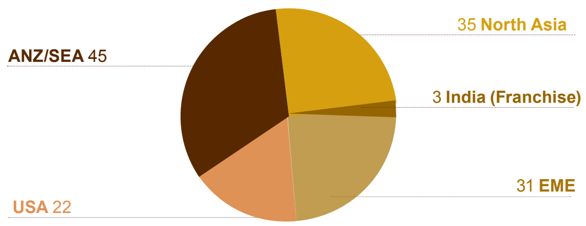
Occupancy of like for like floors open at 30 June 2014 was 79% (30 June 2013: 78%). The number of occupied offices increased by 10% during the 2014 financial year.

We view our current vacancy levels as a significant opportunity to improve our margins and operating results. We will continue to focus on improving occupancy and margins across the office business.

There are plans to open a further nine floors in the 2015 financial year and to expand a further three existing floors, adding approximately 10% to office capacity.

As at 30 June 2014, Servcorp operated 136 floors in 52 cities across 21 countries.

Floors by region - 30 June 2014



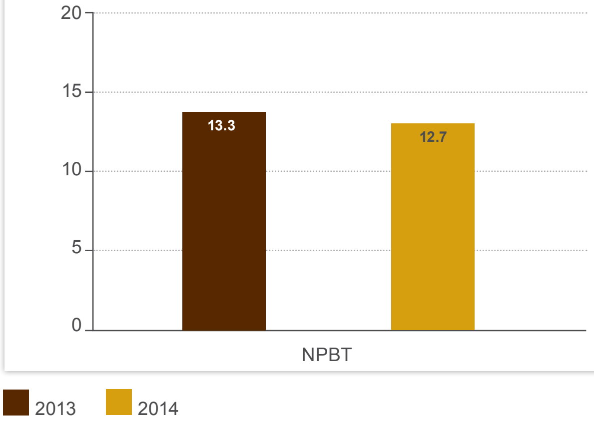
Australia, New Zealand and Southeast Asia

On a like for like basis, net profit before tax performance in Australia, New Zealand and Southeast Asia was down 5% when compared to the prior period.

In Southeast Asia, we had a complete management restructure which negatively impacted sales and margins for both Singapore and Malaysia. We believe that we are at the bottom of the cycle and expect our results to improve in the 2015 financial year. Despite continued civil unrest in Thailand, our performance remained strong.

The Australian market in general remained competitive. The Perth market has not recovered after the collapse in the 2013 financial year but we do expect the margins in both Sydney and Melbourne to improve throughout the course of the 2015 financial year.

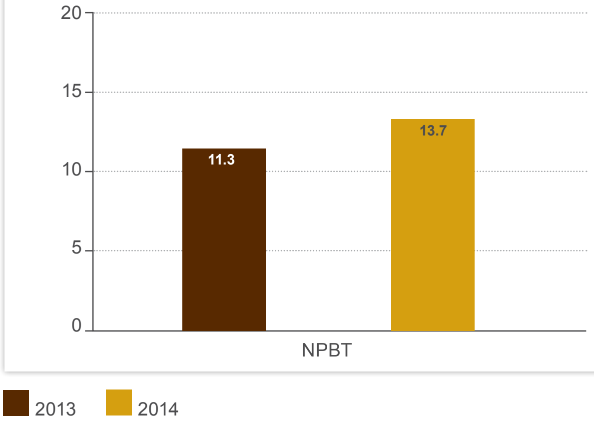
Like for Like results ($ million) - ANZ / SEA



North Asia

The like for like net profit before tax growth for North Asia was robust, reporting growth of 21%. Our Japanese business continues to outperform, whereas there is still considerable upside potential in China. During the 2014 financial year, we opened our new landmark location in Fortune Financial Centre, Beijing. The performance of Hong Kong is improving and we expect margin growth to continue in this city.

Like for Like results ($ million) - North Asia



REVIEW OF OPERATIONS (CONTINUED)

Europe and the Middle East

Like for like net profit before tax growth in the Europe and Middle East segment was 109% in the 2014 financial year. We are pleased with this outcome and remain focused on expanding in identified high growth areas.

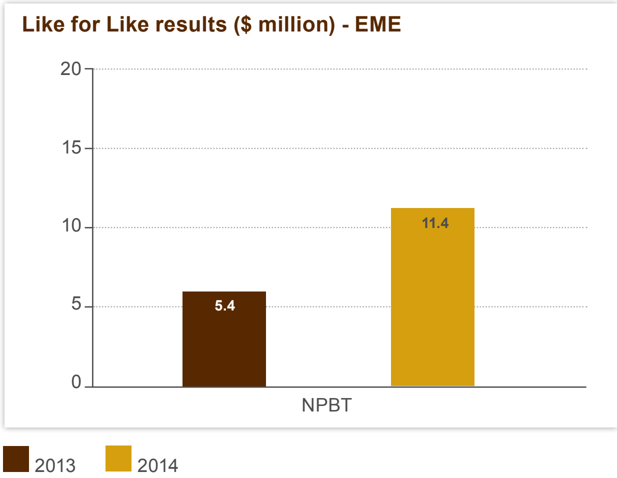
Towards the end of the 2014 financial year, we consolidated our operation in Paris by closing an ageing location. The performance of our London floors continue to improve as office vacancies in London decrease.

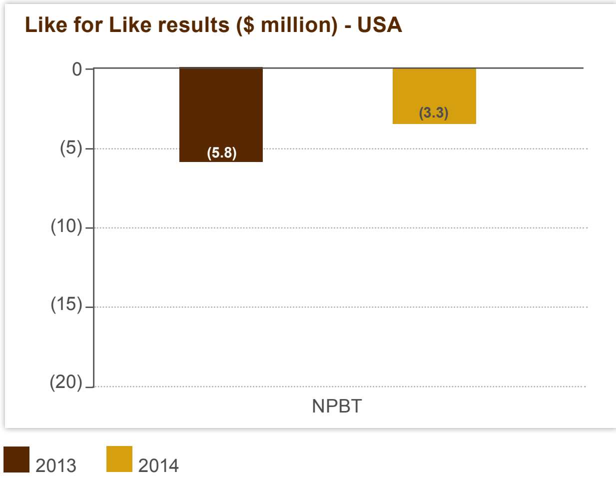
In the 2015 financial year, we will open in two of the best locations in London, One Mayfair Place and The Leadenhall Building (The Cheesegrater), which is the tallest building in London. We will also open Etihad Towers in Abu Dhabi, UAE.

USA

Despite ongoing challenging economic conditions in the USA, revenue and margins continued to improve throughout the 2014 financial year. We are now close to a net profit before tax breakeven position and we anticipate generating a modest like for like profit in the 2015 financial year.

We continue to have confidence in our USA business model and we are looking forward to opening one of our most prestigious floors to date on Level 85, World Trade Center 1, New York in the second half of the 2015 financial year. We will also expand our Boston and Los Angeles locations.





NEW LOCATIONS
New locations opened by the Consolidated Entity during the course of the financial year are set out in the following table.

City	Location	Offices	Opened
Tokyo	Level 1, Marunouchi Yusen Building	34	September 2013
Dubai	Level 23, Boulevard Plaza	47	October 2013
Sydney	Level 36, Gateway	63	October 2013
Singapore	Level 8, Metropolis Tower 2	41	February 2014
Beijing	Level 26, Fortune Financial Center	91	March 2014
Riyadh	Level 29, Oyala Towers	45	May 2014

In addition, the following locations were expanded by the Consolidated Entity during the course of the financial year:

City	Location	Additional Offices	Expanded
Guangzhou	Level 54, Guangzhou IFC	44	September 2013
Singapore	Level 42, Suntec Tower Three	11	December 2013
Singapore	Level 39, Marina Bay Financial Centre	50	May 2014
Hong Kong	Level 12, One Peking Road	33	May 2014
Brisbane	Level 19, 10 Eagle Street	31	June 2014

EVENTS SUBSEQUENT TO BALANCE DATE
Dividend
On 26 August 2014 the directors declared a 35% franked final dividend of 11.00 cents per share, payable on 1 October 2014.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2014.

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.

ENVIRONMENTAL MANAGEMENT
The Consolidated Entity's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

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 the general standard of independence for auditors imposed by, 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 APES 110 Code of Ethics for Professional Accountants 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 33 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 Consolidated financial report.

REMUNERATION REPORT

The Remuneration Report for the financial year ended 30 June 2014 is set out on pages 21 to 32 and forms part of this report.

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 CEO
Dated at Sydney this 26th day of August 2014.

REMUNERATION REPORT

CONTENTS

INTRODUCTION

Servcorp is now a geographically diverse business. We have significantly expanded our global footprint in recent years in an effort to exploit our brand, take advantage of new market opportunities and diversify our risk. It is acknowledged that the markets in which we operate are subject to changing economic factors and often these may be counter cyclical to the Australian market. For the financial year ended 30 June 2014 , the percentage of offshore revenue as a proportion of total revenue was 78%. Directors expect offshore revenue to continue to increase as we consolidate and grow Servcorp's global platform.

Skilled, experienced local management in each jurisdiction, supported by Servcorp's market leading IT platform and proprietary product offerings, are critical to our continued success.

The Board's philosophy and approach to executive remuneration is to balance fair remuneration for skills and expertise with a risk and reward framework attuned to local market conditions but that supports the growth aspirations of Servcorp as a global business.

As promised in last year's Remuneration Report, the Board undertook a comprehensive review of executive remuneration during the 2014 financial year. This review was also considered to be necessary in response to the 44% "no" vote recorded against the Remuneration Report for the financial year ended 30 June 2013, representing a first strike. The key initiatives implemented following this review, supported by independent external advice, included:

- the Remuneration Report has been reformatted with expanded disclosure principles adopted;
- the targets for short term incentives (STI) have been re-evaluated. There will be STI opportunity for executive KMP with the targets aligned to the Consolidated Entity's global and regional earnings;
- a global gateway net profit before tax has been imposed whereby any global STI in the current and forward two year period will not be paid unless underlying net profit before tax increases 20% compounded annually from the 2013 financial year base of $27.63 million;
- the STI opportunity for selected executive KMP has been slightly modified;
- the deferral of STI was considered but not introduced, because it is an unfamiliar concept in many of the countries in which we operate and the costs of implementation outweigh the benefits;
- the Board has retained a limited ability to exercise discretion;
- the reintroduction of a long term incentive (LTI) scheme was considered but it was decided that the cost / benefit of offering equity in multiple taxation and securities law jurisdictions to individual executives was unnecessarily complex and the Board is satisfied that the Company's existing incentive and retention strategies are appropriate;
- selected Board and executive KMP remuneration were benchmarked to relevant local market comparisons to ensure the remuneration of these key positions meets external expectations. This remains an ongoing process;
- the Board has met with a number of shareholders and proxy advisor CGI GlassLewis, who had reported on our Remuneration Report last year, in relation to these matters;
- directors' fees were increased effective from 1 July 2013, as disclosed. Directors' fees had remained fixed since 1 January 2010.

The changes adopted in the 2014 financial year will be reviewed annually.

The Board believes Servcorp's approach to non-executive director and executive KMP remuneration is balanced, fair and equitable and designed to achieve an alignment of interests between executive reward and shareholder expectations and wealth.

The Board will continue to welcome feedback from shareholders on Servcorp's remuneration practices or on the communication of remuneration matters in the Remuneration Report for the financial year ended 30 June 2014 and beyond.

Scope
This Remuneration Report sets out, in accordance with the relevant Corporations Act 2001 (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for KMP of Servcorp during the financial year ended 30 June 2014.

Key management personnel
Key management personnel have authority and responsibility for planning, directing and controlling the activities of Servcorp and comprise the non-executive directors, and executive KMP (being the executive director and other senior executives named in this report). Details of the KMP during the year are set out in the following table.

	Title	Change in 2014
Non-executive directors		
Bruce Corlett	Chairman Member, Audit & Risk Committee	No change. Full year
Rick Holliday-Smith	Director Chair, Audit & Risk Committee Member, Remuneration Committee	No change. Full year
Taine Moufarrige	Director Member, Audit & Risk Committee Member, Remuneration Committee	No change. Full year
The Hon. Mark Vaile	Director Chair, Remuneration Committee	No change. Full year
Executive director		
Alf Moufarrige	Chief Executive Officer	No change. Full year
Other executive KMP		
Marcus Moufarrige	Chief Operating Officer	No change. Full year
Jennifer Goodwyn	Vice President / General Manager - USA	No change. Full year
Liane Gorman	General Manager - Australia & New Zealand	No change. Full year
Laudy Lahdo	General Manager - Middle East	No change. Full year
Olga Vlietstra	General Manager - Japan	No change. Full year
Thomas Wallace	Chief Financial Officer	No change. Full year
Susie Martin	General Manager – Southeast Asia	Ceased 16 August 2013

REMUNERATION GOVERNANCE

This section explains the role of the Board and the Remuneration Committee, and use of remuneration consultants when making remuneration decisions in respect of non-executive directors and executive KMP.

Role of the Board and the Remuneration Committee

The Board is responsible for Servcorp's group remuneration strategy and policy. Consistent with this responsibility, the Board has established the Remuneration Committee which comprises solely non-executive directors, with a majority being independent.

The role of the Remuneration Committee is set out in its Charter, which is reviewed annually. In summary, the Remuneration Committee's role includes:

- ensure that the appropriate procedures exist to assess the remuneration levels of the Chairman, other non-executive directors, executive directors, direct reports to the CEO, Board Committees and the Board as a whole;
- ensure that Servcorp meets the requirements of ASX Corporate Governance Principles and Recommendations, and other relevant guidelines;
- ensure that Servcorp adopts, monitors and applies appropriate remuneration policies and procedures;
- ensure that reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal and accounting standard requirements;
- develop, maintain and monitor appropriate talent management programs including succession planning, recruitment, development; and retention and termination policies and procedures for senior management; and
- develop, maintain and monitor appropriate superannuation and other relevant pension benefit arrangements for Servcorp as required by law.

Further information on the Remuneration Committee's role, responsibilities and membership are contained in the Corporate Governance section on page 5.

Use of remuneration consultants

During the 2014 financial year, remuneration consultancy contracts were entered into by Servcorp and accordingly the disclosures required under section 300A(1)(h) of the Corporations Act are set in the following tables.

Advisor / consultant – 2014	Services provided	Remuneration consultant for the purpose of the Corporations Act
Ian Crichton, Remuneration Consultant CRA Plan Managers Pty Limited	Review of Remuneration Report for the financial year ended 30 June 2013 and general advice on improving executive KMP remuneration structures.	No.

Key questions regarding use of remuneration consultants

Question	Answer
Did the remuneration consultant provide remuneration recommendations in relation to any of the executive KMP for the 2014 financial year?	No.
How much was the remuneration consultant paid by Servcorp for remuneration related and other services?	Remuneration services: CRA Plan Managers Pty Limited $16,545; Other services: Boardroom Pty Limited $49,280. CRA is part of the Boardroom Group. Boardroom Pty Limited provides the Company's share registry and related services.
What arrangements did Servcorp make to ensure that the making of the remuneration recommendations would be free from undue influence by the executive KMP?	Servcorp maintains a protocol which governs the procedure for procuring advice relating to KMP remuneration. The protocol includes a process for the engagement of the remuneration consultant, the provision of information to the remuneration consultant and the communication of remuneration recommendations.
Is the Board satisfied that the remuneration information provided was free from any such undue influence?	Yes, the Board is satisfied.
What are the reasons for the Board being so satisfied?	The reasons are the Chairman of the Remuneration Committee had oversight of all requests for remuneration information, and the protocol with respect to the procurement of remuneration related advice remains in place.

NON-EXECUTIVE DIRECTOR REMUNERATION

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 by the Board within an aggregate directors' fees limit approved by shareholders.

The fees limit currently stands at $500,000 per annum inclusive of payments for superannuation. This limit was approved at the 2011 annual general meeting. No change is proposed in the 2015 financial year.

The most recent review of directors' fees was effective 1 July 2013. Directors' fees had not been increased since 1 January 2010. Effective 1 July 2013, non-executive directors' fees were set as:

– Chair - $175,000 per annum including superannuation;
– Non-executive - $100,000 per annum including superannuation;
– Chair of the Audit and Risk Committee - an additional $10,000 per annum including superannuation.

Additional fees are not paid for membership of Board committees other than as referred to in the previous paragraph.

Retirement allowances for directors

Non-executive directors are not entitled to retirement allowances.

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 2014 are set out in the table on pages 29 and 30.

Minimum shareholding requirement

Servcorp does not have a minimum shareholding requirement for non-executive directors. It is noted, however, that all non-executive directors are shareholders of the Company.

EXECUTIVE REMUNERATION

Remuneration philosophy and principles

The Board recognises that the Consolidated Entity's performance is dependent on the quality and contribution of its employees, particularly the executive KMP. To achieve its financial and operating objectives, Servcorp must be able to attract, retain and motivate appropriately qualified and skilled executives.

The objective of the 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 Servcorp's strategic objectives particularly its short, medium and long term earnings.

Executive remuneration is balanced between fixed and incentive pay. In determining the appropriate balance, regular reviews are undertaken that involve cross referencing position descriptions to reliable accessible remuneration data in the markets in which Servcorp operates.

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

– provides competitive rewards that attract, retain and motivate our key executives;
– encourages loyalty and commitment to Servcorp;
– builds a structure for growth and includes appropriate succession planning;
– structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive in the markets in which it operates;
– complies with applicable legal requirements and appropriate standards of governance.

Remuneration structure and elements

The executive KMP remuneration and reward framework at Servcorp currently has two components:

– Fixed remuneration; and
– Short term incentives.

The combination of these comprises the executive KMP total targeted remuneration opportunity.

Fixed remuneration

Fixed remuneration is reviewed each year and adjusted to changes in job role, promotion, market practice, internal relativities and performance. Remuneration for the 2014 financial year and changes from 2013 are set out in the table on pages 31 and 32.

Short term incentives
Short term incentives (STI) are awarded based on achievement against targets set at the beginning of each financial year. As stated in the Remuneration Report for the financial year ended 30 June 2013, the basis of the STI was reviewed and changes have been made to the scheme to apply for the 2014 financial year and beyond. It is noted that Alf Moufarrige, the CEO, founder and major shareholder, has elected not to participate in the STI scheme.

Under the revised STI scheme, an STI dollar value is set for each executive KMP which represents the maximum STI that can be awarded for the relevant year. The maximum STI opportunity for the 2014 financial year ranged between $45,000 and $110,000. The maximum STI opportunity as a percentage of fixed remuneration ranged between 11.8% and 36.6% with the average being 23.1%. The maximum STI opportunity range and percentage of fixed remuneration will be the same for the 2015 financial year.

STI targets will be set in advance each year and will be challenging. The STI targets for the 2014 financial year were determined based on a matrix of Consolidated Entity net profit before tax (global STI target) and regional operating profit (regional STI target), where appropriate. Where executive KMP have a direct responsibility for a region, their total STI potential was allocated between their regional STI target and the global STI target. Their regional STI allocation did not exceed 50% of the total potential STI in any case.

A gateway consolidated net profit before tax, based on a 20% per annum compound increase over the 2013 financial year net profit before tax, needed to be achieved before any global STI pay out. It is intended that a similar approach to STI, including the minimum 20% per annum compound growth over the 2013 financial year net profit before tax, will be applied for at least the next two financial years. The gateway consolidated net profit before tax is as follows:

Financial year ending 30 June	2013 base	2014 gateway	2015 gateway	2016 gateway
Consolidated net profit before tax ($ million)	27.63	33.16	39.79	47.75

Global STI will be calculated as follows:

- If consolidated net profit before tax meets the global gateway - 50% of the global STI opportunity;
- If consolidated net profit before tax meets the global target – 100% of the global STI opportunity;
- If consolidated net profit before tax falls between the global gateway and target - the global STI paid will be calculated as a percentage between 50% and 100% of global STI opportunity on an incremental basis, in the same proportion as the net profit before tax is to gateway and target.

Regional STI will only be paid if the regional STI target is met. There will be no gateway.

Long term equity incentives
The Board, after detailed consideration, has decided not to offer long term equity incentives (LTI) to any executive KMP. The reason for this decision is that:

- Servcorp has a small number of executive KMP in many geographic locations and the cost and complexity of offering equity to these executive KMP outweighs the benefit to shareholders, in the Board’s opinion;
- Servcorp has a very strong culture, and most executive KMP are long serving employees. The Board does not consider offering an LTI is necessary or desired for executive KMP to achieve the Company’s long term strategic objectives.

Termination benefits
There are no employment agreements in place for executive KMP. Any termination benefit paid to executive KMP would be limited to 12 months remuneration as required by law and in most cases would be determined based on statutory minimum requirements, years of service and the nature of the termination.

Clawback
Servcorp has no policy on clawback but will ensure compliance with any legal or ASX requirements in this regard. There have been no circumstances where clawback would have applied.

Minimum shareholding requirements
Servcorp does not have a minimum shareholding requirement for executive KMP. It is noted that the majority of executive KMP are shareholders of the Company.

Relationship between Servcorp performance and executive KMP remuneration

The relationship between Consolidated Entity performance and executive KMP remuneration is important to ensure that there is a clear and appropriate correlation and alignment of interests between shareholders and executive KMP.

Key financial indicators

Servcorp's principal activities and financial performance are explained in detail in the Review of Operations section of the Director's Report on pages 15 to 19.

A summary of Servcorp's financial performance over the last five years is provided in the following table.

	Financial year ended 30 June				
Measure	2010	2011	2012	2013	2014
Total revenue ($million)	169	182	201	208	242
Net profit before tax (NPBT) ($million)	2.9	3.0	18.3	27.6	34.3
Net profit after tax (NPAT) ($million)	2.0	2.5	14.8	21.3	26.3
Basic earnings per share (EPS) (cents)	2.2	2.5	15.0	21.6	26.8
Dividend per share (cents)	10.0	10.0	15.0	15.0	20.0
Share price as at 30 June ($)	$2.68	$2.85	$2.65	$3.21	$4.80
Offices	2,974	3,280	3,645	3,837	4,275
Number of locations	68	103	110	117	122

As previously reported, Servcorp began an aggressive expansion program in October 2009 to expand the Servcorp footprint globally. 78 new floors representing 2,164 offices have opened between July 2009 and June 2014. The large number of immature floors as a consequence of the expansion program had a material negative impact on profitability from the 2010 financial year through to the 2012 financial year. Recovery of profitability which commenced in the 2012 financial year has continued through 2013 and into the 2014 financial year showing a year on year increase of 24% to $26.3 million.

Despite the volatility of net profit after tax over the initial expansion period, dividends have increased due the strong underlying cash flows. Servcorp's share price has also been volatile over this period, but the Board is pleased to note the share price at 30 June 2014 was $4.80, up 49.5% from a year ago. This represents a most pleasing total shareholder return (TSR) performance over the 2014 financial year.

Executive KMP remuneration in comparison to Company performance

Despite the continuing strong growth and improvement in earnings in the 2014 financial year, global net profit before tax targets were not achieved in full and all but one of the individual regions did not meet expectations. Accordingly, the variable pay opportunity for executive KMP paid out represented only 36% of the maximum opportunity.

The individual ‘at risk’ rewards paid in the 2014 financial year to executive KMP and the percentage of their maximum opportunity is shown in the following table.

Executive KMP	STI awarded $	% of maximum opportunity
Marcus Moufarrige	27,500	25%
Jennifer Goodwyn	25,000	25%
Liane Gorman	25,000	25%
Laudy Lahdo	25,000	25%
Olga Vlietstra	75,000	75%
Thomas Wallace	22,500	50%

Servcorp has a very strong culture. Most of the executive KMP are long-serving employees. All but one has been employed for more than 11 years and (excluding the CEO) they have on average more than 16 years’ service. All executive KMP are aware of the need to perform, and the discretions exercised with respect to bonuses in the 2013 financial year will not be repeated. Each executive is involved in the target setting for the business and accepts the challenging targets set.

If our forward net profit before tax targets are met, then shareholders, in the opinion of the Board, will be satisfied with the Consolidated Entity’s performance and executive KMP will receive the maximum remuneration opportunity.

If executive KMP fail to meet their targets, the ‘at risk’ component of executive KMP remuneration will be heavily discounted. In this way the alignment of Consolidated Entity performance and executive KMP remuneration will be in direct correlation and be unambiguous.

EMPLOYEE SHARE SCHEME AND OTHER EQUITY INCENTIVE INFORMATION

At the date of this report there are no shares, rights, options or other equity incentives held by executive KMP and subject to vesting restrictions.

An executive share option scheme (ESOS) was introduced in 1999 and was first approved by shareholders on 19 October 1999 and subject to various amendments until November 2008. Options were last granted under the scheme on 22 September 2008, but have since lapsed.

In the current financial year, the directors did not grant any options under ESOS or any other scheme. The Board is satisfied that executive KMP incentive and retention strategies are satisfied through current remuneration and benefit arrangements.

Future offers under ESOS or an alternative employee share scheme (ESS) may be considered by the Board in the future.

EMPLOYMENT AGREEMENTS

There are no employment agreements in place for any executive KMP.

Any termination benefits provided to a Servcorp executive KMP would be determined by reference to length of service, the reason for cessation of employment, statutory requirements and generally accepted market practice relevant to the position’s seniority. In any event, termination benefits would be restricted to no more than one times fixed remuneration.

DIRECTORS' REMUNERATION

Name and title	Notes	Year	Short term employee benefits				Post-employment benefits	
			Salary and fees	Short term cash profit-sharing and bonuses	Non-monetary benefits	Other short term benefits	Super benefits	Other post-employment benefits
			$	$	$	$	$	$
A G Moufarrige Chief Executive Officer	(ii)	2014	425,418	-	106,054	-	27,750	-
		2013	430,947	-	99,802	-	27,000	-
B Corlett Non-executive director		2014	160,183	-	-	-	14,817	-
		2013	137,615	-	-	-	12,385	-
R Holliday-Smith Non-executive director		2014	100,687	-	-	-	9,313	-
		2013	82,569	-	-	-	7,431	-
T Moufarrige Non-executive director		2014	91,533	-	-	-	8,482	-
		2013	73,395	-	-	-	6,605	-
M Vaile Non-executive director		2014	91,533	-	-	-	8,467	-
		2013	73,395	-	-	-	6,605	-
Aggregate		2014	869,354	-	106,054	-	68,829	-
		2013	797,921	-	99,802	-	60,026	-

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. The salary of A G Moufarrige includes a component paid in Yen. The decrease in the 2014 year reflects the change in foreign currency exchange rate, not a change in salary in base currency terms.

Long term employee benefits	Termin-ation benefits	Total payments and benefits	Short term incentive grants				Long term incentive grants		
Long term incentive plan			STI paid in cash	STI accrued and not yet due	STI forfeited	Maximum future value of vested STI	LTI paid in cash	LTI accrued and not yet due	LTI forfeited
$	$	$	%	%	%	$	%	%	%
-	-	559,222	-	-	-	-	-	-	-
-	-	557,749	-	-	-	-	-	-	-
-	-	175,000	-	-	-	-	-	-	-
-	-	150,000	-	-	-	-	-	-	-
-	-	110,000	-	-	-	-	-	-	-
-	-	90,000	-	-	-	-	-	-	-
-	-	100,015	-	-	-	-	-	-	-
-	-	80,000	-	-	-	-	-	-	-
-	-	100,000	-	-	-	-	-	-	-
-	-	80,000	-	-	-	-	-	-	-
-	-	1,044,237	-	-	-	-	-	-	-
-	-	957,749	-	-	-	-	-	-	-

KEY MANAGEMENT PERSONNEL REMUNERATION

Name and title	Notes	Year	Short term employee benefits				Post-employment benefits	
			Salary and fees	Short term cash profit-sharing and bonuses (i) (ii)	Non-monetary benefits	Other short term benefits	Super benefits	Other post-employment benefits
			$	$	$	$	$	$
M Moufarrige Chief Operating Officer		2014	600,000	27,500	18,528	-	55,500	-
		2013	531,002	250,494	16,941	-	47,790	-
J Goodwyn VP / GM USA	(iii)	2014	317,898	25,000	4,174	-	3,179	-
		2013	323,450	25,000	2,022	-	4,981	-
L Gorman GM Australia & NZ		2014	233,906	25,000	16,094	-	23,125	-
		2013	236,777	214,709	16,245	-	22,500	-
L Lahdo GM Middle East	(iv)	2014	279,684	25,000	21,863	-	31,115	-
		2013	246,640	214,709	21,378	-	54,771	-
S Martin GM Southeast Asia	(v)	2014	33,426	-	10,794	-	-	-
		2013	260,981	214,709	40,648	-	21,240	-
O Vlietstra GM Japan	(vi)	2014	343,756	75,000	29,007	-	-	-
		2013	347,746	214,709	31,291	-	-	-
T Wallace Chief Financial Officer		2014	348,624	22,500	-	-	32,248	-
		2013	348,306	178,924	318	-	31,376	-
Aggregate		2014	2,157,294	200,000	100,460	-	145,167	-
		2013	2,294,902	1,313,254	128,843	-	182,658	-

Notes:
i. Amounts disclosed as short-term cash profit-sharing and bonuses in the 2014 year represent STI paid in August 2014 based on 2014 financial year global and regional targets.
ii Amounts disclosed as short-term cash profit-sharing and bonuses in the 2013 year represent bonuses paid in August 2013 from the executive bonus scheme pool at the discretion of the Board.
iii. The salary of J Goodwyn is paid in USD. The decrease in the 2014 year reflects the change in foreign currency exchange rate, not a change in salary in base currency terms.
iv. The salary of L Lahdo is paid in AED. The increase in the 2014 year reflects an increase in salary in base currency terms.
v. S Martin ceased employment with Servcorp effective 16 August 2013. The amount disclosed as termination benefits represents annual leave entitlements. Under the terms of her resignation, the Board agreed to pay her long term incentive entitlement. This is disclosed in the 2013 year.
vi. The salary of O Vlietstra is paid in JPY. The decrease in the 2014 year reflects the change in foreign currency exchange rate, not a change in salary in base currency terms.

Long term employee benefits	Termin-ation benefits	Total payments and benefits	Short term incentive grants				Long term incentive grants		
Long term incentive plan			STI paid in cash	STI accrued and not yet due	STI forfeited	Maximum future value of vested STI	LTI paid in cash	LTI accrued and not yet due	LTI forfeited
$	$	$	%	%	%	$	%	%	%
-	-	701,528	25.0%	-	75.0%	-	-	-	-
-	-	846,227	100.0%	-	-	-	-	-	100.0%
-	-	350,251	25.0%	-	75.0%	-	-	-	-
-	-	355,453	26.6%	-	73.4%	-	-	-	100.0%
-	-	298,125	25.0%	-	75.0%	-	-	-	-
-	-	490,231	100.0%	-	-	-	-	-	100.0%
-	-	357,662	25.0%	-	75.0%	-	-	-	-
-	-	537,498	100.0%	-	-	-	-	-	100.0%
-	96,829	141,049	-	-	-	-	-	-	-
48,478	-	586,056	100.0%	-	-	-	100.0%	-	-
-	-	447,763	75.0%	-	25.0%	-	-	-	-
-	-	593,746	100.0%	-	-	-	-	-	100.0%
-	-	403,372	50.0%	-	50.0%	-	-	-	-
-	-	558,924	100.0%	-	-	-	-	-	100.0%
-	96,829	2,699,750	36.0%	-	64.0%	-	-	-	-
48,478	-	3,968,135	95.0%	-	5.0%	-	15.8%	-	84.2%

Deloitte.

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

26 August 2014

Dear Board Members

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 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 audit; and

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

Yours sincerely,

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Sandeep Chadha
Sandeep Chadha
Partner
Chartered Accountants

2014 FINANCIAL REPORT

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STATEMENT OF COMPREHENSIVE INCOME

Servcorp Limited and its controlled entities for the financial year ended 30 June 2014

		Consolidated	
	Note	2014 $'000	2013 $'000
Revenue	2	234,284	199,341
Other income	2	7,963	8,654
		242,247	207,995
Service expenses		(63,598)	(56,736)
Marketing expenses		(14,835)	(13,118)
Occupancy expenses		(107,140)	(90,500)
Administrative expenses		(22,357)	(20,006)
Borrowing expenses	2	(60)	(5)
Total expenses		(207,990)	(180,365)
Profit before income tax expense		34,257	27,630
Income tax expense	5	(7,921)	(6,359)
Profit for the year		26,336	21,271
Other comprehensive (loss)/ income			
Translation of foreign operations (Item may be reclassified subsequently to profit or loss)		(894)	2,713
Other comprehensive (loss)/ income for the period (net of tax)		(894)	2,713
Total comprehensive income for the period		25,442	23,984
Earnings per share			
Basic earnings per share	8	$0.27	$0.22
Diluted earnings per share	8	$0.27	$0.22

The Statement of comprehensive income is to be read in conjunction with the notes to the Consolidated financial report.

STATEMENT OF FINANCIAL POSITION

Servcorp Limited and its controlled entities for the financial year ended 30 June 2014

		Consolidated	
	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	9	92,482	99,758
Trade and other receivables	10	32,243	22,960
Other financial assets	12	17,159	3,712
Current tax assets	5	575	1,138
Other	11	12,088	10,679
Total current assets		154,547	138,247
Non-current assets			
Other financial assets	12	25,847	24,183
Property, plant and equipment	13	91,301	84,921
Deferred tax assets	5	21,920	24,129
Goodwill	14	14,805	14,805
Total non-current assets		153,873	148,038
Total assets		308,420	286,285
Current liabilities			
Trade and other payables	15	32,421	34,519
Other financial liabilities	16	25,393	21,653
Current tax liabilities	5	2,749	2,006
Provisions	18	4,657	4,629
Total current liabilities		65,220	62,807
Non-current liabilities			
Trade and other payables	15	21,179	14,398
Other financial liabilities	16	3,557	-
Provisions	18	668	655
Deferred tax liabilities	5	695	525
Total non-current liabilities		26,099	15,578
Total liabilities		91,319	78,385
Net assets		217,101	207,900
Equity			
Issued capital	19	154,122	154,122
Reserves		(15,789)	(14,750)
Retained earnings		78,768	68,528
Equity attributable to equity holders of the parent		217,101	207,900
Total equity		217,101	207,900

The Statement of financial position is to be read in conjunction with the notes to the Consolidated financial report.

STATEMENT OF CHANGES IN EQUITY

Servcorp Limited and its controlled entities for the financial year ended 30 June 2014

	Issued capital	Foreign currency translation reserve	Employee equity settled benefits reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	154,149	(17,608)	145	62,023	198,709
Profit for the period	-	-	-	21,271	21,271
Translation of foreign operations (net of tax)	-	2,713	-	-	2,713
Total comprehensive gain for the period	-	2,713	-	21,271	23,984
Share buy-back	(27)	-		-	(27)
Payment of dividends	-	-	-	(14,766)	(14,766)
Balance at 30 June 2013	154,122	(14,895)	145	68,528	207,900
Balance at 1 July 2013	154,122	(14,895)	145	68,528	207,900
Profit for the period	-	-	-	26,336	26,336
Translation of foreign operations (net of tax)	-	(894)	-	-	(894)
Total comprehensive gain for the period	-	(894)	-	26,336	25,442
Options expired	-	-	(145)	145	-
Payment of dividends	-	-	-	(16,241)	(16,241)
Balance at 30 June 2014	154,122	(15,789)	-	78,768	217,101

The Statement of changes in equity is to be read in conjunction with the notes to the Consolidated financial report.

STATEMENT OF CASH FLOWS

Servcorp Limited and its controlled entities for the financial year ended 30 June 2014

	Note	2014 $'000	Consolidated 2013 $'000
Cash flows from operating activities			
Receipts from customers		238,009	208,762
Payments to suppliers and employees		(196,908)	(176,743)
Franchise fees received		603	587
Income tax paid		(4,591)	(10,131)
Interest and other items of similar nature received		3,161	4,622
Interest and other costs of finance paid		(60)	(5)
Net operating cash flows	25(b)	40,214	27,092
Cash flows from investing activities			
Payments for variable rate bonds		(13,959)	(2,997)
Payments for property, plant and equipment		(24,251)	(21,059)
Payments for lease deposits		(2,465)	(760)
Proceeds from sale of property, plant and equipment		41	(6)
Proceeds from sale of fixed rate securities		998	-
Proceeds from refund of lease deposits		151	3,433
Net investing cash flows		(39,485)	(21,389)
Cash flows from financing activities			
Payment for share buy-back		-	(26)
Dividends paid		(16,241)	(14,766)
Borrowings		4,059	-
Landlord capital incentives received		4,393	2,375
Net financing cash flows		(7,789)	(12,417)
Net decrease in cash and cash equivalents		(7,060)	(6,714)
Cash and cash equivalents at the beginning of the financial year		99,758	104,334
Effects of exchange rate changes on cash transactions in foreign currencies		(216)	2,138
Cash and cash equivalents at the end of the financial year	25(a)	92,482	99,758

The Statement of cash flows is to be read in conjunction with the notes to the Consolidated financial report.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT 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 comprises the consolidated financial statements of Servcorp Limited and its controlled entities ('Group' or 'Consolidated Entity'). For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

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 Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26 August 2014.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for financial instruments that are measured at their fair value as explained below. Cost is based on the fair value 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:

- AASB 9 'Financial Instruments' AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9. 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.

The directors anticipate that the adoption of these Standards and Interpretations on issue but not yet effective in future periods will have no material financial impact on the financial statements of the Consolidated Entity.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT 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 incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power, rights to variable returns and the ability to use its power to affect the amount of the returns. A list of subsidiaries appears in Note 23 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 value of the identifiable net assets acquired is recognised as goodwill. If after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition the difference is credited to the Statement of comprehensive income 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 Statement of comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the 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.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets of the CGUs pro-rata on the basis of the carrying amount of each asset in the CGU (or group of CGUs). An impairment loss for goodwill is immediately recognised in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets, 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.

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.

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of the impairment loss is recognised in the Statement of comprehensive income immediately.

d. Revenue recognition

Services revenue

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

e. Other income / expense

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Disposal of assets

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

f. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit and loss 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 profit and loss on disposal of the net investment.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
f. Foreign currency (continued)
Translation of controlled foreign entities
The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Servcorp Limited and the presentation currency for the consolidated financial statements.

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. 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 profit and loss 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.

g. Borrowing costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, and amortisation of ancillary costs using the effective interest rate method in connection with the arrangement of borrowings. Borrowing costs are expensed to the Statement of comprehensive income as incurred.

h. 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.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Taxation (continued)

Deferred tax (continued)

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 Statement of comprehensive income, 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 (or distribution to) equity participants.

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 Statement of financial position.

Cash flows are included in the Statement of cash flows 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.

i. Receivables

Trade debtors to be settled within 30 days are carried at amounts due. The collectability of debts is assessed at balance sheet date and a specific allowance is made for any doubtful amounts.

j. 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 20 to the Consolidated financial report.

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 profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Share based payments
The Board may grant options to eligible executives in accordance with the Servcorp Executive Share Option Scheme. These equity-settled-share-based payments are non-market based and have earnings per share performance hurdles for the vesting of options.

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Binomial Tree 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. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 21.

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 the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the equity-settled employee benefits reserve.

l. Financial assets
Subsequent to initial recognition, Servcorp Limited's 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:

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Loans and receivables'. Loans and receivables are measured at amortised costs using the effective interest method less impairment.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that will exactly discount estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. 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. Rent incurred in bringing floors to a state of operational readiness is capitalised to leasehold improvements and depreciated over the useful life of the asset.

Costs incurred on property, plant and equipment, which does 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 useful life of the asset using the straight line method.

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

Buildings	40 years
Leasehold improvements	Useful life of the asset
Office furniture and fittings	7.7 years
Office equipment	3-4 years
Software	3.7 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 from the time an asset is completed and ready for use.

n. 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.

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 Statement of comprehensive income.

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 on a straight line basis over the period of the lease term 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 profit and loss 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. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Payables

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

p. Borrowing costs

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 Statement of comprehensive income over the life of the borrowings using the effective interest rate method.

q. 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 for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

Onerous contracts

An onerous contract is considered to exist where the Consolidated Entity has a contract under which the unavoidable costs 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.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. 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 reporting 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.

Contributions to Australian superannuation funds

The Company and other Australian controlled entities contribute to defined contribution superannuation plans. Contributions are charged to the Statement of comprehensive income as they are incurred. Further information is set out in Note 21. Contributions to defined contribution superannuation plans are expensed as incurred.

s. 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.

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.

t. 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.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of six months or less.

v. Critical accounting issues

In the application of the Group's accounting policies, management is required to make judgments, 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 judgments. 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.

The following are the critical judgments 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. Further information on goodwill impairment is set out in Note 14.

Useful lives of property, plant and equipment

As described in Note 1(m), 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 to determine the present obligation in relation to floor closure costs including make good, which is set out in Note 3.

Tax losses

Deferred tax assets for the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised. This is assessed at each reporting date. Further information is set out in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

2. PROFIT FROM OPERATIONS

	Consolidated	
	2014 $'000	2013 $'000
a. Revenue		
Revenue from continuing operations consisted of the following:		
Revenue from the rendering of services	233,681	198,754
Franchise fee income	603	587
	234,284	199,341
b. Other income		
Interest income - bank deposits	3,254	3,827
Net foreign exchange gain	2,079	3,348
Other income	2,630	1,479
Total other income	7,963	8,654
c. Profit before income tax		
Profit before income tax was arrived at after charging / (crediting) the following from / (to) continuing operations:		
Borrowing expenses:		
Interest on bank overdrafts and loans	60	5
Depreciation of leasehold improvements	9,257	7,890
Depreciation of property, plant and equipment	6,642	6,348
Loss / (gains) on disposal of property, plant and equipment	274	(63)
Change in fair value of financial assets classified as fair value through the profit and loss	332	203
Bad debts written off	1,484	691
Operating lease payments	89,663	76,056

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

3. SIGNIFICANT TRANSACTIONS

	Consolidated	
	2014 $'000	2013 $'000
Individually significant transactions included in profit from ordinary activities before income tax expense:		
Floor closure costs	270	90
	270	90

4. REMUNERATION OF AUDITORS

	Consolidated	
	2014 $	2013 $
a. Auditor of the parent entity		
(Deloitte Touche Tohmatsu Australia (DTT))		
Audit and review of financial reports	576,640	543,385
Other services - tax	98,823	83,700
	675,463	627,085
b. Other auditors		
(DTT International Associates)		
Audit and review of financial reports	500,012	464,025
Other services - tax	106,272	158,921
Other services - financial statements preparation	108,012	96,905
	714,296	719,851
	1,389,759	1,346,936

The auditor of Servcorp Limited is Deloitte Touche Tohmatsu.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

5. INCOME TAXES

	Consolidated	
	2014 $'000	2013 $'000
a. Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	6,034	5,998
Over provision in prior years - current tax	(149)	(705)
Under provision in prior years - deferred tax	11	238
Deferred tax income relating to the origination and reversal of temporary differences and previously unrecognised tax losses	2,025	828
Income tax expense	7,921	6,359
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:		
Profit before income tax expense	34,257	27,630
Income tax expense calculated at 30%	10,277	8,289
Deductible local taxes	(272)	(69)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,437)	(1,361)
Other deductible items	(578)	(212)
Tax losses of controlled entities recovered	(2)	(148)
Income tax over provision in prior years	(138)	(467)
Unused tax losses and tax offsets not recognised as deferred tax assets	1,071	327
Income tax expense	7,921	6,359

The tax rate used in the above reconciliation is the Australian corporate tax rate of 30% (2013: 30%).

b. Current tax assets and liabilities		
Current tax assets		
Tax refunds receivable	575	1,138
Current tax payables		
Income tax attributable to:		
Parent entity	-	824
Subsidiaries	2,749	1,182
	2,749	2,006

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

5. INCOME TAXES (CONTINUED)

	Consolidated	
	2014 $'000	2013 $'000
c. Deferred tax balances		
Deferred tax assets comprises:		
Tax losses - revenue	14,522	15,281
Temporary differences	7,398	8,848
	21,920	24,129
Deferred tax liabilities comprises:		
Temporary differences	(695)	(525)
Net deferred tax assets	21,225	23,604
The gross movement of the deferred tax accounts are as follows:		
Balance at the beginning of the financial year	23,604	24,134
Movements in foreign exchange rates	(343)	536
Statement of comprehensive income (credit)	(2,036)	(1,066)
Balance at the end of the financial year	21,225	23,604
Deferred tax assets		
Movements in temporary differences:		
Accruals not currently deductible	(384)	(1,209)
Doubtful debts	4	(117)
Depreciable and amortisable assets	(148)	(577)
Tax losses	(759)	2,071
Foreign exchange	(415)	(1,504)
Deferred rent incentive	(175)	(191)
Other	12	186
Deferred tax assets	(1,865)	(1,341)
Balance at the beginning of the financial year	24,129	24,874
Movements in foreign exchange rates	(344)	596
Statement of comprehensive income (credit)	(1,865)	(1,341)
Balance at the end of the financial year	21,920	24,129
Deferred tax liabilities		
Movements in temporary differences:		
Depreciable and amortisable assets	52	(81)
Accruals and provisions not currently deductible	1	(288)
Other	118	94
Deferred tax liabilities	171	(275)
Balance at the beginning of the financial year	525	740
Movements in foreign exchange rates	(1)	60
Statement of comprehensive income charge/ (credit)	171	(275)
Balance at the end of the financial year	695	525

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

5. INCOME TAXES (CONTINUED)

	Consolidated	
	2014 $'000	2013 $'000
d. Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Temporary differences	-	37
Tax losses - capital	2,086	2,086
Tax losses - revenue	3,234	1,720
	5,320	3,843

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 $14,521,738 (2013: $15,280,959) in respect to losses that can be carried forward against future taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

6. 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 audit:

	Segment revenue		Segment profit / (loss)	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Continuing operations				
Australia, New Zealand and Southeast Asia	78,597	74,601	11,054	13,336
USA	19,088	12,357	(3,255)	(5,792)
Europe and Middle East	59,145	43,209	10,726	5,436
North Asia	77,564	69,383	12,017	10,671
Other	933	1,007	353	195
	235,327	200,557	30,895	23,846
Finance costs	-	-	(60)	(5)
Interest revenue	3,254	3,827	3,254	3,827
Foreign exchange gains / (losses)	2,079	3,348	2,079	3,348
Centralised unrecovered head office overheads	-	-	(3,302)	(4,571)
Franchise fee income	603	587	603	614
Unallocated	984	(324)	788	571
Profit before tax			34,257	27,630
Income tax expense			(7,921)	(6,359)
Consolidated segment revenue and profit for the period	242,247	207,995	26,336	21,271

The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full. For the 12 months ended 30 June 2014, the Group's Virtual Office revenue and Serviced Office revenue were $64,289,000 and $171,038,000 respectively (2013: $56,366,000 and $144,191,000, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

for the financial year ended 30 June 2014

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						
2013						
Final	Fully paid ordinary shares	7.50	7,383	4 Oct 2012	30%	85%
Interim	Fully paid ordinary shares	7.50	7,382	4 Apr 2013	30%	100%
2014						
Final	Fully paid ordinary shares	7.50	7,382	2 Oct 2013	30%	100%
Interim	Fully paid ordinary shares	9.00	8,859	2 Apr 2014	30%	0%
Unrecognised amounts						
Since the end of the financial year, the directors have declared the following dividend:						
Final	Fully paid ordinary shares	11.00	10,828	1 Oct 2014	30%	35%

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.

	2014 $'000	2013 $'000
Dividend franking account		
30% franking credit available	400	2,048
Impact on franking account balance of dividends not recognised	3,164	3,164

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.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

8. EARNINGS PER SHARE

	Consolidated	
	2014 $'000	2013 $'000
Earnings reconciliation:		
Net profit	26,336	21,271
Earnings used in the calculation of basic and diluted EPS	26,336	21,271

	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	98,432,275	98,434,168
Weighted average number of ordinary shares used in the calculation of diluted EPS	98,432,275	98,434,168
Basic earnings per share	$0.27	$0.22
Diluted earnings per share	$0.27	$0.22

Options outstanding as at 30 June 2014 and 30 June 2013 were anti-dilutive.

9. CASH AND CASH EQUIVALENTS

		Consolidated	
	Note	2014 $'000	2013 $'000
Cash (i), (ii)	20	23,972	17,559
Bank short term deposits (ii),(iii)		68,510	82,199
		92,482	99,758

Notes:
i. Australia and France have Nil (2013: $5,000,000) and $1,505,000 (2013: $4,142,000), respectively, in cash which is encumbered.
ii. Servcorp's unencumbered cash and investment balance is $93,452,000 as at 30 June 2014 (2013: $90,616,000).
iii. Bank short term deposits mature within an average of 158 days (2013: 178 days). These deposits and the interest earning portion of the cash balance earn interest at a weighted average rate of 3.52% (2013: 3.97%).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

10. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
At amortised cost		
Trade receivables (i)	22,679	19,924
Less: allowance for doubtful debts	(690)	(356)
Other debtors	10,254	3,392
	32,243	22,960

Notes:
i. The average credit period allowed on rendering of services is 7 days. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. The Group has fully reviewed all receivables over 90 days. Receivables are assessed for impairment at each reporting date and, where there is an indication of impairment, a provision is raised.

Aging of trade receivables past due but not impaired		
1 - 30 days	20,103	17,902
31 - 60 days	1,813	1,548
60 + days	763	474
Total	22,679	19,924

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

11. OTHER ASSETS

	Consolidated	
	2014 $'000	2013 $'000
Current		
Prepayments	7,742	6,100
Other	4,346	4,579
	12,088	10,679

12. OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	321	619
Investment in variable rate securities (i)	16,306	2,981
At amortised cost		
Lease deposits	532	112
	17,159	3,712
Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	391	-
At amortised cost		
Lease deposits	25,397	24,121
Other	59	62
	25,847	24,183

Notes:
i. Australia has $13,831,000 in securities which is encumbered (2013:Nil).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

13. PROPERTY, PLANT AND EQUIPMENT

									Consolidated
	Land and buildings at cost	Lease-hold improve-ments owned at cost	Lease-hold improve-ments at cost	Office furniture & fittings owned at cost	Office furniture & fittings leased at cost	Office equip-ment & software owned at cost	Office equip-ment leased at cost	Motor vehicles owned at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amounts									
Balance at 30 June 2013	5,166	125,156	1,048	18,577	121	32,888	105	804	183,865
Additions	4,828	14,585	-	2,743	-	2,095	-	-	24,251
Disposals	-	(3,973)	-	(429)	-	(775)	-	(75)	(5,252)
Transfers (to) / from other class of asset	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(34)	(1,592)	(44)	(220)	(5)	(382)	(4)	(8)	(2,289)
Balance at 30 June 2014	9,960	134,176	1,004	20,671	116	33,826	101	721	200,575
Accumulated depreciation									
Balance at 30 June 2013	682	61,123	1,002	11,069	121	24,352	104	491	98,944
Depreciation expense	155	9,257	-	1,992	-	4,381	-	114	15,899
Disposals	-	(3,098)	-	(402)	-	(706)	-	(30)	(4,236)
Transfers (to) / from other class of asset	-	(16)	-	-	-	(5)	-	-	(21)
Effect of foreign currency exchange differences	(4)	(891)	(44)	(142)	(5)	(217)	(4)	(5)	(1,312)
Balance at 30 June 2014	833	66,375	958	12,517	116	27,805	100	570	109,274
Net book value									
Balance at 30 June 2014	9,127	67,801	46	8,154	-	6,021	1	151	91,301
Balance at 30 June 2013	4,484	64,033	46	7,508	-	8,536	1	313	84,921

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

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

14. GOODWILL

	Consolidated 2014 $'000	2013 $'000
Gross carrying amount and net book value		
Balance at the beginning of the financial year	14,805	14,805
Balance at the end of the financial year	14,805	14,805

Allocation of goodwill to cash-generating units
The following twenty countries are cash-generating units:

Japan, Australia, New Zealand, China, Hong Kong, Malaysia, Singapore, Thailand, Belgium, United Arab Emirates, Bahrain, Qatar, Saudi Arabia, Philippines, Lebanon, Turkey, France, United States of America, Kuwait and United Kingdom.

Goodwill was allocated to the countries in which goodwill arose.

The carrying amounts of goodwill relating to each cash-generating unit as at 30 June 2014 was as follows:

	Consolidated 2014 $'000	2013 $'000
Japan	9,161	9,161
France	1,030	1,030
Australia	2,636	2,636
New Zealand	785	785
Singapore	706	706
Thailand	326	326
China	161	161
	14,805	14,805

The recoverable amount of goodwill relating to each cash-generating unit was determined based on value in use calculations, which use cash flow projections, covering a five year period and terminal value. For the year ended 30 June 2014, the discount rate applied to the above countries, inclusive of country risk premium, was as follows: Japan 14.7%, France 14.4%, Australia 13.8%, New Zealand 13.8%, Singapore 13.8%, Thailand 16.2% and China 14.7% (2013: Japan 14.8%, France 15%, Australia 14.2%, New Zealand 13.9%, Singapore 13.9%, Thailand 15% and China 14.4%).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

15. TRADE AND OTHER PAYABLES

	Consolidated	
	2014 $'000	2013 $'000
Current		
At amortised cost		
Trade creditors	5,888	5,691
Deferred income	16,695	16,059
Deferred lease incentive	3,943	5,204
Other creditors and accruals	5,895	7,565
	32,421	34,519
Non-current		
At amortised cost		
Deferred lease incentive	21,179	14,398
	21,179	14,398

16. OTHER FINANCIAL LIABILITIES

Current		
At amortised cost		
Security deposits	24,887	21,653
External borrowings (i)	506	-
	25,393	21,653
Non-current		
At amortised cost		
External borrowings (i)	3,557	-
	3,557	-

Notes:
i. On 21 November 2013 Japan borrowed JPY240,000,000 at 2.42% p.a. fixed for 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

for the financial year ended 30 June 2014

17. FINANCING ARRANGEMENTS

	Consolidated	
	2014 $'000	2013 $'000
The Consolidated Entity has access to the following lines of credit:		
Total facilities available:		
Bank guarantees (i)	35,575	19,690
Bank overdrafts and loans (iii)	1,322	1,218
Bill acceptance / payroll / other facilities (ii)	4,150	4,510
	41,047	25,418
Facilities utilised at balance sheet date:		
Bank guarantees (i)	27,531	16,571
Bank overdrafts and loans (iii)	-	-
	27,531	16,571
Facilities not utilised at balance sheet date:		
Bank guarantees (i)	8,044	3,119
Bank overdrafts and loans (iii)	1,322	1,218
Bill acceptance / payroll / other facilities (ii)	4,150	4,510
	13,516	8,847

The Group has access to financing facilities at reporting date as indicated above. The Group expects to meet its other obligations from operating cash flows and proceeds.

Notes:
i. Bank guarantees have been issued to secure rental bonds over premises. A guarantee has also been established to secure an overdraft limit in the form of a term deposit.
ii. Bill acceptance, payroll and other facilities have been established to facilitate the encashment of cheques, and to accommodate direct entry payroll and direct entry supplier payments.
iii. 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.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

18. PROVISIONS

	Consolidated	
	2014 $'000	2013 $'000
Current		
Employee benefits (i)	4,456	4,413
Other	201	216
	4,657	4,629
Non-current		
Employee benefits	668	655
	668	655

Notes:
i. The current provision for employee benefits includes $3,982,308 of annual leave and vested long service leave entitlements accrued (2013: $3,877,997).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

19. ISSUED CAPITAL

	Consolidated	
	2014 $'000	2013 $'000
Fully paid ordinary shares 98,432,275		
(2013: 98,432,275)	154,122	154,122
Movements in issued capital		
Balance at the beginning of the financial year	154,122	154,149
Share buy-back	-	(27)
Balance at the end of the financial year	154,122	154,122

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

20. FINANCIAL INSTRUMENTS
The Group's Audit and Risk Committee oversees the establishment of the capital and financial risk management system which identifies, evaluates, classifies, monitors, qualifies and reports significant risks to the Board of Directors. All controlled entities in the Servcorp Group apply this risk management system to manage their own risks.

a. Financial risk management objectives
The financial risks that result from Servcorp's activities are credit risk and market risk (interest rate risk and foreign exchange risk).

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 Consolidated Entity does not apply hedge accounting. The use of financial derivatives is governed by the Consolidated Entity's policies approved by the Board of Directors.

The Consolidated Entity's corporate treasury function reports to the Group's Audit and Risk Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

b. Capital management
Servcorp's objective when managing capital is to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders.

The Group's overall strategy remains unchanged from 2013. The capital structure of Servcorp consists of equity attributable to equity holders of the parent, company issued capital, reserves and retained earnings.

Servcorp operates globally, primarily through subsidiary companies established in the markets in which Servcorp operates. Operating cash flows are used to maintain and expand Servcorp, as well as to make routine outflows of tax and dividend payments.

c. Market risk
Servcorp's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into forward foreign currency exchange contracts to economically hedge anticipated transactions.

i. Foreign exchange risk
Servcorp operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Servcorp's foreign exchange risk arises primarily from:

– risk of fluctuations in foreign exchange rates to the Australian dollar (the reporting currency);
– firm commitments of receipts and payments settled in foreign currencies or with prices dependent on foreign currencies;
– investments in foreign operations; and
– loans and trading accounts to foreign operations.

Foreign currency assets and liabilities
For accounting purposes, net foreign operations are revalued at the end of each reporting period with the movement reflected as a movement in the foreign currency translation reserve. Borrowings and forward exchange contracts not forming part of the net investment in foreign operations are revalued at the end of each reporting period with the fair value movement reflected in the Statement of comprehensive income as exchange gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

20. FINANCIAL INSTRUMENTS (CONTINUED)
c. Market risk (continued)

i. Foreign exchange risk (continued)
Foreign currency sensitivity analysis
The following table summarises the material sensitivity of financial instruments held at balance date to movements in the exchange rate of the Australian dollar to foreign exchange rates, with all other variables held constant. The sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five year period.

	Impact on profit		Impact on equity	
	Consolidated		Consolidated	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Pre-tax gain / (loss)				
AUD/USD (i) +9% (2013: +12%)	99	158	(1,524)	(995)
AUD/USD (i) -9% (2013: -12%)	576	1,456	4,508	4,991
AUD/JPY +9% (2013: +13%)	2,363	2,976	(975)	(1,125)
AUD/JPY -9% (2013: -13%)	1,561	(2,262)	1,162	1,473
AUD/EUR +10% (2013: +10%)	(92)	(158)	(888)	(1,320)
AUD/EUR -10% (2013: -10%)	75	65	(663)	(373)
AUD/RMB +9% (2013: +12%)	(201)	(128)	(75)	(116)
AUD/RMB -9% (2013: -12%)	875	1,117	235	567
AUD/SGD +5% (2013: +7%)	(205)	12	(189)	(515)
AUD/SGD -5% (2013: -7%)	172	(21)	208	591
AUD/HKD +9% (2013: +12%)	417	340	-	-
AUD/HKD -9% (2013: -12%)	(299)	(399)	-	-

Notes:
i. Servcorp is exposed to Dirhams (Dubai), Dinars (Bahrain), Rials (Qatar), Riyals (Saudi Arabia), Pounds (Lebanon) and Hong Kong Dollars (Hong Kong). These currencies are pegged to the USD.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

20. FINANCIAL INSTRUMENTS (CONTINUED)
c. Market risk (continued)

i. Foreign exchange risk (continued)
Forward foreign currency exchange contracts
The following table sets out the details of forward foreign currency exchange contracts in place as at 30 June 2014. These are Level 2 fair value measurements derived from inputs as defined in Note 20(e).

	Average exchange rate		Foreign currency		Fair value	
	2014	2013	2014 million	2013 million	2014 $'000	2013 $'000
Outstanding contracts						
Consolidated						
Sell JPY Not later than one year	87.27	78.21	475	450	(321)	(612)
Later than one year and not later than five years	85.55	84.43	900	950	(519)	90
Sell USD Not later than one year	-	0.90	-	1	-	(7)
Sell EUR Later than one year and not later than five years	0.73	0.73	1	1	127	149

ii. Interest rate risk
Interest rate risk on cash or short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The following table summarises the sensitivity of the financial instruments held at balance date, following a movement to interest rates, with all other variables held constant. The sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates.

	Impact on profit	
	Consolidated	
	2014 $'000	2013 $'000
Pre tax (loss) / gain		
AUD balances		
125 basis point increase	(740)	1,000
125 basis point decrease	(1,796)	(987)
Other balances		
250 basis point increase	(52)	156
250 basis point decrease	(121)	(137)

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

20. FINANCIAL INSTRUMENTS (CONTINUED)
c. Market risk (continued)

iii. Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long term funding. The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities.

The following table details the Consolidated Entity's expected maturity for its financial assets. The table below was drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned.

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	5 + years	Total	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Consolidated							
2014							
Non-interest bearing							
Cash and cash equivalents	23,972	-	-	-	-	23,972	
Receivables	32,243	-	-	-	-	32,243	
Lease deposits	-	3,881	5,467	13,739	2,289	25,376	
Forward foreign currency exchange contracts	-	-	5,421	11,844	-	17,265	
Interest bearing							
Cash and cash equivalents (i)	5,861	25,535	37,347	-	-	68,743	3.52%
Variable rate securities	16,306	-	-	-	-	16,306	6.77%
	78,382	29,416	48,235	25,583	2,289	183,905	
2013							
Non-interest bearing							
Cash and cash equivalents	17,559	-	-	-	-	17,559	
Receivables	22,960	-	-	-	-	22,960	
Lease deposits	1,273	2,040	3,670	15,765	1,849	24,597	
Forward foreign currency exchange contracts	-	-	6,794	12,499	-	19,293	
Interest bearing							
Cash and cash equivalents (i)	6,136	914	77,217	-	-	84,267	4.02%
Variable rate securities	2,981	-	-	-	-	2,981	6.77%
	50,909	2,954	87,681	28,264	1,849	171,657	

Notes:
i. Fixed interest rate instruments.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

20. FINANCIAL INSTRUMENTS (CONTINUED)
c. Market risk (continued)

iii. Liquidity risk (continued)

The following table details the Consolidated Entity's remaining contractual maturity for its financial liabilities. The table is based on the earliest date on which undiscounted cash flows of financial liabilities are contractually to be paid. The table includes both principal and interest cash flows.

	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	5+ years $'000	Total $'000	Weighted average effective interest rate %
Consolidated							
2014							
Non-interest bearing							
Payables	5,888	6,369	-	-	-	12,257	
Security deposits (i)	-	-	24,887	-	-	24,887	
Forward foreign currency exchange contracts	-	-	4,964	10,850	-	15,814	
Interest bearing							
Bank loans (i)	131	10	422	2,213	-	2,776	2.42%
	6,019	6,379	30,273	13,063	-	55,734	
2013							
Non-interest bearing							
Payables	5,691	13,303	-	-	-	18,994	
Security deposits (i)	-	-	21,653	-	-	21,653	
Forward foreign currency exchange contracts	-	-	5,989	11,776	-	17,765	
Interest bearing							
Bank loans (i)	-	-	-	-	-	-	
	5,691	13,303	27,642	11,776	-	58,412	

Notes:
i. Fixed interest rate instruments.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

20. FINANCIAL INSTRUMENTS (CONTINUED)

d. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of any counterparties having similar characteristics. Details of credit enhancements in the form of serviced office security deposits retained from customers are further disclosed in Note 16.

Credit risk on cash and short term fixed deposits is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies. These liquid funds are managed centrally by Servcorp's senior management on a daily basis.

e. Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities approximate their fair value other than in respect of Servcorp Limited's investment in subsidiaries.

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).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

21. EMPLOYEE BENEFITS
Defined contribution fund
Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contributions. The Company's controlled entities are legally obliged to contribute to employee nominated defined contribution superannuation plans.

Details of contributions to funds during the year ended 30 June 2014 are as follows:

	Consolidated	
	2014 $'000	2013 $'000
Employer contributions	1,882	1,726

As at 30 June 2014, there were no outstanding employer contributions payable to other funds.

Options granted to employees
Share option scheme

	Consolidated	
	2014 No.	2013 No.
Balance at the beginning of the financial year	-	140,000
Options lapsed during the financial year	-	(140,000)
Balance at the end of the financial year	-	-

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

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 of the option. The options carry neither rights to dividends or voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

22. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2014 $'000	2013 $'000
Capital expenditure commitments - property, plant and equipment		
Contracted but not provided for and payable:		
Not later than one year	21,422	9,822
Later than one year but not later than five years	-	-
Later than five years	-	-
	21,422	9,822
Non-cancellable operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	83,763	85,094
Later than one year but not later than five years	170,220	162,885
Later than five years	73,652	45,874
	327,635	293,853

The Consolidated Entity leases property under operating leases expiring from 1 to 10 years. Liabilities in respect of lease incentives are disclosed in Note 15 to the Consolidated financial statements.

Operating leases
Leasing arrangements
Operating leases have been entered into to operate serviced office floors. The Consolidated Entity does not have an option to purchase the leased asset at the expiry of the lease period.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

23. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Parent entity			
Servcorp Limited (i)	Australia		
Controlled entities			
Servcorp Australian Holdings Pty Ltd	Australia	100	100
Servcorp Offshore Holdings Pty Ltd	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	Australia	100	100
Servcorp Administration Pty Ltd	Australia	100	100
Servcorp Adelaide Pty Ltd	Australia	100	100
Servcorp Brisbane George Street Pty Ltd	Australia	100	100
Servcorp Brisbane Pty Ltd	Australia	100	100
Servcorp Workspaces Pty Ltd (iii) (formerly Servcorp Castlereagh Street Pty Ltd)	Australia	100	100
Servcorp Gateway 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 18 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

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

23. SUBSIDIARIES (CONTINUED)

		Ownership interest	
Name of entity	Country of incorporation	2014 %	2013 %
Controlled entities (continued)			
Servcorp Parramatta Pty Ltd	Australia	100	100
Servcorp Sydney 56 Pty Ltd	Australia	100	100
Servcorp Norwest Pty Ltd	Australia	100	100
Servcorp Level 12 Pty Ltd	Australia	100	100
Servcorp Western Australia Pty Ltd	Australia	100	100
Office Squared (Nexus) Pty Ltd	Australia	100	100
Servcorp SA 30 Pty Ltd	Australia	100	100
Servcorp City Square Pty Ltd	Australia	100	100
Servcorp North Sydney 32 Pty Ltd	Australia	100	100
Servcorp Docklands Pty Ltd	Australia	100	100
Servcorp Sydney 22 Pty Ltd	Australia	100	100
Servcorp Hobart Pty Ltd	Australia	100	100
Servcorp Brisbane 400 Pty Ltd	Australia	100	100
Servcorp Southbank Pty Ltd	Australia	100	100
Office Squared (Atlas) Pty Ltd	Australia	100	100
Gnee Pty Ltd	Australia	100	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 Christchurch 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
Servcorp Metropolis Pte Ltd (iii) (formerly Office Squared Pte Ltd)	Singapore	100	100
Servcorp Hottdesk Singapore Pte Ltd	Singapore	100	100
Servcorp Square Pte Ltd	Singapore	100	100
Servcorp SR Pte Ltd	Singapore	100	100
Servcorp Hong Kong Limited	Hong Kong	100	100
Servcorp Communications Limited	Hong Kong	100	100
Servcorp HK Central Limited	Hong Kong	100	100

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

23. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Controlled entities (continued)			
Servcorp Business Services (Shanghai) Co. Ltd	China	100	100
Servcorp Business Service (Beijing) Co. Ltd	China	100	100
Chengdu Servcorp Business Service Co. Ltd	China	100	100
Beijing Servcorp Sihui Business Services Co. Ltd	China	100	100
Office Squared Network Technology Services (Hangzhou) Co. Ltd (iv)	China	-	100
Guangzhou Servcorp Business Service Co. Ltd	China	100	100
Chengdu Servcorp Aerospace Business Service Co. Ltd	China	100	100
Hangzhou Servcorp Business Consulting Co. Ltd	China	100	100
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Office Squared Malaysia Sdn Bhd	Malaysia	100	100
Servcorp Manila, Inc	Philippines	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 (iv)	Japan	-	100
Servcorp Marunouchi KK (iv)	Japan	-	100
Servcorp Ginza KK (iv)	Japan	-	100
Servcorp Shinagawa KK	Japan	100	100
Servcorp Nagoya KK (iv)	Japan	-	100
Servcorp Fukuoka KK (iv)	Japan	-	100
Call Centre Enterprises KK (iv)	Japan	-	100
Servcorp Seoul LLC (iv)	Korea	-	100
Servcorp Paris SARL	France	100	100
Servcorp Edouard VII SARL	France	100	100
Servcorp Brussels SPRL	Belgium	100	100
Servcorp UK Limited	United Kingdom	100	100
Servcorp Leadenhall Limited	United Kingdom	80	-
Servcorp Mayfair Limited	United Kingdom	100	-
Servcorp LLC (ii)	UAE	49	49
Servcorp Administration Services WLL (ii)	UAE	49	49

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

23. SUBSIDIARIES (CONTINUED)

Name of entity	Notes	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Controlled entities (continued)				
Servcorp Business Centres Operation Limited Liability Partnership		Turkey	100	100
Servcorp BFH WLL		Bahrain	100	100
Servcorp Qatar LLC (ii)		Qatar	49	49
Servcorp Aswad Real Estate Company WLL (ii)		Kuwait	49	49
Servcorp Phoenicia SAL		Lebanon	100	100
Jeddah Branch of Servcorp Square Pte Ltd		Saudi Arabia	100	100
Servcorp US Holdings, Inc.		United States	100	100
Servcorp America LLC		United States	100	100
Servcorp Atlanta LLC		United States	100	100
Servcorp Boston LLC		United States	100	100
Servcorp New York LLC		United States	100	100
Servcorp Washington LLC		United States	100	100
Servcorp Philadelphia LLC		United States	100	100
Servcorp Dallas LLC		United States	100	100
Servcorp Houston LLC		United States	100	100
Servcorp Los Angeles LLC		United States	100	100
Servcorp Denver LLC		United States	100	100
Servcorp Miami LLC		United States	100	100
Servcorp San Francisco LLC		United States	100	100
Servcorp State Street LLC		United States	100	100

Notes:
i. Servcorp Limited is the head entity within the Australian tax consolidated group.
ii. A Company in the Consolidated Entity exercises control over Servcorp LLC, Servcorp Administration Services WLL, Servcorp Qatar LLC and Servcorp Aswad Real Estate Company WLL 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.
iii. a. Servcorp Workspaces Pty Ltd changed its name from Servcorp Castlereagh Street Pty Ltd on 2 April 2014.
b. Servcorp Metropolis Pte Ltd changed its name from Office Squared Pte Ltd on 26 February 2014.
iv. The entity was deregistered during the financial year (refer to Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

24. FORMATION / DEREGISTRATION OF CONTROLLED ENTITIES

	Consideration $'000	The Consolidated Entity's interest %
Formations 2014		
Servcorp Leadenhall Limited The entity was formed on 31 October 2013	-	80%
Servcorp Mayfair Limited The entity was formed on 12 May 2014	-	100%
Formations 2013		
There were no new entities formed during the financial year		

	Country of incorporation
Deregistrations 2014	
Office Squared Network Technology Services (Hangzhou) Co. Ltd The entity was deregistered on 16 July 2013	China
Servcorp Nippon International KK The entity was deregistered on 1 February 2014	Japan
Servcorp Marunouchi KK The entity was deregistered on 17 July 2013	Japan
Servcorp Ginza KK The entity was deregistered on 1 February 2014	Japan
Servcorp Nagoya KK The entity was deregistered on 1 February 2014	Japan
Servcorp Fukuoka KK The entity was deregistered on 17 July 2013	Japan
Call Centre Enterprises KK The entity was deregistered on 1 February 2014	Japan
Servcorp Seoul LLC The entity was deregistered on 2 June 2014	Korea
Deregistrations 2013	
Nil	

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

25. NOTES TO STATEMENT OF CASH FLOWS

	Consolidated	
	2014 $'000	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, and short term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Statement of cash flows are reconciled to the related items in the Statement of financial position as follows:		
Cash at bank	23,972	17,559
Short term deposits	68,510	82,199
Cash and cash equivalents	92,482	99,758
b. Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	26,336	21,271
Add / (less) non-cash items:		
Movements in provisions	41	1,120
Depreciation of non-current assets	15,899	14,238
Loss/ (gain) on disposal of non-current assets	274	(64)
Increase/ (decrease) in current tax liability	1,306	(6,359)
Decrease/ (increase) in deferred tax balances	2,379	(530)
Unrealised foreign exchange (gain)	(2,450)	(1,400)
Changes in net assets and liabilities during the financial period:		
Increase in prepayments and receivables	(1,642)	(2,938)
Increase in trade debtors	(9,283)	(1,087)
Increase in current assets	(562)	(433)
Increase in deferred income	636	917
Increase in client security deposits	3,234	1,818
Increase in accounts payable	4,046	539
Net cash provided from operating activities	40,214	27,092

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

26. RELATED PARTY DISCLOSURES (CONTINUED)

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 23 to the financial statements.

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. All transactions with director-related entities are disclosed to the Board and reviewed to ensure they bring a benefit to the Consolidated Entity.

A director of the Company, Mr A G Moufarrige, has an interest in and is a director of Tekfon Pty Ltd. The Consolidated Entity has a lease on arm's length terms with Tekfon Pty Ltd for the use of Tekfon's premises for storage. The Board, with Mr A G Moufarrige absent, reviews the lease with Tekfon Pty Ltd on an annual basis to ensure that the terms are at market rate or better.

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. Enideb Pty Ltd operates the Servcorp franchise in Canberra on arm's length terms.

A director of the Company, Mr A G Moufarrige, has an interest in and is a director of Air Office Pty Ltd. Air Office Pty Ltd is provided IT services by the Consolidated Entity, which are reimbursed at arm's length terms. Last year, Air Office Pty Ltd provided IT services to The Consolidated Entity. At various times during the year, Air Office Pty Ltd was also a client of Servcorp in Adelaide, Brisbane, Hobart, Melbourne and Sydney.

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 Thru, Inc. A director of the Company, Mr R Holliday-Smith, has an interest in and is a director of Thru, Inc. Thru, Inc. provides IT services to Servcorp on arm's length terms. Mr A G Moufarrige and Mr R Holliday-Smith did not have any involvement in the negotiation of the terms of the arrangement with Thru, Inc. Thru, Inc is also a client of Servcorp in Sydney.

A director of the Company, Mr T Moufarrige, has an interest in and is the CEO of Light Energy Australia Pty Ltd. Light Energy Australia Pty Ltd is a client of Servcorp in Sydney and in Beijing. Light Energy Australia Pty Ltd also provides lighting products to the Consolidated Entity on arm's length terms.

A director of the Company, Mr T Moufarrige, was a consultant to Cutting Edge Post Pty Ltd. Cutting Edge Post Pty Ltd provides advice on online training programs to the Consolidated Entity on arm's length terms. Mr T Moufarrige ceased acting as a consultant to Cutting Edge Post Pty Ltd in August 2013.

A director of the Company, Mr T Moufarrige, has an interest in and is a director of Spigoli Pty Ltd. Mr T Moufarrige and Spigoli Pty Ltd are clients of Servcorp in Sydney.

A relative of a director of the Company, Mr B Corlett, has an interest in TDM Asset Management Pty Ltd. TDM Asset Management Pty Ltd was a client of Servcorp in Sydney and is a client in New York. Mr Corlett has no interest in the affairs of TDM Asset Management Pty Ltd nor any involvement in the negotiation of the terms of the arrangement with TDM Asset Management Pty Ltd.

A director of the Company, Mr B Corlett, has an interest in and is the Chairman of Australian Maritime Systems Limited. Australian Maritime Systems Limited is a client of Servcorp in Perth. Mr Corlett did not have any involvement in the negotiation of the terms of the arrangement with Australian Maritime Systems Limited.

A director of the Company, Mr B Corlett, had an interest in and was the Chairman of The Trust Company Limited. The Trust Company Limited was a client of Servcorp in Perth. Mr Corlett did not have any involvement in the negotiation of the terms of the arrangement with The Trust Company Limited.

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.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

26. RELATED PARTY DISCLOSURES (CONTINUED)
Other transactions with the Company and its controlled entities (continued)
The value of the transactions during the year with directors and their director-related entities were as follows:

			Consolidated	
Director	**Director-related entity**	**Transaction**	**2014 $**	**2013 $**
A G Moufarrige	Tekfon Pty Ltd	Premises rental	84,712	82,916
A G Moufarrige	Enideb Pty Ltd	Franchisee	737,381	767,888
A G Moufarrige	Air Office Pty Ltd	IT services	-	49,500
A G Moufarrige	Air Office Pty Ltd	Client	2,254	-
A G Moufarrige	Air Office Pty Ltd	Reimbursements	42,806	1,938
A G Moufarrige, T Moufarrige	Sovori Pty Ltd	Reimbursements	250,434	214,717
A G Moufarrige, R Holliday-Smith	Thru, Inc.	IT services	116,972	116,693
A G Moufarrige, R Holliday-Smith	Thru, Inc.	Client	9,559	-
T Moufarrige	Light Energy Australia Pty Ltd	Client	6,699	18,006
T Moufarrige	Light Energy Australia Pty Ltd	Supplier	371,229	61,746
T Moufarrige	Cutting Egde Post Pty Ltd	Supplier	27,929	96,737
T Moufarrige	Spigoli Pty Ltd	Client	8,041	37,059
T Moufarrige	Taine Moufarrige	Reimbursements	9,072	-
B Corlett	TDM Asset Management Pty Ltd	Client	23,955	-
B Corlett	Australian Maritime Systems Limited	Client	36,870	102,621
B Corlett	The Trust Company Limited	Client	92,930	115,961

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

	2014 $	2013 $
Current receivable		
Enideb Pty Ltd	78,020	113,232
Air Office Pty Ltd	564	1,938
Thru, Inc	799	-
Light Energy Australia Pty Ltd	403	389
Spigoli Pty Ltd	1,076	697
Taine Moufarrige	9,072	-
TDM Asset Management Pty Ltd	3,671	-
Australian Maritime Systems Limited	638	8,499
The Trust Company Limited	658	12,646
Current payable		
Enideb Pty Ltd	25,455	6,848
Thru, Inc	2,075	-
Light Energy Australia Pty Ltd	94,297	-
Cutting Edge Post Pty Ltd	-	94

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

27. PARENT ENTITY DISCLOSURES
Financial position

	The Company	
	2014 $'000	**2013 $'000**
Assets		
Current assets	184,435	169,222
Non-current assets	20,696	19,296
Total assets	205,131	188,518
Liabilities		
Current liabilities	32,753	11,482
	32,753	11,482
Equity		
Issued capital	154,122	154,122
Retained earnings	18,256	22,768
Reserves		
Equity settled employee benefits	-	146
	172,378	177,036
Financial performance		
Profit for the year	11,584	18,464
Total comprehensive income	11,584	18,464

As at 30 June 2014:

i. Servcorp Limited guaranteed Company Headquarters Limited (a subsidiary) as part of a New Zealand lease negotiated in 2002.

ii. On 3 June 2014 Servcorp Limited renewed a Corporate Guarantee and Indemnity with the Australian and New Zealand Banking Group Limited, pursuant to which the bank agreed to make available to the Consolidated Entity a $33,000,000 interchangeable facility for general corporate purposes. The liability under the deed by and between the Australian and New Zealand companies is limited to $43,831,000. As at 30 June 2014 the fair value of these commitments was Nil (2013: Nil).

iii. There were no contingent liabilities of the parent entity.

iv. There were no commitments for the acquisition of property, plant and equipment by the parent entity.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
for the financial year ended 30 June 2014

28. 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 26 August 2015 the directors declared a final dividend of 11.00 cents per share, franked to 35%, payable on 1 October 2014.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2015.

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;

b. the attached financial statements, set out on pages 34 to 83, are in compliance with International Financial Reporting Standards, as stated in Note 1 to the Consolidated financial report;

c. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

   i. compliance with accounting standards; and

   ii. giving a true and fair view of the financial position and performance of the Consolidated Entity;

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

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

A G Moufarrige

Managing Director and CEO

Dated at Sydney this 26th day of August 2014.

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Independent Auditor's Report to the Members of Servcorp Limited

Report on the Financial Report

We have audited the accompanying financial report of Servcorp Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 84.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company'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*. 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 report.

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 consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 32 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Servcorp Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 26 August 2014