

SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended
31 December 2006

The information in this document should be read in conjunction with Servcorp Limited's Directors' Report and Financial Report for the six months ended 31 December 2006, the 2006 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

Servcorp Limited
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Financial Report
31 December 2006

Reporting Period

Current period: 1 July 2006 to 31 December 2006
 Previous corresponding period: 1 July 2005 to 31 December 2005

Results for announcement to the market

				\$'000
Revenue and other income	up	15.6%	to	79,452
Profit from ordinary activities after tax attributable to members	down	14.0%	to	10,226
Net profit for the period attributable to members	down	14.0%	to	10,226
Dividends (distributions)	Date paid or payable	Total amount \$'000	Amount per security	Franked amount per security
<i>Current period</i>				
Interim dividend declared	4 April 2007	4,826	6.00c	6.00c
Final dividend paid	4 October 2006	4,826	6.00c	6.00c
Special dividend paid	30 November 2006	8,043	10.00c	10.00c
<i>Previous corresponding period</i>				
Interim dividend	4 April 2006	3,618	4.50c	4.50c
Final dividend paid	4 October 2005	3,216	4.00c	4.00c
Record date for determining entitlements to the dividend	2 March 2007			

The interim dividend for the six months ended 31 December 2006 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2006. On the basis that the Directors will continue to publicly recommend dividends subsequent to reporting date, in future half-year reports, the amounts disclosed as 'recognised' will be the final dividends in respect of the prior year.

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	31 December 2006	31 December 2005
	\$	\$
Net Tangible Asset Backing		
Net tangible asset backing per ordinary security	\$0.99	\$1.02

Control over entities

Control was gained over the business trading as serviced offices on Level 18, Central Park, Perth, Australia on 20 July 2006

Control was not lost over any entity during the current period that had a material effect on the profit for the period

Material interest in entities

There are no material interests in entities that are not controlled entities

Details of associates and joint venture entities

There are no associates or joint venture entities.

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Management Discussion & Analysis

Servcorp recorded a decrease in Net Profit Before Tax of 13% to \$14,230,000 for the six months ended 31 December 2006 (six months ended 31 December 2005: \$16,272,000). Net Profit After Tax decreased by 14% to \$10,226,000 for the six months ended 31 December 2006 (six months ended 31 December 2005: \$11,893,000)

Net Profit Before Tax attributable to mature floors for the six month period ended 31 December 2006 increased by 5% to \$19,291,000 (six months ended 31 December 2005: \$18,373,000). This result is in line with current market guidance of Net Profit Before Tax on mature floors for the year ending 30 June 2007 of \$41,000,000. The mature floor result for the six months ended 31 December 2005 included a non-recurring provision write-back of \$1,297,000 which related to the reversal of a floor closure provision for Brussels. Excluding this write-back, mature floor Net Profit Before Tax increased by 13% when compared to the previous comparative period.

The Net Loss Before Tax on immature floors for the six month period was \$4,450,000 (six months ended 31 December 2005: \$2,101,000). The loss for the new business, Office², during the period was \$611,000.

OPERATING SUMMARY

Servcorp's mature floors continue to perform to expectations. As set out in the Annual Report for the year ended 30 June 2006, the company has undertaken a strong expansion program in the six months ended 31 December 2006. Immature floors have tempered the Net Profit Before Tax result.

As at 31 December 2006 Servcorp operated 64 floors in 18 cities in 11 countries. Average mature floor occupancy for the six month period was 84% (six months ended 31 December 2005: 85%).

A total of seven new floors were opened or acquired during the period increasing total office capacity by 12% since 30 June 2006. These were:

- Level 26, 44 Market Street, Sydney
- Level 18, Central Park, Perth
- Level 42, Suntec Tower Three, Singapore
- Level 27, Prudential Tower, Singapore
- Level 21, Shiodome Shibarikyu Building, Tokyo
- Level 19, Oriental Plaza, Beijing
- Level 5, Louis Vuitton Building, Paris

No floors were closed between 30 June 2006 and 31 December 2006.

As at 31 December 2006, all of the above new floors were immature, with the exception of Level 18, Central Park, Perth. Level 9, Ariake Frontier Building, Tokyo which opened in January 2006 was also immature as at 31 December 2006.

Total virtual and serviced office clients in residence grew by 7% to 8,710 in the six month period.

Virtual office continues to grow strongly recording a 7% increase in memberships since 30 June 2006.

Australia & New Zealand

Mature floors

The performance of the Australia and New Zealand mature floors during the period was consistent with the prior period. A business was purchased from a competitor in Perth during July 2006.

Mature floor revenue from ordinary activities increased by 21% to \$22.82M when compared to the prior period. Mature floor Net Profit Before Tax decreased by 12% to \$4.55M. This result included a one-off write down in the value of intangibles acquired as part of the Perth acquisition and also closure provisions for two floors that are scheduled to close in Melbourne and North Sydney during 2007. The value of the one-off costs included in the Australia and New Zealand Net Profit Before Tax amounted to \$0.40M.

Management Discussion & Analysis cont.

Immature floors

A new floor opened in Sydney during the period. The immature floor Net Loss Before Tax for the six months ended 31 December 2006 was \$0.29M when compared to a loss of \$0.07M for the six months ended 31 December 2005. The floor is performing ahead of forecast.

Japan & Asia

Mature floors

Mature floors in Japan and Asia continue to perform strongly, recording an increase in revenue from ordinary activities of 15% to \$43.59M. Mature floor Net Profit Before Tax increased by 4% to \$10.36M when compared to the comparative prior period. Local currency profits remained strong during the period however the result for the six months ended 31 December 2006, was adversely affected by a strong AUD.

Immature floors

One floor was opened in Japan during the period, two opened in Singapore and one floor opened in Beijing.

The Net Loss Before Tax on immature floors was \$3.09M (six months ended 31 December 2005: \$2.03M). All immature floors are performing slightly to or ahead of expectation.

Europe & Middle East

Mature floors

Mature locations in Europe and the Middle East segment performed exceptionally during the period. Mature floor revenue from ordinary activities increased by 31% to \$10.45M. Mature floor Net Profit Before Tax increased by 18% to \$3.42M when compared to the six months ended 31 December 2005. The result for the six months ended 31 December 2005 included a one-off reversal of a closure provision for Brussels in the amount of \$1.30M.

The Brussels location is now breaking even.

The Dubai location continues to perform above expectations.

Immature floors

A new floor opened in the Louis Vuitton Building on the Champs Elysées during the period. The Net Loss Before Tax generated by the floor was \$1.06M. This result is in line with forecast.

India

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

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

Office²

Office² commenced in July 2006 and is a new business concept that uses the Servcorp suite of IT systems, in conjunction with Cisco Systems' products, in an external multi-tenanted environment. Office² has potential for use in whole buildings and enables landlords to facilitate clients on a "per work station" basis.

At this stage, Office² has signed two customers that will adopt the Office² model. Office² has an encouraging pipeline of prospects that should convert to sales during 2007.

In addition, Office² has received active assistance from Cisco Systems Head Office in San Jose, in Beijing, in Hong Kong and in their Australia office. This includes marketing and technical support.

This new venture leverages Servcorp's capabilities and will involve continued investment for several years to fully develop the opportunity. The loss incurred for the first half was \$0.61M, which was at the low end of our expectations.

Management Discussion & Analysis cont.

FINANCIAL SUMMARY

Revenue from ordinary activities for the six months ended 31 December 2006 was \$79.45M, up 16% from the previous corresponding period. During the reporting period the Australian dollar appreciated on average by 4% against the Yen and 2% against the USD. The EUR strengthened on average by 4% against the AUD during the period. When the exchange effect is stripped out, revenue increased by 19%.

Total expenses increased by 24% for the year ended 31 December 2006 when compared to the comparative prior period. When the exchange effect is stripped out, expenses increased by 25%.

Cash and investment balances were \$53.68M as at 31 December 2006, compared with \$63.25M as at 30 June 2006. Total interest-bearing debt decreased by \$0.94M to \$1.45M in the six month period.

Servcorp will be adversely affected if weakness in the Yen persists and indeed if the Australian currency strengthens against the cocktail of currencies to which we are exposed.

Management have taken a view that the Yen is undervalued against the AUD and as a result no hedges are in place as at 31 December 2006. The company has earnings in Yen and holds Yen deposits, that could expose Servcorp to a currency loss or gain in the second half of this financial year.

DIVIDEND

The Directors of Servcorp Limited have declared a fully franked interim dividend of 6.00 cents per share, up 33% from the dividend paid in relation to the six months ended 31 December 2005.

OUTLOOK

It is Management's view that Servcorp is on track to make \$22.00M Net Profit Before Tax on mature floors in the second half which brings the total full year forecast result to approximately \$41.00M as previously advised, but subject to current foreign exchange rates, and market and economic conditions being maintained. Net Profit Before Tax will be tempered by losses related to Office² and immature floors as Servcorp continues to grow its business.

Three floors are scheduled to open in the second half of fiscal 2007 in Tokyo, Nagoya and Bahrain.

SERVCORP LIMITED
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INTERIM FINANCIAL REPORT

For the six months ended
31 December 2006

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Servcorp Limited
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Directors' report

The directors of Servcorp Limited submit herewith the financial report for the six months ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001 the Directors report as follows:

The names of the directors of the company during or since the end of the six months ended 31 December 2006 are:

Name

Mr Alf Moufarrige (Managing Director and CEO)

Mr Bruce Corlett (Chairman and Independent Non-Executive Director)

Mr Rick Holliday-Smith (Independent Non-Executive Director)

Ms Julia King (Independent Non-Executive Director)

Mr Taine Moufarrige (Executive Director)

Review of Operations

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The Net Loss Before Tax on immature floors for the six month period was \$4,450,000 (six months ended 31 December 2005: \$2,101,000). The loss for the new business Office², during the period was \$611,000.

Changes in State of Affairs

During the six months ended 31 December 2006 there was no significant change in state of affairs of the consolidated entity other than referred to in the financial statements or notes thereto.

Operating Summary

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Directors' report cont.

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Directors' report cont.

Financial Summary

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Management have taken a view that the Yen is undervalued against the AUD and as a result no hedges are in place as at 31 December 2006. The company has earnings in Yen and holds Yen deposits, that could expose Servcorp to a currency loss or gain in the second half of this financial year.

Dividend

The Directors of Servcorp Limited have declared a fully franked interim dividend of 6.00 cents per share up 33% from the dividend paid in relation to the six months ended 31 December 2005.

Auditors' Independence Declaration

The auditors' independence declaration is included on page 6 of the financial report.

Rounding off of amounts

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

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

On behalf of the Directors



A G Moufarrige
Director

Dated at Sydney this 19th day of February 2007

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

19 February 2007

Dear Board Members

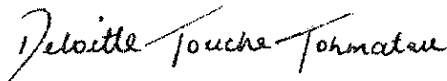
Auditor's Independence Declaration to Servcorp Limited

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

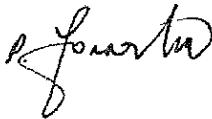
As lead audit partner for the review of the financial report of Servcorp Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



P G Forrester
Partner

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Directors' declaration

The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- c) in the Directors' opinion the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the Directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable

Dated at Sydney this 19th day of February 2007

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

On behalf of the Directors

A G Moufarrige
Director



Servcorp Limited
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Consolidated income statement
 for the six months ended 31 December 2006

	Note	6 months ended 31 December 2006 \$'000	6 months ended 31 December 2005 \$'000
Revenue		78 123	66 414
Other income		1,329	2,308
		79,452	68,722
Service expenses		(21,171)	(18,599)
Marketing expenses		(4,237)	(3,369)
Occupancy expenses		(32 428)	(25 149)
Administrative expenses		(6,726)	(5 147)
Borrowing expenses		(317)	(38)
Other expenses		(343)	(148)
Total expenses		(65,222)	(52 450)
Profit before income tax expense		14,230	16 272
Income tax expense	3	(4,004)	(4,379)
Profit attributable to members of the parent entity		10 226	11 893
Earnings per share			
Basic earnings per share	6	\$0 127	\$0 148
Diluted earnings per share	6	\$0 127	\$0 148

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

Servcorp Limited
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Consolidated balance sheet
 as at 31 December 2006

	Note	31 December 2006 \$'000	30 June 2006 \$'000
Current assets			
Cash and cash equivalents	7	46 656	58 213
Trade and other receivables	8	12 590	14 551
Other financial assets	10	8,976	6 771
Current tax assets		266	732
Other	9	5,568	5,244
Total current assets		74,056	85 511
Non-current assets			
Other financial assets	10	21 004	19 414
Property, plant and equipment	11	32 443	29 267
Deferred tax assets		7 895	7 149
Goodwill	12	15,440	15 440
Other intangible assets	13	222	-
Total non-current assets		77 004	71 270
Total assets		151,060	156 781
Current liabilities			
Trade and other payables	14	20,789	18,658
Other financial liabilities	15	15,143	16 532
Current tax liabilities		3,162	6 855
Provisions	16	2,478	2 331
Total current liabilities		41 572	44,376
Non-current liabilities			
Trade and other payables	14	5,630	4,145
Provisions	16	611	538
Deferred tax liabilities		343	461
Total non-current liabilities		6,584	5 144
Total liabilities		48 156	49,520
Net assets		102,904	107 261
Equity			
Issued Capital	17	80,754	80,694
Reserves	18	(10,075)	(8,301)
Retained earnings	19	32,225	34 868
Total equity		102,904	107 261

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

Servcorp Limited
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Consolidated statement of recognised income and expense
for the six months ended 31 December 2006

	6 months ended 31 December 2006 \$'000	6 months ended 31 December 2005 \$'000
Translation of foreign operations:		
Exchange differences taken to equity	(1,774)	77
Net expense recognised directly in equity	(1,774)	77
Profit for the period	10 226	11 893
Total recognised income and expense for the period	8 452	11 970

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

Servcorp Limited
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Consolidated cash flow statement
 for the six months ended 31 December 2006

	Note	6 months ended 31 December 2006 \$'000	6 months ended 31 December 2005 \$'000
Cash flows from operating activities			
Receipts from customers		85,927	76,552
Payments to suppliers and employees		(59,687)	(56,663)
Income tax paid		(8,421)	(7,281)
Net operating cash flows	20(c)	17,819	12 608
Cash flows from investing activities			
Payments for property, plant and equipment		(8,777)	(5 628)
Payments for financial assets		(2,025)	-
Payments for acquisition of business	20(b)	(1,416)	(1,645)
Payments for lease deposits		(3 634)	(415)
Proceeds from sale of investments		-	927
Proceeds from sale of property, plant and equipment		11	93
Proceeds from refund of lease deposits		85	389
Interest and other items of similar nature received		2 121	661
Net investing cash flows		(13 635)	(5 618)
Cash flows from financing activities			
Proceeds from issue of equity securities		60	-
Proceeds from borrowings		-	20
Repayment of borrowings		(61)	(516)
Dividends paid		(12,869)	(3 216)
Interest and other costs of finance paid		(109)	(58)
Net financing cash flows		(12,979)	(3 770)
Net (decrease)/ increase in cash and cash equivalents		(8,795)	3 220
Cash and cash equivalents at the beginning of the period			
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		56,365	41 778
		(1,937)	572
Cash and cash equivalents at the end of the period	20(a)	45,633	45 570

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

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Notes to the consolidated financial statements

1 Significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2006 annual financial report for the financial year ended 30 June 2006.

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 (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the reported amounts for the current or preceding financial year.

The financial statements were authorised for issue by the directors on 19 February 2007.

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		6 months ended 31 December 2006 \$'000	6 months ended 31 December 2005 \$'000
2	Results for the period		
	Individually significant transactions included in profit from ordinary activities before income tax expense:		
	Reversal of Brussels closure provision	-	(1 298)
3	Income taxes		
	Income tax recognised in the income statement		
	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	14,230	16 272
	Income tax expense calculated at 30%	4,269	4,882
	Deductible local taxes	(245)	(141)
	Effect of different tax rates on overseas income	(279)	(307)
	Other deductible/(non-assessable) items	289	(242)
	Tax losses of controlled entities recovered	(108)	-
	Income tax under provision in prior years	48	16
	Unused tax losses and tax offsets not recognised as deferred tax assets	30	171
	Income tax expense	4,004	4,379

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4 Segment information

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

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

Geographical segments

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

Business segments

The Consolidated Entity comprises only one business segment which is the provision of executive serviced and virtual offices and associated communications and secretarial services

Geographical segments	Australia & New Zealand \$'000	Japan & Asia \$'000	Europe & Middle East \$'000	Eliminated \$'000	Consolidated \$'000
6 months ended 31 December 2006					
Revenue					
Segment revenue	22,925	44,562	10,493	-	77,980
Other unallocated revenue and other income					1,472
Total revenue and other income					79,452
Result					
Segment result	4,264	7,271	2,362	-	13,897
Unallocated corporate profit					333
Profit before income tax expense					14,230
Income tax expense					(4,004)
Net profit					10,226
6 months ended 31 December 2005					
Revenue					
Segment revenue	18,869	40,465	7,987	-	67,321
Other unallocated revenue and other income					1,401
Total revenue and other income					68,722
Result					
Segment result	5,109	7,922	2,914	-	15,945
Unallocated corporate profit					327
Profit before income tax expense					16,272
Income tax expense					(4,379)
Net profit					11,893

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5 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					
2007					
Special dividend	10 00	8,043	30 November 2006	30%	100%
2006					
Interim - fully paid ordinary shares	4 50	3,618	4 April 2006	30%	100%
Final - fully paid ordinary shares	6 00	4,826	4 October 2006	30%	100%

Unrecognised amounts

Since the six months ended 31 December 2006 the directors have declared the following dividend:

Interim - fully paid ordinary shares	6 00	4,826	4 April 2007	30%	100%
--------------------------------------	------	-------	--------------	-----	------

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

	6 months ended 31 December 2006 \$'000	6 months ended 31 December 2005 \$'000
6 Earnings per share		
Earnings reconciliation:		
Net profit	10,226	11,893
Earnings used in the calculation of basic and diluted EPS	10,226	11,893
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	80,427,821	80,398,310
Shares deemed to be issued for no consideration in respect of:		
Employee options	-	30,000
Weighted average number of ordinary shares used in calculation of diluted EPS	80,427,821	80,428,310
Basic earnings per share	\$0 127	\$0 148
Diluted earnings per share	\$0 127	\$0 148

Classification of securities as potential ordinary shares

Options

As at 31 December 2006, the Company had on issue Nil (2005: 30,000) options over unissued capital. The inclusion of these potential ordinary shares leads to a diluted earnings per share that is not materially different from the basic earnings per share.

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	31 December 2006 \$'000	30 June 2006 \$'000
7 Cash and cash equivalents		
Cash	16,921	19,448
Bank short term deposits	29,735	38,765
	46,656	58,213
8 Trade and other receivables		
Current		
<i>At amortised cost</i>		
Trade receivables	11,651	13,368
Less: allowance for doubtful debts	(319)	(346)
Other debtors	1,258	1,529
	12,590	14,551
9 Other assets		
Current		
Prepayments	3,301	3,638
Other	2,267	1,606
	5,568	5,244
10 Other financial assets		
Current		
<i>At fair value</i>		
Investment in fixed rate bonds	2,795	2,835
Investment in reset preference securities	4,225	2,200
Forward foreign currency exchange contracts	210	101
	7,230	5,136
<i>At amortised cost</i>		
Lease deposits	1,301	1,635
Other deposits	445	-
	8,976	6,771
Non-current		
<i>At amortised cost</i>		
Lease deposits	20,945	19,354
Other	59	60
	21,004	19,414

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11 Property, plant and equipment

	Consolidated								Total \$000
	Land and buildings at cost \$000	Leasehold improve- ments owned at cost \$000	Leasehold improve- ments leased at cost \$000	Office furniture & fittings owned at cost \$000	Office furniture & fittings leased at cost \$000	Office equip- ment owned at cost \$000	Office equip- ment leased at cost \$000	Motor vehicles owned at cost \$000	
Gross carrying amounts									
Balance at 30 June 2006	1,626	37,635	6,267	8,423	1,271	14,783	718	226	70,949
Additions	-	5,302	-	1,328	-	2,381	-	-	9,011
Disposals	-	(43)	-	(24)	-	(47)	-	-	(114)
Transfers	-	(35)	-	19	(1)	17	-	-	-
Net foreign currency differences on translation of self-sustaining operations	(155)	(2,138)	(218)	(425)	(16)	(348)	(23)	(12)	(3,335)
Balance at 31 December 2006	1,471	40,721	6,049	9,321	1,254	16,786	695	214	76,511
Accumulated depreciation									
Balance at 30 June 2006	67	20,615	5,603	3,836	1,176	9,602	718	65	41,682
Depreciation expense	15	2,158	283	674	33	1,401	-	17	4,581
Disposals	-	(11)	-	(11)	-	(48)	-	-	(70)
Net foreign currency differences on translation of self-sustaining operations	(5)	(1,448)	(180)	(260)	(12)	(196)	(23)	(1)	(2,125)
Balance at 31 December 2006	77	21,314	5,706	4,239	1,197	10,759	695	81	44,068
Net book value									
Balance at 31 December 2006	1,394	19,407	343	5,082	57	6,027	-	133	32,443
Balance at 30 June 2006	1,559	17,020	664	4,587	95	5,181	-	161	29,267

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	31 December 2006 \$'000	30 June 2006 \$'000
12 Goodwill		
Gross carrying amount and net book value		
Balance at the beginning of the period	15,440	15,440
Balance at the end of the period	15,440	15,440

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

Allocation of goodwill to cash generating units

There are eleven geographical groups of cash generating units as follows:

Japan Australia New Zealand China Hong Kong Malaysia Singapore Thailand Belgium United Arab Emirates and France

Goodwill was allocated to the regions in which goodwill arose

The carrying amount of goodwill relating to cash generating units as at 31 December 2006 were as follows:

	31 December 2006 \$'000	30 June 2006 \$'000
Japan	9,161	9,161
France	2,187	2,187
Australia	2,114	2,114
New Zealand	785	785
Singapore	706	706
Thailand	326	326
China	161	161
	15,440	15,440

The recoverable amount of goodwill relating to each cash generating unit was determined based on value-in-use calculations, which uses cash flow projections based on financial forecasts approved by management covering a five year period. The discount rate applied was 11.14% p.a. (30 June 2006: 11.50% p.a.)

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

	31 December 2006 \$'000	30 June 2006 \$'000
13 Other intangible assets		
Current		
At cost		
Acquired client list	222	-
	222	-

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	31 December 2006 \$'000	30 June 2006 \$'000
14 Trade and other payables		
Current		
<i>At amortised cost</i>		
Trade creditors	3 997	3 297
Deferred income	10 899	10 101
Deferred lease incentive	569	534
Other creditors and accruals	5,324	4 726
	20,789	18,658
Non-current		
<i>At amortised cost</i>		
Deferred lease incentive	5,630	4 145
	5,630	4,145
15 Other financial liabilities		
Current		
<i>At amortised cost</i>		
Bank overdraft	1,023	1 848
Bank loans - secured	426	521
Finance lease liabilities	-	15
Security deposits	13,694	14 148
	15,143	16,532

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		31 December 2006 \$'000	30 June 2006 \$'000
16	Provisions		
	Current		
	Employee benefits	2,042	2,001
	Provision for make good costs (i)	111	68
	Other	325	262
		2,478	2,331
	Non-current		
	Employee benefits	611	538
		611	538

Notes:

(i) An amount of \$111,131(2006: \$68 000) has been provided for the make good of three floors that are due to close within eighteen months of the balance sheet date

		31 December 2006 \$'000	30 June 2006 \$'000
17	Issued capital		
	Fully paid ordinary shares 80,428,310 (2006: 80,398 310)	80,754	80,694
	Movements in issued capital		
	Balance at the beginning of the period	80,694	80,694
	Shares issued 30,000 (2006: Nil) from the exercise of options under the Share Option Schemes	60	-
	Balance at the end of the period	80,754	80,694

Options

Ordinary shares were issued pursuant to exercise of options as follows:
 30,000 shares were issued in the current year at \$2.00 per share (2006: Nil)

Terms and conditions

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

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

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	31 December 2006 \$'000	30 June 2006 \$'000
18 Reserves		
Employee equity-settled benefits reserve	16	16
Foreign currency translation reserve	(10,091)	(8,317)
	(10,075)	(8,301)
Movements during the period		
Foreign currency translation reserve		
Balance at the beginning of the period	(8,317)	(7 960)
Deferred exchange differences arising from monetary items considered part of the investment in self-sustaining foreign operations	(1,282)	546
Translation of foreign operations	(492)	(903)
Balance at the end of the period	(10,091)	(8,317)
The foreign currency translation reserve records the foreign currency movements arising from the translation of foreign operations and the translation of monetary items forming part of the net investment in foreign operations		
Employee equity-settled benefits reserve		
Balance at the beginning of the period	16	7
Share based payment	-	9
Balance at the end of the period	16	16
The employee equity-settled benefits reserve arises on the grant of share options to the Chief Financial Officer, T Wallace		
19 Retained earnings		
Retained earnings at the beginning of the period	34 868	16 149
Adjustments on adoption of accounting policies specified by AASB 132 and AASB 139	-	177
Restated balance at the beginning of the period	34 868	16 326
Net profit for the period	10 226	25,376
	45,094	41 702
Dividends paid	(12 869)	(6,834)
Retained earnings at the end of the period	32 225	34 868

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	6 months ended 31 December 2006 \$'000	6 months ended 31 December 2005 \$'000
20 Notes to the consolidated cash flow statement		
(a) Reconciliation of cash and cash equivalents		
For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash flow statement are reconciled to the related items in the Balance sheet as follows:		
Cash	16,921	15 389
Short term deposits	29,735	32,020
Bank overdraft	(1,023)	(1 839)
	45,633	45,570
(b) Net cash outflow on acquisition of business		
Cash and cash equivalents consideration	1,416	1,645
Less cash and cash equivalents balances acquired	-	-
	1,416	1,645
(c) Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	10 226	11 893
Add/(less) non-cash items:		
Movements in provisions	220	(1,641)
Amortisation of client list	144	-
Impairment of client list	119	-
Depreciation of non-current assets	4,581	4 049
(Profit)/loss on disposal of non-current assets	(7)	109
Decrease in current tax liability	(3,693)	(3,378)
Decrease/ (increase) in current tax asset	466	(319)
(Increase)/ decrease in deferred tax balances	(864)	159
Equity-settled share based payment	-	3
Change in assets and liabilities adjusted for the effect of the acquisition of a business during the financial period:		
Decrease/(increase) in prepayments	337	(34)
Decrease in trade debtors	1,961	1 101
(Increase)/decrease in current assets	(1,106)	746
Increase in deferred income	798	1 223
(Decrease)/increase in client security deposits	(454)	1,769
Increase/(decrease) in accounts payable	2,818	(2,908)
Foreign exchange loss on working capital items	2 273	(164)
Net cash provided from operating activities	17,819	12,608

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21 Acquisition of businesses

The financial statements for the six months ended 31 December 2006 include changes in the composition of the Consolidated Entity as follows:

Business combinations

31 December 2006

Servcorp WA Pty Ltd

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

	Fair value at acquisition \$'000	Pre-acquisition net book value \$'000
Business combination cost:		
Purchase consideration	1,357	-
Legal fees and stamp duty	59	-
	1,416	-
Tangible assets/ liabilities acquired:		
Property, plant and equipment	268	268
Security deposits	(110)	(110)
Working capital	67	67
Lease premium	669	-
Intangible assets acquired:		
Client list	485	-
	1,379	225
Surplus of business combination cost over fair value of net assets acquired	37	-

The amount of the loss since the acquisition date included in the Consolidated Entity's results for the six months ended 31 December 2006 was \$239,939.

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

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

We have reviewed the accompanying half-year financial report of Servcorp Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Servcorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

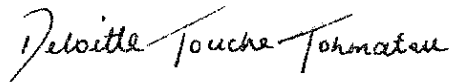
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Deloitte.

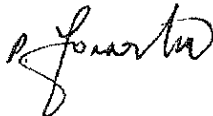
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMAISU



P G Forrester
Partner
Chartered Accountants
Parramatta, 19 February 2007