SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4D

INTERIM FINANCIAL REPORT

For the six months ended 31 December 2015

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 2015, the 2015 Annual Financial Report and any public announcements made during the period in accordance with continuous disclosure obligations arising under Corporations Act 2001 and ASX Listing Rules

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Reporting Period

Current period:	1 July 2015 to 31 December 2015
Previous corresponding period:	1 July 2014 to 31 December 2014

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	up	27%	to	164,236
Profit from ordinary activities after tax attributable to members	up	17%	to	18,726
Net profit for the period attributable to members	up	17%	to	18,726

Dividends	**Total amount $'000**	**Amount per security (Cents per share)**	**Franked amount per security (Cents per share)**
Current period			
Interim dividend declared	10,828	11.00	5.50
Previous corresponding period			
Interim dividend paid	10,828	11.00	2.20

Record date for determining entitlements to the dividend	4 March 2016
Dividend payment date	23 March 2016

There is no foreign conduit income attributed to this dividend

	31 December 2014 $	**31 December 2015 $**
Net tangible asset backing		
Net tangible asset backing per ordinary security	$2.19	$2.39

The interim dividend for the six months ended 31 December 2015 has not been recognised because the interim dividend was declared, determined or publicly recommended subsequent to 31 December 2015. On the basis that the Directors will continue to publicly recommend dividends subsequent to reporting date, in future half-year reports, the amounts disclosed as 'recognised' will be the final dividends in respect of the prior year.

Management Discussion & Analysis

SERVCORP REPORTS NPAT UP 17%

HEADLINE RESULTS – H1 FY 2016

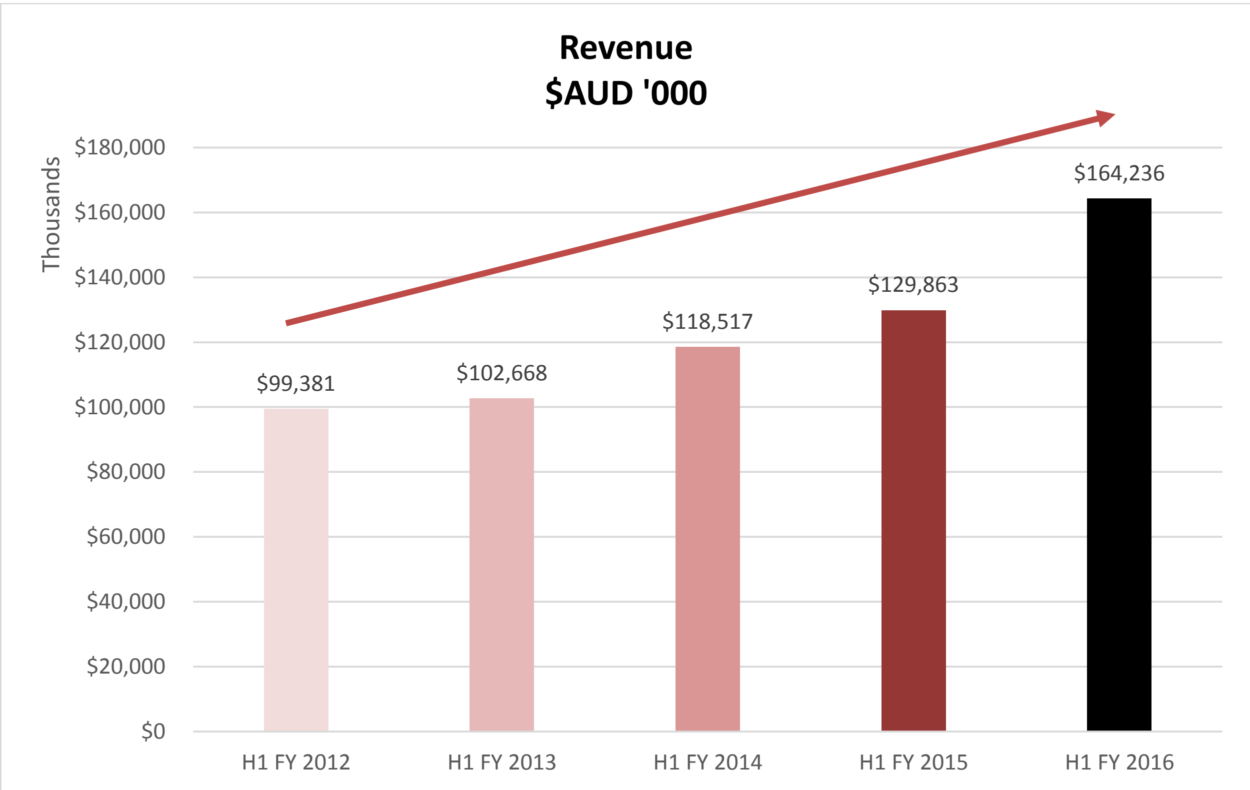
- **Revenue of $164,236,000, up 27%**
- **NPBT of $23,485,000, up 20%**
- **NPAT of $18,726,000, up 17%**
- **Like for like NPBT of $31,257,000, up 62%**
- **Unencumbered cash and investment balances of $92,196,000**
- **NTA backing of $2.39 per share, up 9%**
- **EPS of 19.0 cps, up 17%**
- **Reaffirm NPBT guidance of not less than $48,000,000 for FY 2016**
- **Interim dividend of 11.00 cps, declared for H1 FY 2016, 50% franked**
- **Forecast H2 FY 2016 dividend of 11.00 cps, 50% franked**
- **Approximately 80% of revenue and profits earned offshore**

H1 FY 2016 – Overview

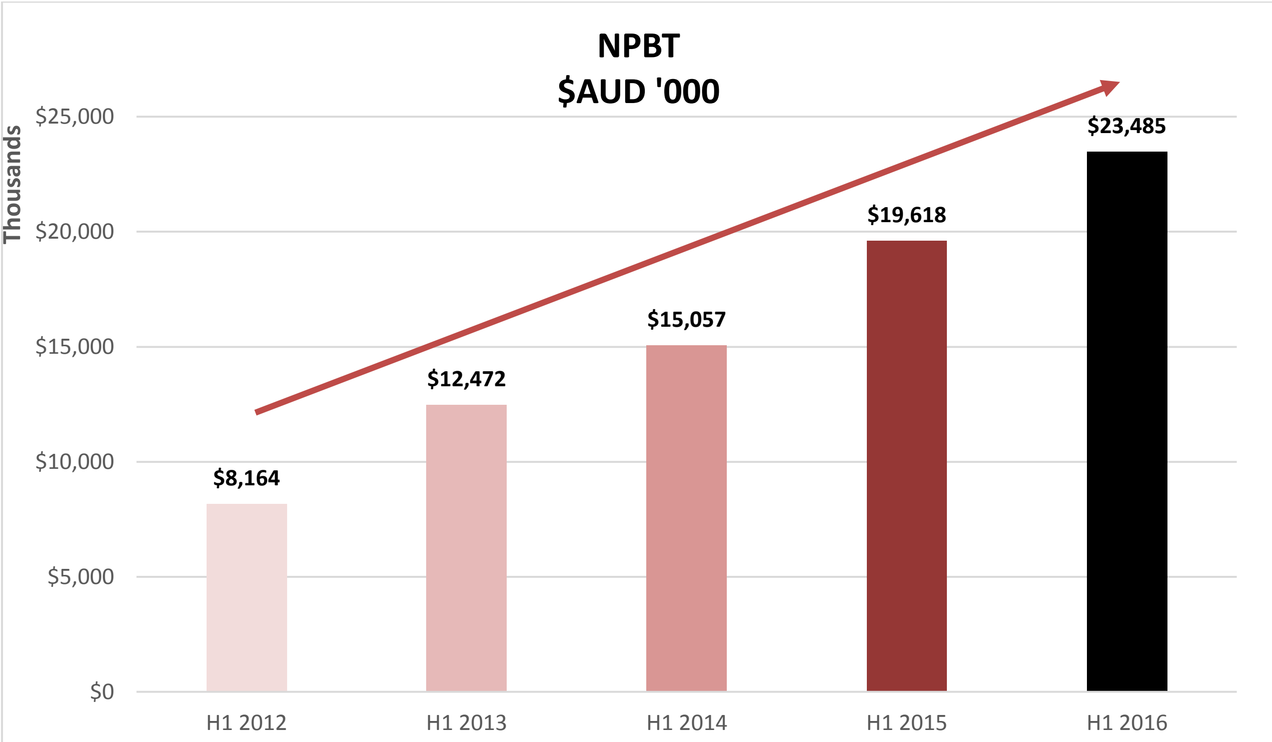
Revenue and profit have improved compared to the prior comparative period, which marks 5 consecutive years of revenue and profit growth.

Management is encouraged that all geographic segments improved their revenue and profit performance during the period.

The business produced a like for like NPBT of $31,257,000 for H1 FY 2016. Ten new floors were opened in the 12 months ended 31 December 2015. New floor net operating costs during H1 FY 2016 were ($7,772,000).



Management Discussion & Analysis



Like for like occupancy at 31 December 2015 was 76% (31 December 2014: 80%). Australia, China, UAE and Singapore saw a temporary drop in occupancy levels in December 2015 (for like for like floors) compared to December 2014, however, our sales pipeline is strong and we should see occupancy levels improve over the coming months.

Our revenue and profits have benefited from a weaker AUD as approximately 80% of our revenue and profits are denominated in currencies other than AUD.

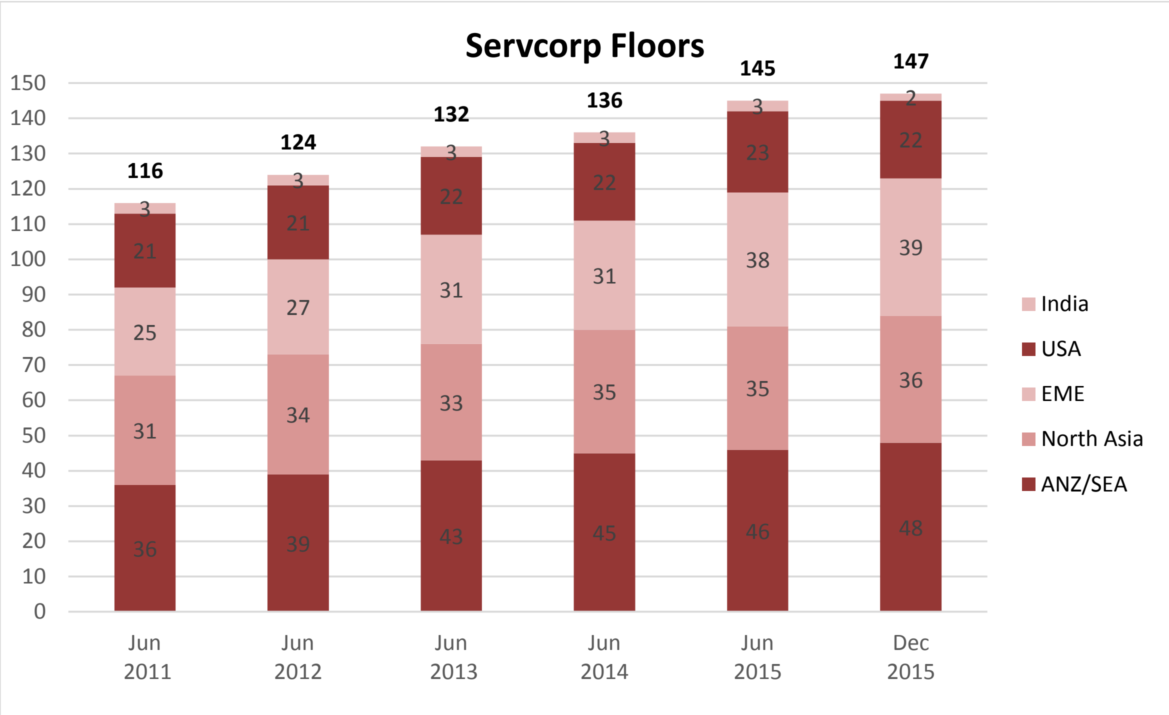
Our balance sheet has also benefited from a weak AUD recording a 9% increase in NTA to $2.39 per share at 31 December 2015, when compared to 31 December 2014.

Management Discussion & Analysis

The Servcorp Footprint

A total of 4 new floors were opened and 1 floor was expanded in H1 FY 2016. There are plans to open a further 6 floors, including in the new market of Iran, in H2 FY 2016. In Iran we will open 63 offices across 3 floors in one location. We now expect office capacity to increase by approximately 10% during the 2016 fiscal year (previously 7%).

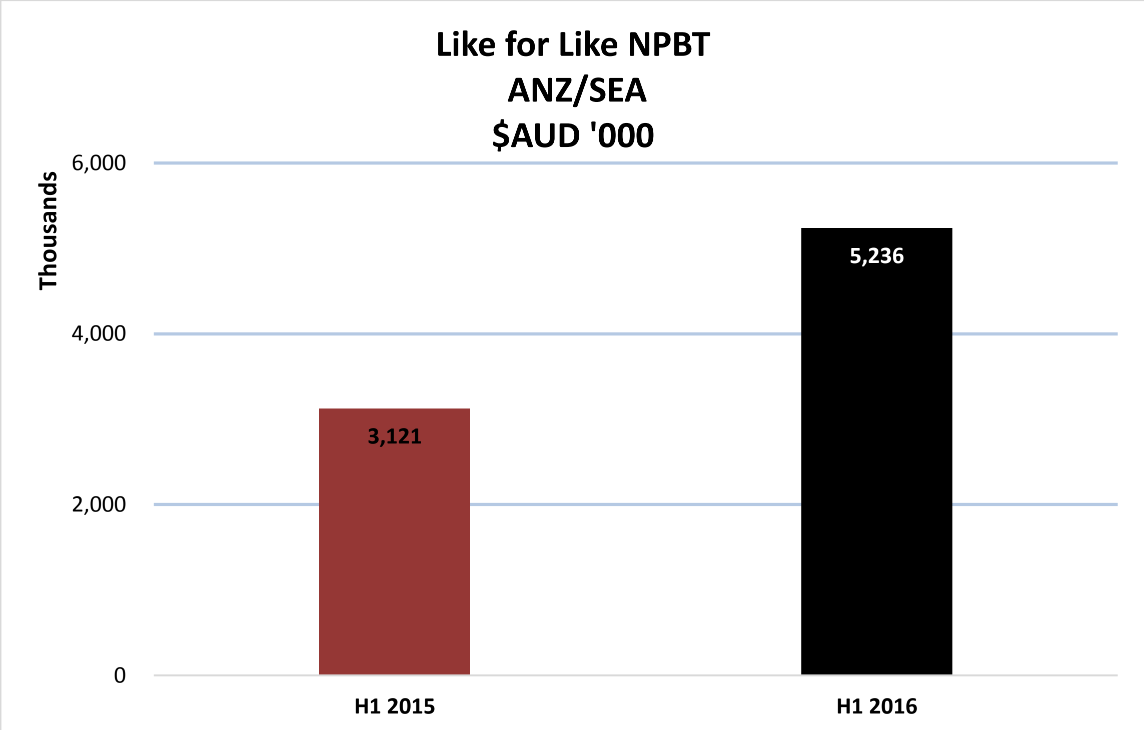
As at 31 December 2015 there were 147 floors in 52 cities across 21 countries.



Management Discussion & Analysis

Operating Summary by Region

ANZ / SEA



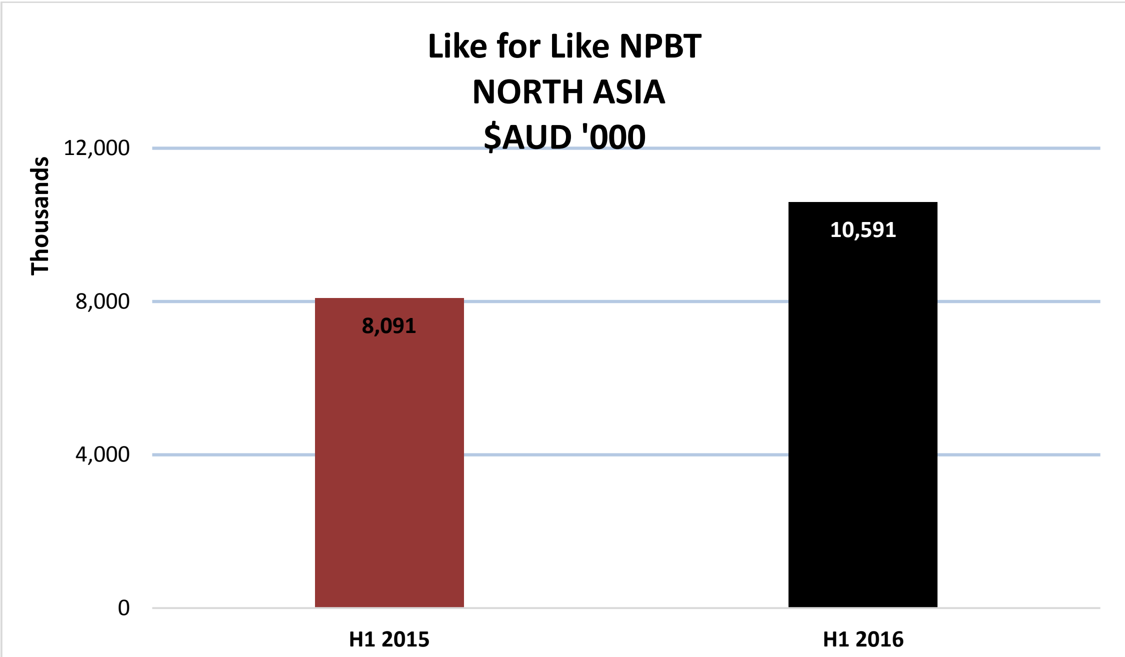
On a like for like basis NPBT in ANZ / SEA was up 68% when compared to the prior period. This is a solid result and management is pleased with this performance.

Whilst the performance of Australia has improved markedly during H1 FY 2016, Malaysia and Singapore are not performing at their optimum level. Management continues to remain focused on turning these markets around.

One floor in Auckland and one floor in Singapore opened in the 12 months ended 31 December 2015. New floor net operating costs in H1 FY 2016 were ($1,765,000).

Management Discussion & Analysis

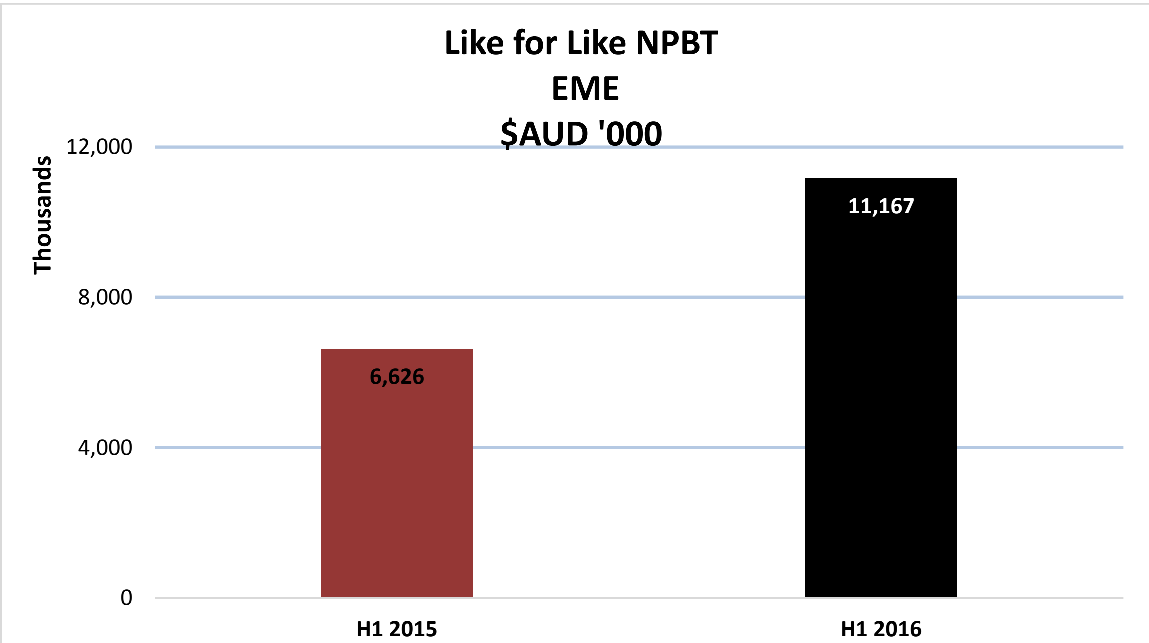
NORTH ASIA



North Asia continues to produce solid results, reporting like for like NPBT growth of 31%. Japan continues to exceed expectations and the margins in China and Hong Kong continue to improve.

One new floor was opened in Osaka in the 12 months ended 31 December 2015. New floor net operating costs in H1 FY 2016 were ($371,000).

EME



Management Discussion & Analysis

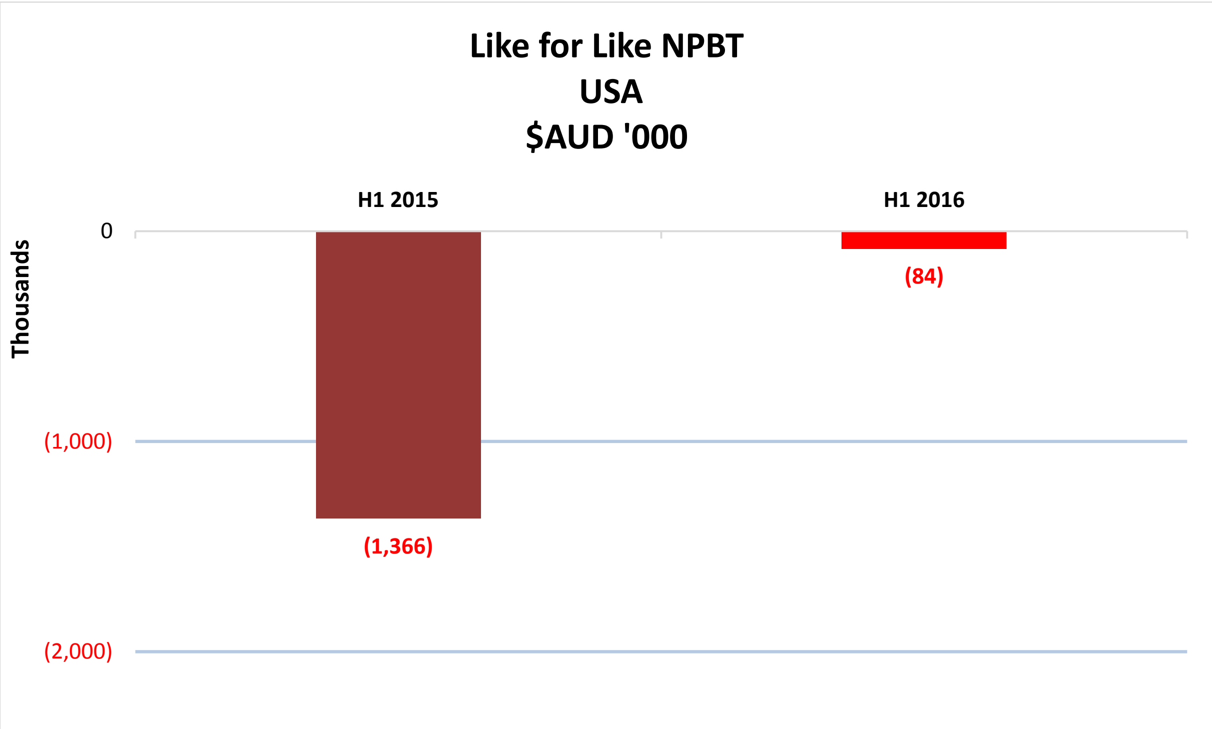
Like for like NPBT growth in H1 FY 2016 in EME was 69%.

All markets performed to expectations and management is pleased with this outcome. The performance of our new prestigious London locations, 1 Mayfair Place and the Leadenhall Building have exceeded our expectations, recording strong sales and occupancy levels. Both of these locations are now producing profits.

We look forward to opening our new location in Tehran, Iran in H2 FY 2016.

Six new floors in Saudi Arabia, London and UAE were opened in the 12 months ended 31 December 2015. New floor net operating costs were ($3,663,000) in H1 FY 2016.

USA



Like for like Net Loss Before Tax for the USA reduced considerably during H1 FY 2016, to ($84,000).

On a run rate basis, the like for like USA business is now profitable and we expect revenue and profits to improve in H2 FY 2016.

Our new landmark location, One World Trade Center, is performing satisfactorily and to expectations. One floor was opened in the 12 months ended 31 December 2015. New floor net operating costs were ($1,973,000) during H1 FY 2016.

Management Discussion & Analysis

FINANCIAL SUMMARY

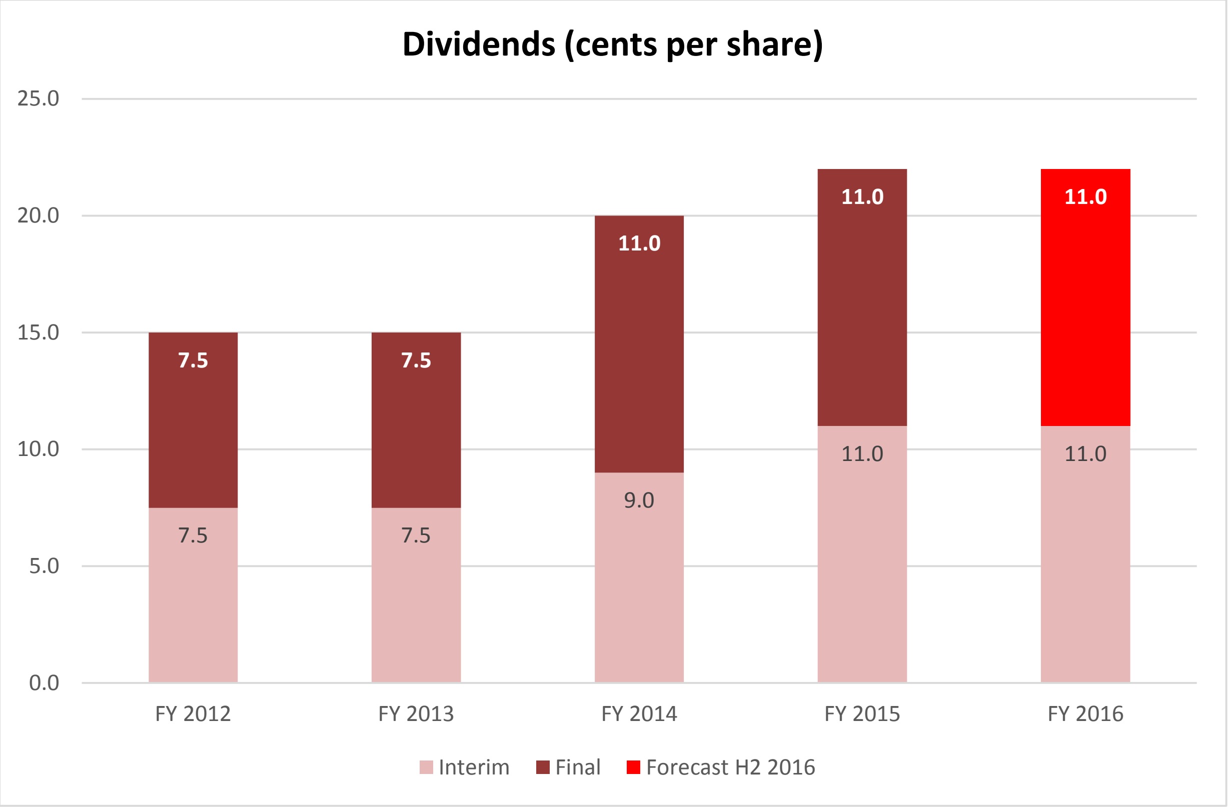
In H1 FY 2016 revenue and other income from operating activities was up 27% to $164,236,000 (H1 FY 2015: $129,863,000). During H1 FY 2016, the AUD weakened against all major currencies. In constant currency terms revenue increased 10% compared to H1 FY 2015.

NPBT for H1 FY 2016 was $23,485,000, up 20% from a NPBT of $19,618,000 in H1 FY 2015. In constant currency terms NPBT increased by 6% compared to H1 FY 2015.

Cash and investment balances as at 31 December 2015 remained healthy at $108,066,000 (30 June 2015: $114,451,000). Of this balance, $15,870,000 was lodged with banks as collateral for bank guarantees and facilities, leaving unencumbered free cash and investment balances of $92,196,000 in the business as at 31 December 2015 (30 June 2015: $99,335,000).

The encumbered cash balance includes investments in bank hybrid variable rate securities of $17,601,000.

DIVIDENDS



The Directors have declared an interim dividend payable of 11.00 cents per share, 50% franked, payable on 23 March 2016.

A final dividend of 11.00 cents per share is expected to be paid for FY 2016, with an expected franking level of 50%. This brings total dividends payable in relation to FY 2016 to 22.00 cents per share, with an expected franking level of 50%.

Payment of future dividends is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Management Discussion & Analysis

OUTLOOK

Notwithstanding the ongoing volatility in financial markets, management reaffirms NPBT guidance of not less than $48,000,000 for FY 2016.

There are plans to open an additional 6 floors in H2 FY 2016. We now expect to increase office capacity by approximately 10% during the 2016 fiscal year.

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

EXECUTIVE SHARE OPTION SCHEME

The Directors have resolved to issue 285,000 options over unissued ordinary shares of SRV, to six key management personnel. The options will have an exercise price of $7.00, and an exercise period commencing 36 months after issue date and expiring five years after issue date, subject to remaining an employee of SRV.

The options will be issued pursuant to the terms and conditions of the Company's Executive Share Option Scheme.

Key:

H1 FY 2016	Six Months ended 31 December 2015
H1 FY 2015	Six Months ended 31 December 2014
FY 2016	Year ending 30 June 2016
FY 2015	Year ended 30 June 2015
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
H1	First Half of Financial Year
H2	Second Half of Financial Year

SERVCORP LIMITED

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

WORLD'S FINEST SERVICED OFFICES, VIRTUAL OFFICES AND CO-WORKING SOLUTIONS
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SERVCORP

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

INTERIM FINANCIAL REPORT

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DIRECTORS' REPORT

The directors of Servcorp Limited ('the Company') submit herewith the condensed consolidated financial report for the six months ended 31 December 2015. 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 2015 are:

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

Review of operations

Revenue and other income from operating activities was up 27% to $164.24 million for the half year ended 31 December 2015 (31 December 2014: $129.86 million). During the half year ended 31 December 2015, the Australian dollar weakened against all major currencies. In constant currency terms, revenue increased by 10% compared to the half year ended 31 December 2014.

Net profit before tax for the half year ended 31 December 2015 was $23.49 million, up 20% from $19.62 million for the half year ended 31 December 2014. When expressed in constant currency terms, net profit before tax increased by 6%. Net profit after tax was $18.73 million.

Cash and investment balances as at 31 December 2015 remained healthy at $108.07 million (30 June 2015: $114.45 million). Of this balance, $15.87 million was lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash and investment balance of $92.20 million in the business as at 31 December 2015 (30 June 2015: $99.33 million). The encumbered cash balance includes investments in bank hybrid variable rate securities of $17.60 million.

The business produced net operating cash flows during the half year ended 31 December 2015 of $25.02 million (31 December 2014: $29.25 million), a decrease of 15%.

The directors have declared an interim dividend of 11.00 cents per share, 50% franked, payable on 23 March 2016.

Business Overview

Revenue and profit have improved compared to the prior comparative period, which marks five consecutive years of revenue and profit growth. Directors are encouraged that all geographic segments improved their revenue and profit performance during the period.

The business produced a like for like net profit before tax of $31.26 million for the half year ended 31 December 2015. Ten new floors were opened in the 12 months ended 31 December 2015. New floor net operating costs during the half year ended 31 December 2015 were $7.77 million.

Like for like occupancy at 31 December 2015 was 76% (31 December 2014: 80%). Australia, China, UAE and Singapore saw a temporary drop in occupancy levels in December 2015 (for like for like floors) compared to December 2014, however, the sales pipeline is strong and occupancy levels are expected to improve over the coming months.

Revenue and profits have benefited from a weaker Australian dollar as approximately 80% of revenue and profits are denominated in currencies other than the Australian dollar.

The balance sheet has also benefited from a weaker Australian dollar, recording a 9% increase in net tangible assets of $2.39 per share at 31 December 2015, when compared to 31 December 2014.

DIRECTORS' REPORT (CONT.)

Expansion

A total of four new floors were opened and one floor was expanded during the half year ended 31 December 2015. New floors were opened in Singapore, Abu Dhabi, Auckland and Osaka.

There are plans to open a further six floors and expand one existing floor in the second half of the 2016 financial year. Our new floors in the second half will include the new market of Iran, where we will open 63 offices across three floors in one location. We now expect office capacity to increase by approximately 10% during the 2016 financial year.

As at 31 December 2015 there were 147 floors in 52 cities across 21 countries.

Australia, New Zealand and Southeast Asia

On a like for like basis net profit before tax in ANZ / SEA was up 68% when compared to the prior period. This is a solid result and the directors are pleased with this performance.

Whilst the performance of Australia has improved markedly during the first half of the 2016 financial year, Malaysia and Singapore are not performing at their optimum level. Management continues to remain focused on turning these markets around.

One floor in Auckland and one floor in Singapore opened in the 12 months ended 31 December 2015. New floor net operating costs in the half year ended 31 December 2015 were $1.77 million.

North Asia

North Asia continues to produce solid results, reporting like for like net profit before tax growth of 31%. Japan continues to exceed expectations and the margins in China and Hong Kong continue to improve.

One new floor was opened in Osaka in the 12 months ended 31 December 2015. New floor net operating costs in the half year ended 31 December 2015 were $0.37 million.

Europe and the Middle East

Like for like net profit before tax growth in the first half of the 2016 financial year was 69% in Europe and Middle East.

All markets performed to expectations and the directors are pleased with this outcome. The performance of our new prestigious London locations, 1 Mayfair Place and the Leadenhall Building, have exceeded expectations, recording strong sales and occupancy levels. Both of these locations are now producing profits.

We look forward to opening our new location in Tehran, Iran in the second half of the 2016 financial year.

Six new floors in Saudi Arabia, London and UAE were opened in the 12 months ended 31 December 2015. New floor net operating costs were $3.66 million in the half year ended 31 December 2015.

USA

Like for like net loss before tax for the USA reduced considerably during the half year ended 31 December 2015, to $84,000.

On a run rate basis, the like for like USA business is now profitable and we expect revenue and profits to improve in the second half of the 2016 financial year.

Our new landmark location, One World Trade Center is performing satisfactorily and to expectations. One floor was opened in the 12 months ended 31 December 2015. New floor net operating costs were $1.97 million during the half year ended 31 December 2015.

DIRECTORS' REPORT (CONT.)

State of affairs

During the six months ended 31 December 2015 there were no significant changes in the state of affairs of the Company.

Auditor's independence declaration

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

Rounding off

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

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

On behalf of the directors

A G Moufarrige
CEO
Dated at Sydney this 23rd day of February 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

23 February 2016

Dear Board Members

Auditor's Independence Declaration to Servcorp Limited

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

As lead audit partner for the review of the financial statements of Servcorp Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants

DIRECTORS' DECLARATION

The directors declare that:

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

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

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

On behalf of the directors

A G Moufarrige
CEO

Sydney, 23rd day of February 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2015

	Note	6 months ended 31 December 2015 $'000	6 months ended 31 December 2014 $'000
Revenue	2	158,253	124,483
Other revenue and income	2	5,983	5,380
		164,236	129,863
Service expenses		(40,574)	(33,745)
Marketing expenses		(9,382)	(7,064)
Occupancy expenses		(76,680)	(56,060)
Rent - fixed annual impact		(711)	(1,119)
Administrative expenses		(13,181)	(12,202)
Share of losses of joint venture		(135)	-
Borrowing expenses		(88)	(55)
Total expenses		(140,751)	(110,245)
Profit before income tax expense		23,485	19,618
Income tax expense	3	(4,759)	(3,579)
Profit for the period		18,726	16,039
Other comprehensive profit			
Translation of foreign operations (Item may be reclassified subsequently to profit or loss)		(31)	7,755
Other comprehensive profit for the period (net of tax)		(31)	7,755
Total comprehensive profit for the period		18,695	23,794
Earnings per share			
Basic and diluted earnings per share	6	$0.190	$0.163

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	31 December 2015 $'000	30 June 2015 $'000
Current assets			
Cash and cash equivalents	7	90,465	97,837
Trade and other receivables	8	38,427	39,159
Other financial assets	10	18,918	17,764
Current tax assets		244	272
Other	9	17,781	16,666
Total current assets		165,835	171,698
Non-current assets			
Other financial assets	10	32,073	28,732
Property, plant and equipment	11	134,521	125,805
Deferred tax assets		31,487	30,149
Goodwill	12	14,805	14,805
Total non-current assets		212,886	199,491
Total assets		378,721	371,189
Current liabilities			
Trade and other payables	13	54,247	50,147
Other financial liabilities	14	34,465	32,518
Current tax liabilities		4,550	6,903
Provisions	15	6,168	5,691
Total current liabilities		99,430	95,259
Non-current liabilities			
Trade and other payables	13	23,926	24,279
Other financial liabilities	14	3,746	7,710
Provisions	15	699	690
Deferred tax liabilities		1,155	1,353
Total non-current liabilities		29,526	34,032
Total liabilities		128,956	129,291
Net assets		249,765	241,898
Equity			
Issued capital	16	154,122	154,122
Reserves		(2,508)	(2,477)
Retained earnings		98,151	90,253
Equity attributable to equity holders of the parent		249,765	241,898
Total equity		249,765	241,898

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2015

Consolidated	Issued capital	Foreign currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2014	154,122	(15,789)	78,768	217,101
Profit for the period	-	-	16,039	16,039
Translation of foreign operations (net of tax)	-	7,755	-	7,755
Total comprehensive income for the period	-	7,755	16,039	23,794
Payment of dividends	-	-	(10,828)	(10,828)
Balance at 31 December 2014	154,122	(8,034)	83,979	230,067
Balance at 1 July 2015	154,122	(2,477)	90,253	241,898
Profit for the period	-	-	18,726	18,726
Translation of foreign operations (net of tax)	-	(31)	-	(31)
Total comprehensive income for the period	-	(31)	18,726	18,695
Payment of dividends	-	-	(10,828)	(10,828)
Balance at 31 December 2015	154,122	(2,508)	98,151	249,765

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2015

	Note	6 months ended 31 December 2015 $'000	6 months ended 31 December 2014 $'000
Cash flows from operating activities			
Receipts from customers		169,230	137,289
Payments to suppliers and employees		(138,307)	(105,879)
Franchise fees received		296	198
Income tax paid		(7,674)	(4,309)
Interest and other costs of finance paid		(88)	(55)
Interest and other items of similar nature received		1,558	2,002
Net operating cash flows	18(b)	25,015	29,246
Cash flows from investing activities			
Payments for property, plant and equipment		(18,017)	(21,786)
Payments for variable rate securities		(1,318)	(1,972)
Payments for lease deposits		(532)	(819)
Proceeds from sale of fixed rate securities		-	1,553
Proceeds from sale of property, plant and equipment		-	1
Proceeds from refund of lease deposits		121	686
Net investing cash flows		(19,746)	(22,337)
Cash flows from financing activities			
Dividends paid		(10,828)	(10,828)
Landlord capital incentives received		359	1,430
Borrowings		(4,385)	1,668
Net financing cash flows		(14,854)	(7,730)
Net decrease in cash and cash equivalents		(9,585)	(821)
Cash and cash equivalents at the beginning of the period		97,837	92,482
Effect of exchange rate changes on cash transactions in foreign currencies		2,213	2,505
Cash and cash equivalents at the end of the period	18(a)	90,465	94,166

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

Adoption of new and revised Accounting Standards

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

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

- AASB 15 'Revenue from Contracts with Customers'. Effective for annual reporting periods beginning 1 January 2017.
- IFRS16 'Leases'. Effective for annual reporting periods beginning 1 January 2019.
- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'. Effective for annual reporting periods beginning on or after 1 January 2016.
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'. Effective for annual reporting periods beginning on or after 1 January 2016.

The directors are currently in the process of assessing the future period impact of AASB 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' on the financial statements. The remaining Standards and Interpretations on issue not yet effective will not have a material impact on the financial statements of the entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

2 PROFIT FROM OPERATIONS

	6 months ended 31 December 2015 $'000	6 months ended 31 December 2014 $'000
a. Revenue		
Revenue from continuing operations consisted of the following:		
Revenue from the rendering of services	157,957	124,285
Franchise fee income	296	198
	158,253	124,483
b. Other revenue and income		
Interest income - bank deposits	1,686	2,102
Net foreign exchange gain (realised and unrealised)	4,029	2,900
Other income	268	378
Total other revenue and income	5,983	5,380
c. Expenses		
Rent - fixed annual impact (i)	711	1,119

Note:
(i) The rent fixed annual impact represents the straight-lining of fixed annual increases ranging between 3% to 4.25% per annum in accordance with AASB 117 'Leases', and represents the difference between the actual cash paid and the rent expensed.

3 INCOME TAXES

Income tax recognised in the Condensed consolidated statement of comprehensive income		
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Condensed consolidated financial report as follows:		
Profit before income tax expense	23,485	19,618
Income tax expense calculated at 30%	7,045	5,885
Deductible local taxes	(248)	(303)
Effect of different tax rates on overseas income	(1,586)	(685)
Other non-assessable	(92)	169
Tax losses of controlled entities recovered	-	(8)
Income tax over provision in prior years	(329)	(299)
Prior year tax losses recognised for deferred tax assets	(31)	(1,180)
Income tax expense	4,759	3,579

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

4 SEGMENT INFORMATION

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

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

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

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

	Revenue		Segment Profit / (Loss)	
	31 December 2015 $'000	**31 December 2014 $'000**	**31 December 2015 $'000**	**31 December 2014 $'000**
Continuing operations				
Australia, New Zealand & Southeast Asia	43,474	38,865	3,471	3,121
USA	17,338	10,671	(2,057)	(1,366)
Europe & Middle East	45,571	32,119	7,504	6,920
North Asia	51,623	42,540	10,220	8,091
Other	219	468	88	79
	158,225	124,663	19,226	16,845
Finance costs	-	-	(88)	(55)
Interest revenue	1,686	2,102	1,686	2,102
Foreign exchange gains	4,029	2,900	4,029	2,900
Centralised unrecovered head office overheads	-	-	4	(1,829)
Franchise fees	296	198	296	198
Rent - fixed annual increase (i)	-	-	(711)	(1,119)
Share of losses of joint venture	-	-	(135)	-
Unallocated	-	-	(822)	576
Profit before tax			23,485	19,618
Income tax expense			(4,759)	(3,579)
Consolidated segment revenue and profit for the period	164,236	129,863	18,726	16,039

The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full for the six months ended 31 December 2015. The Group's Virtual Office revenue and Serviced Office revenue were $40,417,000 and $118,292,000 respectively (31 December 2014: $32,937,000 and $91,726,000, respectively).

Note:
(i) Refer to Note 2 (c)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

5 DIVIDENDS

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

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Recognised amounts					
2015					
Final - fully paid ordinary shares	11.00	10,828	24 Sep 2015	30%	40%
Interim - fully paid ordinary shares	11.00	10,828	1 Apr 2015	30%	20%
2014					
Final - fully paid ordinary shares	11.00	10,828	1 Oct 2014	30%	35%
Interim - fully paid ordinary shares	9.00	8,859	2 Apr 2014	30%	0%
Unrecognised amounts					
Interim - fully paid ordinary shares	11.00	10,828	23 Mar 2016	30%	50%

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

6 EARNINGS PER SHARE

	6 months ended 31 December 2015 $'000	6 months ended 31 December 2014 $'000
Net profit	18,726	16,039
Earnings used in the calculation of basic and diluted EPS	18,726	16,039
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic and diluetd EPS	98,432,275	98,432,275
Basic and diluted earnings per share	$0.190	$0.163

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

	31 December 2015 $'000	30 June 2015 $'000

7 CASH AND CASH EQUIVALENTS

Cash	13,252	24,157
Bank short term deposits	77,213	73,680
	90,465	97,837

Note:
France has $910,000 (30 June 2015: $903,000) in cash which is encumbered.

8 TRADE AND OTHER RECEIVABLES

Current		
At amortised cost		
Trade receivables	31,910	31,870
Less: allowance for doubtful debts	(1,103)	(982)
Other debtors	7,620	8,271
	38,427	39,159

9 OTHER ASSETS

Current		
Prepayments	12,100	10,910
Other	5,681	5,756
	17,781	16,666

10 OTHER FINANCIAL ASSETS

Current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	-	238
Investment in bank hybrid variable rate securities (i)	17,601	16,614
At amortised cost		
Lease deposits	1,317	912
	18,918	17,764

Note:
i. Australia has $14,960,000 in bank hybrid variable rate securities which are encumbered (30 June 2015: $13,888,000).

Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	-	-
At amortised cost		
Lease deposits	32,009	28,672
Other	64	60
	32,073	28,732

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings at cost $'000	Leasehold improve-ments owned at cost $'000	Leasehold improve-ments leased at cost $'000	Office furniture & fittings owned at cost $'000	Office furniture & fittings leased at cost $'000	Office equip-ment owned at cost $'000	Office equip-ment leased at cost $'000	Motor vehicles owned at cost $'000	Total $'000
Gross carrying amounts									
Balance at 30 June 2015	10,065	186,629	1,023	26,263	118	39,568	102	815	264,583
Additions	-	12,627	-	3,268	-	2,122	-	-	18,017
Disposals	-	(531)	-	(9)	-	(86)	-	-	(626)
Net foreign currency differences on translation of foreign operations	387	4,845	69	697	8	605	7	22	6,640
Balance at 31 December 2015	10,452	203,570	1,092	30,219	126	42,209	109	837	288,614
Accumulated depreciation									
Balance at 30 June 2015	1,059	86,293	977	15,921	118	33,675	102	633	138,778
Depreciation expense	116	8,393	-	1,393	-	1,937	-	27	11,866
Disposals	-	(531)	-	(3)	-	(75)	-	-	(609)
Net foreign currency differences on translation of foreign operations	18	2,848	68	451	8	645	7	13	4,058
Balance at 31 December 2015	1,193	97,003	1,045	17,762	126	36,182	109	673	154,093
Net book value									
Balance at 31 December 2015	9,259	106,567	47	12,457	-	6,027	-	164	134,521
Balance at 30 June 2015	9,006	100,336	46	10,342	-	5,893	-	182	125,805

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

	31 December 2015 $'000	30 June 2015 $'000

12 GOODWILL

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

13 TRADE AND OTHER PAYABLES

Current		
At amortised cost		
Trade creditors	5,897	5,989
Deferred income	22,747	21,971
Deferred lease incentive	11,573	9,559
Other creditors and accruals	14,030	12,628
	54,247	50,147

Non-current		
At amortised cost		
Deferred lease incentive	23,926	24,279
	23,926	24,279

14 OTHER FINANCIAL LIABILITIES

Current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	564	-
At amortised cost		
Security deposits	33,354	32,005
External borrowings (i)	547	513
	34,465	32,518

Non-current		
At fair value through profit or loss		
Forward foreign currency exchange contracts	626	291
At amortised cost		
External borrowings (i)	3,120	7,419
	3,746	7,710

Note

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

	31 December 2015 $'000	30 June 2015 $'000

15 PROVISIONS

Current		
Employee benefits	5,977	5,502
Other	191	189
	6,168	5,691

Non-current		
Employee benefits	699	690
	699	690

16 ISSUED CAPITAL

Fully paid ordinary shares 98,432,275 (June 2015: 98,432,275)	154,122	154,122

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

17 JOINT VENTURE

Name of joint venture	Principal activity	Country of incorporation	31 Dec 2015 %	30 June 2015 %
Etihad Towers Service Offices LLC	Serviced offices and virtual offices	UAE	49	49

On 13 March 2014, a company in the Consolidated group entered into a joint venture with Emirates Consortium LLC. The name of the joint venture is Etihad Towers Service Offices LLC.

The above joint venture is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with AASBs (adjusted by the Group for equity and accounting purposes).

	31 December 2015 $'000	30 June 2015 $'000
FINANCIAL POSITION		
ASSETS		
Current assets	769	592
Non-current assets	2,294	2,305
Total assets	3,063	2,897
LIABILITIES		
Current liabilities	3,802	3,341
Non-current liabilities	-	-
Total liabilities	3,802	3,341
Net assets/ (liabilities)	(739)	(444)
FINANCIAL PERFORMANCE		
Revenue	579	168
Loss for the year	(276)	(490)
Other comprehensive loss for the period	-	-
Total comprehensive loss for the period	(276)	(490)

Reconciliation of the above summarised information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Share of net assets in joint venture	(362)	(222)
Share of losses in joint venture	(135)	(245)

As at 31 December 2015 the share of losses in the joint venture consists of $135,414 (30 Jun 2015: $244,903) of losses recognised against Servcorp's contributions totalling $1,532,377 (30 June 2015 totalling $1,368,354).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

18 NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 31 December 2015 $'000	6 months ended 31 December 2014 $'000
(a) Reconciliation of cash and cash equivalents		
For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank, short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the Condensed consolidated statement of cash flows are reconciled to the related items in the Condensed consolidated statement of financial position as follows:		
Cash	13,252	20,086
Short term deposits	77,213	74,080
	90,465	94,166
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	18,726	16,039
Add/(less) non-cash items:		
Movements in provisions	486	(61)
Depreciation of non-current assets	11,866	8,783
Share of losses in joint venture	(135)	-
Loss on disposal of non-current assets	4	-
(Decrease)/ increase in current tax liability	(2,325)	507
Increase in deferred tax balances	(1,536)	(2,988)
Loss on investment in bank hybrid variable rate securities	(317)	-
Unrealised foreign exchange (gain)	(6,062)	(4,991)
Increase in deferred lease incentives	1,661	5,119
Change in assets and liabilities during the financial period:		
Increase in prepayments	(1,190)	(1,416)
(Decrease)/ increase in trade debtors	732	(2,176)
(Decrease)/ increase in other current assets	(330)	1,655
Increase in deferred income	776	2,381
Increase in client security deposits	1,349	4,404
Increase/ (decrease) in trade and other payables	1,310	1,990
Net cash provided from operating activities	25,015	29,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Consolidated			
31 December 2015			
Bank hybrid variable rate securities	17,601	-	-
Forward foreign currency exchange contracts	-	(1,190)	-
31 December 2014			
Bank hybrid variable rate securities	16,113	-	-
Forward foreign currency exchange contracts	-	1,031	-

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

Financial assets	Fair value as at 31 Dec 2015 $'000	Fair value as at 30 Jun 2015 $'000	Fair value hierarchy	Valuation tecnhique(s) and key input(s)
Bank hybrid variable rate securities	17,601	16,614	1	Quoted prices in an active market
Forward foreign currency exchange contracts	(1,190)	(53)	2	Future cash flows are estimated based on observable forward exchange rates

20 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 23 February 2016, the Directors declared an interim dividend of 11.0 cents per share, 50% franked, payable on 23 March 2016.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Servcorp Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and the condensed consolidated statement of comprehensive income, the condensed statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 6 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Servcorp Limited's financial position as at 31 December 2015 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.

Deloitte.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 23 February 2016