SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4E

Preliminary Final Report
for the financial year ended
30 June 2011

The information in this document should be read in conjunction with the 2011 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.

Results for announcement to the market

				$A'000
Revenue and other income from ordinary activities	up	8%	to	182,056
Profit from ordinary activities after tax attributable to members	up	24%	to	2,493
Net profit for the period attributable to members	up	24%	to	2,493

Dividends	Total amount $'000	Amount per security	Franked amount per security
Current period			
Final dividend declared	4,922	5.00c	5.00c
Interim dividend paid	4,922	5.00c	5.00c
Previous corresponding period			
Final dividend paid	4,922	5.00c	5.00c
Interim dividend paid	4,922	5.00c	5.00c

Record date for determining entitlements to the dividend	7 September 2011

	30 June 2011 $	30 June 2010 $
Net tangible asset backing		
Net tangible asset backing per ordinary security	$1.81	$2.01

Control over entities

Control was not gained or lost over any entity during the financial year ended 30 June 2011 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 MATURE FLOOR NPBT UP 24%

- Mature floor NPBT up 24% to $31,191,000 for FY 2011
- Immature floor loss of $27,983,000 for FY 2011
- NPBT of $3,036,000 for FY 2011, up 6% on FY 2010
- Strong unencumbered cash balances of $91,269,000 at 30 June 2011
- Solid net operating cash flow of $18,788,000 for FY 2011, up 114% on FY 2010
- NTA backing of $1.81 per share at 30 June 2011
- 116 floors in 51 cities in 21 countries open at 30 June 2011
- Final dividend of 5.0 cents per share, fully franked for FY 2011
- Forecast dividends of 15.0 cents per share, partially franked for FY 2012
- Expect to open 15 floors in FY 2012
- Mature floor NPBT guidance of $37,000,000 for FY 2012
- Immature floor loss guidance of $20,000,000 for FY 2012
- NPBT guidance of $17,000,000 for FY 2012

OPERATING SUMMARY

Mature floor NPBT for FY 2011 increased by 24% to $31.19M compared to FY 2010 (30 June 2010: $25.13M). This result is better than guidance of $30.00M for the year.

Immature floor losses for FY 2011 were $27.98M (FY 2010: $20.10M) which was better than February 2011 guidance of $30.00M.

The loss for Office Squared for FY 2011 was $0.17M (FY 2010: loss of $2.15M). It should be noted that the Office Squared business has been contracted.

Consolidated group NPBT was $3.04M for FY 2011 (FY 2010: $2.88M). Consolidated group NPAT increased to $2.49M for FY 2011 (FY 2010: $2.01M).

Mature Business

Given the challenging trading conditions in the mature business in FY 2011 Management is satisfied with the overall result. H2 FY 2011 saw an improvement in revenues and margins in several geographic regions. The hurdles faced as a result of the expansion were compounded by natural disasters in both Japan and Australia and also by the recent turmoil on global financial markets, all of which had a significant impact on business confidence and consumer demand.

Notwithstanding adverse trading conditions and the strong AUD headwind throughout FY 2011 revenue increased by 8% compared to FY 2010.

During H1 FY 2011 2 new large floors were moved to the mature floor line (Hong Kong and Abu Dhabi). Both floors reached maturity ahead of expectations and their strong performance is encouraging. During H2 FY 2011 4 floors were moved to the mature floor line, including 1 large floor in Singapore that opened in January 2011.

We note the continued strong performance of Australia and Southeast Asia.

Average mature floor occupancy increased to 79% for FY 2011 (average for FY 2010: 76%). During FY 2011, available offices increased by 10% to 3,280 offices (FY 2010: 2,974 offices).

Global Expansion

A summary of expansion progress to date is outlined in the table below:

Expansion progress	FY 2010 Floors opened	FY 2011 Floors opened	Total floors opened in the 24 months ended 30 June 2011	Floors expected to open in FY 2012	Total new floors expected to open in the 36 months to 30 June 2012
	Actual	Actual	Actual	Forecast	Forecast
Total floors	13	40	53	15	68

FY 2011 was Servcorp's biggest expansion year ever with the opening of 40 new Serviced Office floors across 29 cities in 12 countries.

Our current strategy is to slow the pace of expansion in FY 2012 and consolidate operations in new and existing markets. We are limiting new openings, beyond those already committed, to new floors in established locations where expansion is expected to be expeditiously profitable.

Cashflow for our expansion in North America was assisted by $5.64M in cash incentives received from landlords.

We expect to open no more than 15 floors in FY 2012, bringing the total expected floor openings to 68 as part of this expansion phase. As at 30 June 2011 there were 116 floors in 51 cities in 21 countries.

Immature Business

Immature floor losses were $27.98M for FY 2011 (FY 2010: loss of $20.10M). These losses are better than guidance given in February 2011 of $30.00M for FY 2011. Offsetting immature floor losses in FY 2011 are cash incentives received from landlords totalling $5.64M that cannot be recognised as income, but which are required under accounting standards to be spread over the life of the applicable leases.

Floor construction costs and monthly operating running costs for new floors are in line with budget expectations. We estimate we have executed the majority of leases at or near the bottom of the market which should ensure that Servcorp will be competitive if global business confidence recovers.

Of particular note, the economies of Europe and the USA are recovering at a slower pace than originally anticipated. Our immature floors in these regions have been adversely affected.

Given the difficulties experienced, Management continues to have confidence in the Servcorp business model and we are satisfied with the overall progress of new floor rollouts. Our focus continues to be on growing revenue.

46 floors were immature at 30 June 2011 in the following regions:

Breakdown of immature floors by region	
Region	Total
Australia & New Zealand	6
Japan	4
Middle East	8
Greater China	3
Southeast Asia	1
Europe	3
USA	21
Total	46

Operating summary by Region

Australia & New Zealand

Mature floors
Australia and New Zealand continued to perform strongly throughout FY 2011. Revenue and margins continued to increase in most capital cities reflecting the relatively strong state of the Australian economy. During FY 2011 mature floor revenue increased by 12% YOY to $51.09M. Mature floor NPBT increased by 46% YOY to $15.71M for FY 2011. The cost associated with closing 3 floors in Australia & New Zealand had the effect of reducing the mature floor result by $0.53M (FY 2010: closure cost of $0.63M).

Immature floors
Seven new floors opened in Australia and New Zealand during FY 2011, including a floor in Hobart, a new market for Servcorp. One floor in Brisbane that opened during the year became mature during H2 FY 2011. Six floors in Australia and New Zealand were immature as at 30 June 2011. Immature floor losses were $1.87M for FY 2011 (FY 2010: loss of $0.63M).

FY 2012 Outlook for Australia and New Zealand
We are hopeful of holding revenue and margins in Australia and New Zealand at current levels for FY 2012.

Japan

Mature floors
The Fukushima earthquake in March 2011 and ensuing radiation issues had a major impact on business confidence in Japan, in particular on our business in Tokyo. The on-going ramifications are still being felt, and occupancy and margins continue to be depressed in this city. Occupancy and margins have improved in the southern Japanese cities of Nagoya, Osaka and Fukuoka. In light of the broader economic conditions of the Japanese market, Management is satisfied with the performance of this region.

During FY 2011, revenue from mature locations decreased by 10% YOY to $49.59M. NPBT increased by 3% YOY to $5.51M for FY 2011. The cost associated with closing 1 full floor and 2 half floors in Japan had the effect of reducing the mature floor result by $0.59M (FY 2010: closure costs of $1.38M).

Immature floors
Servcorp opened 3 new floors in Japan during FY 2011, including 1 floor in the new market of Yokohama. Immature floor losses were $2.08M for FY 2011 (FY 2010: loss of $2.17M).

FY 2012 Outlook for Japan

It is anticipated that trading conditions in Japan will continue to be difficult during FY 2012.

Middle East

Mature floors

Servcorp was largely unaffected by the recent civil unrest in the Middle Eastern region during FY 2011. Business continues to improve in the new markets of Saudi Arabia and Turkey. Margins in the UAE remain strong. Our new location in Abu Dhabi became mature in H1 FY 2011 and is now performing to expectations. We have seen an improvement in margins in our floors in Qatar.

Mature floor revenue increased by 33% YOY to $14.65M for FY 2011, when compared to FY 2010. Mature floor NPBT YOY increased by 29% to $4.24M during FY 2011.

Immature floors

Seven new floors were opened during FY 2011, including floors in the new markets of Beirut, Istanbul, Riyadh and Al Khobar. All these floors were immature as at 30 June 2011. Immature floor losses were $4.14M in FY 2011 (FY 2010: loss of $3.72M).

FY 2012 *Outlook for the Middle East*

It is anticipated that revenue and margins will continue to improve across the Middle Eastern region.

Greater China

Mature floors

Servcorp's business in China saw a significant turnaround in FY 2011 which translated directly into improved revenues and margins across the region.

During FY 2011, revenue increased by an impressive 42% YOY to $18.70M. NPBT was $3.25M for FY 2011 (FY 2010: loss of $0.41M).

Immature floors

No new floors were opened in Greater China during FY 2011. Three floors were immature with losses of $0.56M for FY 2011 (FY 2010: loss of $2.02M).

FY 2012 Outlook for Greater China

We anticipate revenue and margins will continue to grow in this region during FY 2012.

Southeast Asia

Mature floors

The Southeast Asian Serviced Office market was mixed during FY 2011. Singapore saw an increase in revenue and margins and our new floor in the Marina Bay Financial Centre which opened in January 2011 was mature at 30 June 2011. The Malaysian market continues to be soft, whereas the performance of our locations in Thailand continues to be strong.

Revenue from ordinary activities increased modestly by 7% to $15.61M in FY 2011 and NPBT decreased by 21% YOY to $3.38M for FY 2011 (FY 2010: $4.26M).

Immature floors
One floor was opened in the new market of Manila, The Philippines during FY 2011. The immature floor loss for the region was $0.39M in FY 2011 (FY 2010: $Nil).

FY 2012 Outlook for Southeast Asia
We anticipate a strong performance in Singapore. Operating results out of Thailand are expected to remain stable whilst Malaysia should improve modestly.

Europe

Mature floors
European business sentiment continues to be depressed and the Serviced Office market continues to be difficult. In Paris, aggressive competition continues to affect the Serviced Office market, however Management has managed to increase revenue in this city. The commercial real estate market in Brussels has improved and we are now profitable.

Mature floor revenue remained steady at $12.76M for FY 2011. The Net Loss Before Tax on mature floors was $0.33M for FY 2011 (FY 2010: loss of $3.29M).

Immature floors
Three floors in this region were immature at 30 June 2011 with a Net Loss Before Tax of $1.57M for FY 2011 (FY 2010: loss of $0.99M). The large floor opened in London in FY 2010 is now at breakeven.

FY 2012 Outlook for Europe
As a result of the challenging issues faced in the broader European economy, we expect revenue to only increase modestly from current levels during FY 2012.

USA

Immature floors
The USA is a critical addition to the Servcorp global footprint and is the most significant new geographic market in this expansionary phase. Construction delays in North America have affected floor opening times which adversely impacted our operating running costs during FY 2011. Initial revenue generation is below budget expectations, however towards the end of H2 FY 2011 we commenced gaining sales traction. There is risk that North America will not recover as quickly as anticipated, and that aggressive competition will impact the rate at which the business matures.

Management was successful in opening 19 floors in FY 2011, bringing the total number of floors to 21 across 12 cities in North America. Our expansion push in this market was helped by cash incentives received from landlords totalling $5.64M.

Immature floor losses were $11.67M for FY 2011 (FY 2010: loss of $2.05M). Immature floor losses include the set-up of the USA head office infrastructure.

FY 2012 Outlook for USA
We expect revenue to improve throughout FY 2012 and monthly losses to gradually reduce.

Office Squared

The Office Squared business has been contracted with the closure of operations in both Malaysia and China. Office Squared Net Loss Before Tax was $0.17M for FY 2011 (FY 2010: loss of $2.15M).

FINANCIAL SUMMARY

Translation of foreign currency results to Australian Dollars

Revenue from operating activities was up 8% YOY to $182.06M for FY 2011. During FY 2011 the AUD increased by an average of 12% against the USD, 2% against the EUR and 14% against the JPY. In constant currency terms revenue increased by 13% compared to FY 2010.

NPBT for FY 2011 was $3.04M, up 6% compared to the NPBT of $2.88M in FY 2010. When expressed in constant currency terms NPBT was $1.46M for FY 2011.

The strong AUD has enabled management to convert AUD to foreign currency at rates more favourable than budget estimates for the purpose of funding Capex.

The results for FY 2011 include net realised and unrealised foreign currency losses in the amount of $0.37M (FY 2010: profit of $0.49M).

Cash Balance

Cash balances as at 30 June 2011 remained strong at $99.99M (30 June 2010: $131.95M). Of this balance, $8.72M is lodged with banks as collateral for bank guarantees and facilities, leaving an unencumbered free cash balance of $91.27M in the business as at 30 June 2011 (30 June 2010: $121.03M).

The business generated strong net operating cash flows during FY 2011 of $18.79M, up 114% compared to FY 2010 (FY 2010: $8.80M).

DIVIDEND

The Directors have declared a fully franked final dividend payable of 5.0 cents per share, bringing the total dividends in relation to FY 2011 to 10.0 cents per share, fully franked.

Dividends of 15.0 cents per share, partially franked are expected to be paid for FY 2012. This payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

OUTLOOK

Management is cautiously optimistic about the outlook for Servcorp. Global financial markets continue to be highly volatile which has a direct impact on business consumer confidence. The ramifications of this are being felt throughout Servcorp's business globally. Revenue and margins across the mature business improved in H2 FY 2011 compared to the performance in H1 FY 2011. It is anticipated that revenue and margins will continue to improve during FY 2012.

Management Discussion & Analysis (continued)

Mature floor NPBT guidance for FY 2012 is $37.00M. This forecast assumes currencies remain constant and global financial markets remain stable.

FY 2011 was always intended to be a major construction and expansion period for the company. In FY 2012 we will consolidate operations in new and existing markets by focusing on improving revenues and efficiencies. We expect to open no more than 15 new Serviced Office floors in FY 2012 in established markets.

It is anticipated that forecast immature losses will be approximately $20.00 million for FY 2012. This forecast assumes currencies remain constant and global financial markets remain stable.

Key:

H1 FY 2011	Six Months ended 31 December 2010
H2 FY 2011	Six Months ended 30 June 2011
FY 2010	Year ended 30 June 2010
FY 2011	Year ended 30 June 2011
FY 2012	Year ending 30 June 2012
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
H1	First Half of Financial Year
H2	Second Half of Financial Year
YOY	Year on Year
PCP	Prior Comparative Period

Contents

Corporate governance

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

The Board is committed to the principles underpinning the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition) which became effective from 1 January 2011. 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 5 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 six directors (two executive and four non-executive). The non-executive directors are all independent.

The only change to the Board since the last annual report was the appointment of The Hon. Mark Vaile on 27 June 2011. Mr Vaile will retire at the 2011 annual general meeting and will make himself available for election by shareholders at that meeting.

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

The non-executive directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The skills, experience and expertise of each director in office at the date of this annual report is set out on 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 following table.

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

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

Directors' independence

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

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

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

Election of directors

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

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

Independent professional advice

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

Ethical standards

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

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

Director and officer dealings in Company shares

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

- in the six weeks prior to the announcment 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. 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

Corporate governance (continued)

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's Constitution directors must keep the Board advised, on an ongoing basis, of any interest that would potentially conflict with those of Servcorp. Where the Board believes that an actual or potential significant conflict exists, the director concerned, if appropriate, will not take part in any discussions or decision making process on the matter and abstains from voting on the item being considered. Details of director related entity transactions with the Company and the Consolidated Entity are set out in Note 26 to the financial statements.

Continuous disclosure

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

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

Auditor independence

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

The Lead Partner at the time of Deloitte's appointment, Mr P Forrester, completed his five year tenure upon signing the financial report for the year ended 30 June 2008. In accordance with the mandatory requirements under the Corporations Law, Mr Forrester rotated off the Servcorp audit engagement and was replaced by Mr S Gustafson as Lead Partner. Mr S Gustafson will be due for rotation following the completion of the audit for the year ending 30 June 2013.

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

Committees

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

Audit and Risk Committee

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

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

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

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

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

- reviewing the financial reports and other financial information distributed externally;
- 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 auditors 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:

- Mrs J King (Chair, Non-Executive Director)
- Mr B Corlett (Non-Executive Director)
- Mr R Holliday-Smith (Non-Executive Director) (appointed 21 February 2011)
- The Hon. M Vaile (Non-Executive Director) (appointed 27 June 2011)
- Mr T Moufarrige (Executive Director) (ceased 21 February 2011)

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.

The Remuneration Committee met once 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 (2nd edition), or where applicable, an explanation of any departures from the Principles. Compliance has not been measured against the amended guidelines which apply to the first financial year commencing after 1 January 2011. The Board is undertaking a transition to the updated guidelines.

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 by the Board and those delegated to the Managing Director and senior executives. Primary responsibilities are set out on page 1. 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 20 to 27 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 1 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. All the 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 separated.
Recommendation 2.4	The board should establish a nomination committee.
Servcorp Board Response	The Board has not established a nomination committee. Given the size of the current Board, efficiencies are not forthcoming from a separate committee structure. Selection and appointment of new directors is undertaken by consideration of the full Board. 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. Any director appointed by the Board must retire from office at the next annual general meeting and seek re-election by shareholders.

Recommendation 2.5	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 1 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 trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.
Servcorp Board Response	The Board has approved a policy concerning trading in company securities, the details of which are disclosed in the corporate governance section on page 2 of this annual report.
Recommendation 3.3	Provide the information indicated in the Guide to reporting on Principle 3.
Servcorp Board Response	The information is made publicly available by inclusion of the main provisions in the annual report. Complete versions are not available on the Company's website as they form part of manuals which are proprietary and confidential.

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 independent non-executive directors, and 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 3, 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.

ASX principles compliance statement (continued)

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 for all executives to 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 are 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.
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 four members of the Remuneration Committee are independent non-executive 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 20 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 4 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 present their report together with the Financial Report of Servcorp Limited ("the Company") and the consolidated Financial Report of the "Consolidated Entity", being the Company and its controlled entities, for the financial year ended 30 June 2011.

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 33 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 and independent non-executive director
BA, LLB

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

Over the past 30 years Bruce has been a director of many publicly listed companies. He has an extensive business background involving a range of industries including banking, property and maritime. His other publicly listed directorship is Chair of The Trust Company Limited.

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

Directorships of listed entities in the last three years:

- Stockland Trust Group from October 1996 to October 2008;
- Tooth and Co. Limited since September 1999 (Tooth & Co was removed from the official list of ASX on 12 February 2010);
- The Trust Company Limited since October 2000 (Chair).

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 a director of ASX Limited and Cochlear Limited. He became Chair of Cochlear in July 2010. He is also Chair of Snowy Hydro Limited. Rick has a Bachelor of Arts (Hons) from Macquarie University, is a Chartered Accountant and is a Fellow of the Australian Institute of Company Directors.

Directorships of listed entities in the last three years:

- ASX Limited since July 2006;
- Cochlear Limited since February 2005 (Chair since July 2010);
- St George Bank Limited from February 2007 to December 2008.

Julia King
Independent non-executive director

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

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

Currently Julia is consulting with companies involved in sustainable development in Asia and mentoring young managers in Asia and France.

Julia was a non-executive director of Fairfax Media Limited, retiring in November 2009, and of Opera Australia, retiring in May 2010. She has been a director of Country Road and MMI Insurance, on the Australian Government's Task Force for the restructure of the wool industry and a member of the Council of the National Library.

Directorships of listed entities in the last three years:

- Fairfax Media Limited from July 1995 to November 2009.

Directors (continued)

The Hon. Mark Vaile
Independent non-executive director

Member of Remuneration Committee
Appointed June 2011

Mark had a distinguished career as a 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 from July 2005 through to December 2007. He was also 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 Blue Australia Limited, StamfordLand Limited and also Chair of CBD Energy Limited, Aston Resources Limited and GEMs Education Regional Board. Mark also provides corporate advice to a number of Australian companies in the international marketplace.

Directorships of listed entities in the last three years:

- Aston Resources Limited since September 2009 (Chair);
- CBD Energy Limited since August 2008 (Chair);
- StamfordLand Corporation Ltd (listed on SGX) since August 2009;
- Virgin Blue Holdings Limited since September 2008.

Taine Moufarrige
Executive director
BA, LLB

Appointed November 2004

Taine joined Servcorp in 1996 as a Trainee Manager. Taine is now responsible for operations in Australia, New Zealand, India, China and Europe and for the strategic growth of the Company in these regions.

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

Taine is also responsible for the philanthropic activities of Servcorp.

Directorships of listed entities in the last three years:

- None.

Company Secretary

Greg Pearce
B Com, CA, ACIS

Appointed August 1999

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

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

Directors' report (continued)

Directors' meetings held and attendances at meetings

The number of directors' meetings held (including meetings of committees of directors) 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.

Director	Board meetings	Audit & Risk committee	Remuneration committee
Number of meetings held:	9	3	1
Number of meetings attended:			
B Corlett	9	3	1
R Holliday-Smith	9	3	1
J King	9	3	1
M Vaile	1		1
A G Moufarrige	9		
T Moufarrige	8		

The details of the function and membership of the committees are presented in the corporate governance statement on pages 3 and 4.

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	-
J King	-	105,165	-
M Vaile	-	-	-
A G Moufarrige (i)	547,436	49,351,221	-
T Moufarrige (i)	65,446	1,800,000	-

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 unissued ordinary shares of the Company under option are:

Grant date	Expiry date	Exercise price	Number of shares	Earliest exercise date
22 February 2008	22 February 2013	$4.60	140,000	2 years from the date of issue

The options expire on the earlier of:

a. 5 years from the date of issue;
b. the date on which the optionholder ceases to be an employee of the Company or any of its subsidiaries other than as a result of death of the optionholder or such later date as the Board in its absolute discretion determines on or before the date the optionholder ceases to be an employee of the Company or any of its subsidiaries.

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on the exercise of options

No shares were issued by the Company during the year or since the end of the financial year as a result of the exercise of an option over unissued shares.

Directors' report (continued)

Principal activities

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

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

Consolidated results

Net profit after tax for the financial year was $2.49 million (2010: $2.01 million). Operating revenue was $182.06 million (2010: $168.84 million). Basic and diluted earnings per share was 2.5 cents (2010: 2.2 cents).

Dividends

Dividends totalling $9.84 million have been paid or declared by the Company in relation to the financial year ended 30 June 2011 (2010: $9.84 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.

Dividends paid and declared

Type		Cents per share	Total amount $'000	Date of payment	Franked %	Tax rate for franking credit
In respect of the previous financial year: 2010						
Interim	Ordinary shares	5.00	4,922	29 March 2010	100%	30%
Final	Ordinary shares	5.00	4,922	6 October 2010	100%	30%
In respect of the current financial year: 2011						
Interim	Ordinary shares	5.00	4,922	6 April 2011	100%	30%
Final	Ordinary shares	5.00	4,922	5 October 2011	100%	30%

Review of operations

Revenue from ordinary activities for the twelve months ended 30 June 2011 was $175.90 million, up 8% from the twelve months ended 30 June 2010. During the year the Australian dollar appreciated strongly against all major currencies. The Australian dollar increased by an average of 12% against the US dollar, 2% against the Euro and 14% against the Japanese yen. The appreciation in the Australian dollar over the year has had a negative impact on the consolidated revenues and profit for the twelve months ended 30 June 2011. When expressed in constant currency terms, revenue increased by 13% compared to the 2010 year.

Net profit before tax for the twelve months to 30 June 2011 was $3.04 million, up 6% compared to the prior year.

The result for the twelve months ended 30 June 2011 included realised and unrealised foreign currency losses in the amount of $0.37 million (gain for the twelve months ended 30 June 2010: $0.49 million). On a positive note the strong Australian dollar has enabled management to change Australian dollars to foreign currency at rates more favourable than budget estimates for the purpose of capital acquisitions.

Cash balances were $99.99 million at 30 June 2011 (30 June 2010: $131.95 million). Of this balance, $8.72 million has been pledged with banks as collateral for bank guarantees, leaving an unencumbered cash balance of $91.27 million in the business as at 30 June 2011 (30 June 2010: $121.03 million).

Mature Business

Given the challenging trading conditions in the mature business in the 2011 financial year management is satisfied with the overall result. The second half of the 2011 financial year saw an improvement in revenues and margins in several geographic regions. The hurdles faced as a result of the expansion were compounded by natural disasters in both Japan and Australia and also by the recent turmoil on global financial markets, all of which had a significant impact on business confidence and consumer demand.

Notwithstanding adverse trading conditions and the strong Australian Dollar headwind throughout the 2011 financial year, revenue increased by 8% compared to the 2010 financial year.

During the first half of the 2011 financial year two new large floors were moved to the mature floor line (Hong Kong and Abu Dhabi). Both floors reached maturity ahead of expectations and their strong performance is encouraging. During the second half of the 2011 financial year four floors were moved to the mature floor line, including one large floor in Singapore that opened in January 2011. Australia and Southeast Asia continued to perform strongly.

Average mature floor occupancy increased to 79% for the 2011 financial year (average for 2010 financial year: 76%).

Immature Business

Immature floor losses were $27.98 million for the 2011 financial year (2010 financial year: loss of $20.10 million). These losses are better than guidance given in February 2011 of $30.00 million for the 2011 financial year. Offsetting immature floor losses in the 2011 financial year are cash incentives received from landlords totalling $5.64 million that cannot be recognised as income, but which are required under accounting standards to be spread over the life of the applicable leases.

Floor construction costs and monthly operating running costs for new floors are in line with budget expectations. We estimate we have executed the majority of leases at or near the bottom of the market which should ensure that Servcorp will be competitive if global business confidence recovers.

Of particular note, the economies of Europe and the USA are recovering at a slower pace than originally anticipated. Our immature floors in these regions have been adversely affected.

Given the difficulties experienced, management continues to have confidence in the Servcorp business model and we are satisfied with the overall progress of new floor rollouts. Our focus continues to be on growing revenue.

46 floors were immature at 30 June 2011.

Expansion

The 2011 financial year was Servcorp's biggest expansion year in its history with the opening of 40 new Serviced Office floors across 29 cities in 12 countries. Available offices increased by 10% to 3,280 offices (2010 financial year: 2,974 offices).

Our current strategy is to slow the pace of expansion in the 2012 financial year and consolidate operations in new and existing market's. We are limiting new openings, beyond those already committed, to new floors in established locations where expansion is expected to be expeditiously profitable.

We expect to open no more than 15 floors in the 2012 financial year bringing the total expected floor openings to 68 as part of this expansion phase.

As at 30 June 2011 Servcorp operated 116 floors in 51 cities across 21 countries.

Directors' report (continued)

Review of operations (continued)

Australia & New Zealand

Mature floors
Australia and New Zealand continued to perform strongly throughout the 2011 financial year. Revenue and margins continued to increase in most capital cities reflecting the relatively strong state of the Australian economy. During the 2011 financial year mature floor revenue increased by 12% year on year to $51.09 million. Mature floor net profit before tax increased by 46% year on year to $15.71 million for the 2011 financial year. The cost associated with closing three floors in Australia and New Zealand had the effect of reducing the mature floor result by $0.53 million (2010 financial year: closure cost of $0.63 million).

Immature floors
Seven new floors opened in Australia and New Zealand during the 2011 financial year, including a floor in Hobart, a new market for Servcorp. One floor in Brisbane that opened during the year became mature during the second half of the 2011 financial year. Six floors in Australia and New Zealand were immature as at 30 June 2011. Immature floor losses were $1.87 million for the 2011 financial year (2010 financial year: loss of $0.63 million).

2012 outlook
We are hopeful of holding revenue and margins in Australia and New Zealand at current levels in the 2012 financial year.

Japan

Mature floors
The Fukushima earthquake in March 2011 and ensuing radiation issues had a major impact on business confidence in Japan, in particular on our business in Tokyo. The on-going ramifications are still being felt, and occupancy and margins continue to be depressed in this city. Occupancy and margins have improved in the southern Japanese cities of Nagoya, Osaka and Fukuoka. In light of the broader economic conditions of the Japanese market, management is satisfied with the performance of this region.

During the 2011 financial year, revenue from mature locations decreased by 10% year on year to $49.59 million. Net profit before tax increased by 3% year on year to $5.51 million for the 2011 financial year. The cost associated with closing one full floor and two half floors in Japan had the effect of reducing the mature floor result by $0.59 million (2010 financial year: closure costs of $1.38 million).

Immature floors
Servcorp opened three new floors in Japan during the 2011 financial year, including one floor in the new market of Yokohama. Immature floor losses were $2.08 million for the 2011 financial year (2010 financial year: loss of $2.17 million).

2012 outlook
It is anticipated that trading conditions in Japan will continue to be difficult during the 2012 financial year.

Middle East

Mature floors
Servcorp was largely unaffected by the recent civil unrest in the Middle Eastern region during the 2011 financial year. Business continues to improve in the new markets of Saudi Arabia and Turkey. Margins in the UAE remain strong. Our new location in Abu Dhabi became mature in the first half of the 2011 financial year and is now performing to expectations. We have seen an improvement in margins in our floors in Qatar.

Mature floor revenue increased by 33% year on year to $14.65 million for the 2011 financial year, when compared to the 2010 financial year. Mature floor net profit before tax year on year increased by 29% to $4.24 million during the 2011 financial year.

Immature floors
Seven new floors were opened during the 2011 financial year, including floors in the new markets of Beirut, Istanbul, Riyadh and Al Khobar. All these floors were immature as at 30 June 2011. Immature floor losses were $4.14 million in the 2011 financial year (2010 financial year: loss of $3.72 million).

2012 outlook
It is anticipated that revenue and margins will continue to improve across the Middle Eastern region.

Greater China

Mature floors
Servcorp's business in China saw a significant turnaround in the 2011 financial year which translated directly into improved revenues and margins across the region.

During the 2011 financial year, revenue increased by an impressive 42% year on year to $18.70 million. Net profit before tax was $3.25 million for the 2011 financial year (2010 financial year: a loss of $0.41 million).

Immature floors
No new floors were opened in Greater China during the 2011 financial year. Three floors were immature with losses of $0.56 million for the 2011 financial year (2010 financial year: loss of $2.02 million).

2012 outlook
We anticipate revenue and margins will continue to grow in this region during the 2012 financial year.

Southeast Asia

Mature floors
The Southeast Asian Serviced Office market was mixed during the 2011 financial year. Singapore saw an increase in revenue and margins and our new floor in the Marina Bay Financial Centre which opened in January 2011 was mature at 30 June 2011. The Malaysian market continues to be soft, whereas the performance of our locations in Thailand continues to be strong.

Review of operations (continued)

Southeast Asia (continued)

Revenue from ordinary activities increased modestly by 7% to $15.61 million in the 2011 financial year and net profit before tax decreased by 21% year on year to $3.38 million for the 2011 financial year (2010 financial year: $4.26 million).

Immature floors
One floor was opened in the new market of Manila, The Philippines during the 2011 financial year. The immature floor loss for the region was $0.39 million in the 2011 financial year (2010 financial year: $Nil).

2012 outlook
We anticipate a strong performance in Singapore. Operating results out of Thailand are expected to remain stable whilst Malaysia should improve modestly.

Europe

Mature floors
European business sentiment continues to be depressed and the Serviced Office market continues to be difficult. In Paris, aggressive competition continues to affect the Serviced Office market, however management has been able to increase revenue in this city. The commercial real estate market in Brussels has improved and we are now profitable.

Mature floor revenue remained steady at $12.76 million for the 2011 financial year. The net loss before tax on mature floors was $0.33 million for the 2011 financial year (2010 financial year: a loss of $3.29 million).

Immature floors
Three floors in this region were immature at 30 June 2011 with a net loss before tax of $1.57 million for the 2011 financial year (2010 financial year: loss of $0.99 million). The large floor opened in London in the 2010 financial year is now at breakeven.

2012 outlook
As a result of the challenging issues faced in the broader European economy, we expect revenue to only increase modestly from current levels during the 2012 financial year.

USA

Immature floors
The USA is a critical addition to the Servcorp global footprint and is the most significant new geographic market in this expansionary phase. Construction delays in North America have affected floor opening times which adversely impacted our operating running costs during the 2011 financial year. Initial revenue generation is below budget expectations, however towards the end of the second half of the 2011 financial year we commenced gaining sales traction. There is risk that North America will not recover as quickly as anticipated, and that aggressive competition will impact the rate at which the business matures.

Management was successful in opening 19 floors in the 2011 financial year, bringing the total number of floors to 21 across 12 cities in North America. Our expansion push in this market was helped by cash incentives received from landlords totalling $5.64 million.

Immature floor losses were $11.67 million for the 2011 financial year (2010 financial year: loss of $2.05 million). Immature floor losses include the set-up of the USA head office infrastructure.

2012 outlook
We expect revenue to improve throughout the 2012 financial year and monthly losses to gradually reduce.

Office Squared
The Office Squared business has been scaled back with the closure of operations in both Malaysia and China. Office Squared net loss before tax was $0.17 million for the 2011 financial year (2010 financial year: loss of $2.15 million).

Events subsequent to balance date

Dividend

On 24 August 2011 the directors declared a fully franked final dividend of 5.00 cents per share, payable on 5 October 2011.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2011.

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

Likely developments

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

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

Directors' report (continued)

New locations

City	Location	Offices	Opened
Paramatta	Level 1, Octagon	12	July 2010
Atlanta	Level 20, Terminus 200	9	July 2010
Bondi Junction	Level 22, Tower Two Westfield Bondi Junction	26	July 2010
Beirut	Level 2, Beirut Souks Louis Vuitton Building	8	July 2010
Yokohama	Level 10, TOC Minato Mirai	13	August 2010
Istanbul	Levels 5 & 6, Orjin Building (above Louis Vuitton)	8	August 2010
Riyadh	Level 18, Al Faisaliah Tower	18	August 2010
Atlanta	Level 36, 12th and Midtown	22	August 2010
Washington	Level 10, 1155 F Street	16	August 2010
Virginia	Level 15, Corporate Office Centre Tyson II	5	September 2010
Washington	Level 10, 1717 Pennsylvania Avenue	16	September 2010
New York	Level 23, 1330 Avenue of the Americas	11	September 2010
Osaka	Level 4, Shinsaibashi Plaza Building Shinkan	11	September 2010
Manila	Level 22, Tower One Ayala Triangle	5	September 2010
Fukuoka	Level 2, NOF Hakata Ekimae Building	16	September 2010
Boston	Level 14, One International Place	16	October 2010
Hobart	Level 6, Reserve Bank Building	12	October 2010
Houston	Level 39, Bank of America Center	14	November 2010
Houston	Level 41, Williams Tower	20	November 2010
Dallas	Level 6, JP Morgan International Plaza III	18	November 2010
Dallas	Level 3, 5500 Preston Road	1	November 2010
Dallas	Level 10, Rosewood Court	19	November 2010
Philadelphia	Level 37, BNY Mellon Center	12	December 2010
New York	Level 26, The Seagram Building	8	December 2010
Melbourne	Level 2, 710 Collins Street	16	December 2010
Miami	Level 27, Southeast Financial Centre	11	December 2010
Dubai	Level 28, Al Habtoor Business Tower	10	December 2010
Singapore	Level 39, Marina Bay Financial Centre Tower 2	18	January 2011
Al Khobar-Damman	Level 22, Al Hugayet Tower	13	January 2011
Los Angeles	Level 40, Figueroa at Wilshire	12	January 2011
San Francisco	Level 27, 101 California Street	11	February 2011
San Francisco	Level 49, 555 California Street	10	February 2011
London	Level 18, 40 Bank Street, Canary Wharf	14	February 2011
Irvine	Level 8, Irvine Towers	16	February 2011
Melbourne	Level 2, 1 Southbank Boulevard	18	February 2011
Brussels	Level 4, European Quarter, Schuman	8	March 2011
Brisbane	Level 19, AMP Place, 10 Eagle Street	12	April 2011
Istanbul	Level 8, Tekfen Business Complex	31	April 2011
Auckland	Level 31, Vero Centre	25	June 2011

Remuneration report

Principles used to determine the nature and amount of remuneration

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

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

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

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

- provides competitive rewards that attract, retain and motivate the highest calibre executives;
- encourages a strong and long term commitment to Servcorp;
- builds a structure for long term growth and succession planning;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia and, for certain roles, internationally;
- aligns executive incentive rewards with the creation of value for shareholders;
- complies with applicable legal requirements and appropriate standards of governance.

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

The Board's current policy regarding remuneration for key management personnel is summarised on pages 21 to 27. Non-executive directors are remunerated on a different basis to senior executives as set out below.

Non-executive directors

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

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fees limit. The fees limit currently stands at $350,000 inclusive of payments for superannuation. This limit was approved at the time of Servcorp's IPO in December 1999. The directors have resolved to propose that shareholders approve increasing the aggregate directors' fees limit to $500,000 per annum inclusive of payments for superannuation.

The most recent review of directors' fees was effective 1 January 2010 when non-executive directors' fees were set as:

- Chair - $150,000 per annum including superannuation;
- Non-executive - $80,000 per annum including superannuation.

Also, from 1 January 2010 the Chair of the Audit and Risk Committee receives 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.

In March 2011, in addition to his director fees, Mr B Corlett received a one-off consulting fee in respect of services performed over and above his Chairman role with respect to leadership of special projects.

Since 2007 non-executive directors' fees have increased by 32%. The three years 2007, 2008 and 2009 saw dividends per share increase by 138% and earnings per share by 31%. The 2010 and 2011 financial years have seen both dividends per share and earnings per share decrease due to the Company's expansion program and the global financial crisis, as explained in the key management personnel remuneration section which follows.

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 2011 is set out on page 25.

Remuneration report (continued)

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

Key management personnel (other than non-executive directors)

The key management personnel remuneration and reward framework has three components:

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

The combination of these comprises the key management personnel's total remuneration. No key management personnel are employed under a contract.

In 2008 the Remuneration Committee undertook a review of the Consolidated Entity's remuneration practices. A policy was put in place which provided key management personnel with a more structured scheme for long term and short term incentives, based on earnings, earnings growth and individual performance criteria. The criteria for each year has been detailed in the remuneration reports included in the respective years annual reports. The Remuneration Committee has continued to develop the incentive schemes to take into consideration the cyclical nature of the Consolidated Entity's results caused by the ratio of mature to immature floors and also external economic factors. A new scheme has been developed which the Committee believes will more closely link key management personnel remuneration to Consolidated Entity's performance and shareholder reward. Remuneration under this scheme will commence in the 2012 financial year. Further details are included at the end of the remuneration report.

In October 2009 the Consolidated Entity began an aggressive expansion program to substantially expand the Servcorp footprint globally. Fifty one new floors have opened between October 2009 and June 2011 and the large number of immature floors as a consequence of the expansion program has had a material negative impact on profitability in 2010 and this year. Determination of the nature and amount of remuneration of key management personnel, and the relationship between such policy and the Consolidated Entity's performance in this financial year and in the previous four financial years, takes into account this foreseen negative impact.

The 2007, 2008 and 2009 financial years witnessed record results for Servcorp prior to the global financial crisis. The continued steady increase in the Consolidated Entity's earnings in the 2007, 2008 and 2009 financial years resulted in reward for those key management personnel who had been essential to achieving the success.

The Consolidated Entity's results over those three financial years witnessed net profit after tax increase from $26.33 million in 2007 to $34.10 million in 2009, an increase of 29%. Net profit after tax decreased to $2.01 million in 2010 and increased marginally in 2011 to $2.49 million. This decrease was largely due to the expansion program and, as the immature floors come to maturity, it is expected that net profit after tax will steadily increase. Mature floor net profit before tax has increased from $25.13 million in 2010 to $31.19 million in 2011, an increase of 24%.

Shareholder wealth had also increased over the 3 financial years to 2009. Dividends paid more than doubled to 23.0 cents per share in 2007 and increased to 25.0 cents per share in the 2009 financial year. The Consolidated Entity's strong performance and healthy cash flow and balance sheet were reflected in its ability to pay 'special' dividends in the 2007, 2008 and 2009 financial years. Earnings per share increased from 32.7 cents per share in 2007 to 42.7 cents per share in 2009, an increase of 31%. Due to the decreased profits in 2010 and 2011, dividends per share also decreased, however management's ability to closely manage cash flows and maintain a strong balance sheet in the high profit years meant that shareholders were still rewarded with dividends of 10.0 cents per share in each of the 2010 and 2011 financial years, despite earnings per share decreasing to 2.2 cents and 2.5 cents respectively. The directors expect dividends to increase in 2012 and continue to increase as higher profits return. The directors have announced that they expect to make payments of 15 cents per share to shareholders in the 2012 financial year.

Over the same five year period, the average total remuneration paid to key management personnel, including executive directors, has increased by 3%. The average increased by 5% from 2007 to 2009, increased by 2% in 2010 and decreased by 4% in the 2011 financial year.

In response to the expected negative impact of the expansion program on profitability, and the resultant decrease in financial rewards for shareholders, the directors and management agreed that short term and long term incentives should not be paid to key management personnel during this period, except for exceptional circumstances. Most of the Consolidated Entity's key management personnel are long-serving employees with an average of 12 years of service (excluding the CEO). They are committed to the long term performance of the Consolidated Entity and the associated reward for its shareholders.

Given the impact of the global financial crisis and the substantial expansion in the Consolidated Entity's global footprint, the directors are satisfied with the results achieved. The Consolidated Entity exceeded its forecast net profit before tax on mature floors of $30 million, and immature floor losses were less than the February 2011 revised forecast and continue to decrease on a month to month basis. The Directors and management remain confident about the future of the business model and that shareholder wealth will increase in the future.

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

Key management personnel (continued)

Fixed remuneration

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

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

Short term incentives

The short term incentive component of key management personnel remuneration may comprise an annual cash incentive which is linked to the performance of both the Consolidated Entity and the individual key management personnel.

Key management personnel do not have a fixed proportion of their total remuneration that is performance related. The short term incentive target is reviewed annually. Performance targets are agreed with KMP at the start of each year to ensure they meet specific business objectives for which the individual is responsible.

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

As discussed above, for the financial year ended 30 June 2011, the Remuneration Committee and management agreed that short term incentives would not be paid due to the negative impact of the Company's expansion program on profitability.

Long term incentives

Following recommendation by the CEO, the Board may grant options to eligible key management personnel in accordance with the Servcorp Executive Share Option Scheme.

The purpose of the Scheme is to encourage participation in the Company through share ownership. The Board believes that an Executive Share Option Scheme is a cost effective and efficient means to attract, retain and further incentivise key executives and encourage them to achieve superior returns for shareholders.

Long term incentives (continued)

History of the Scheme

- The Executive Share Option Scheme was first approved by shareholders on 19 October 1999;
- Amendments to the Scheme were approved by shareholders on 17 November 2000;
- Shareholders re-approved the scheme on 24 May 2001;
- In February 2008, in light of the age of the Scheme documentation, the Board conducted a review of the terms and conditions of the Scheme and resolved to update these terms and conditions to better facilitate the effective operation of the Scheme. These amendments were approved by shareholders on 26 May 2008;
- In September 2008, in response to the views of some shareholders, the Board amended the exercise period commencement date from 24 months after issue of Options under the Scheme to 36 months after issue. Shareholders approved this amendment at the annual general meeting held on 12 November 2008.

The substantive amendment approved in May 2008 was the introduction of an earnings per share performance hurdle for the vesting of options. Pursuant to this amendment, options will only vest (and hence be capable of being exercised) if the Consolidated Entity meets specified earnings per share hurdles. The options will vest in increasing proportions, depending on the level of growth in the Consolidated Entity's earnings per share. No options will vest unless the Consolidated Entity achieves earnings per share growth of at least 10% in the specified financial year.

Pursuant to the terms and conditions of the Scheme, any person who is employed on a full or part time basis by the Company and any of its controlled entities in a management role and whom the Board determines is eligible to participate in the Scheme is entitled to participate in the Scheme. For the avoidance of doubt, non-executive directors are therefore ineligible to participate in the Scheme but executive directors are eligible to participate.

Options do not form a fixed percentage of any key management personnel's remuneration.

In the current financial year, following a recommendation by the Remuneration Committee, the directors did not grant any options under the Scheme. As discussed above, the Remuneration Committee and management agreed that long term incentives would not be granted due to the negative impact of the Company's expansion program on profitability.

Remuneration report (continued)

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

Key management personnel (continued)

Retirement benefits

Retirement benefits for key management personnel are provided to the extent required by the law of the country in which they reside. Key management personnel are not entitled to any other retirement allowances.

Details of remuneration

Details of the nature and amount of each element of the remuneration of each member of the key management personnel of the Company and the Consolidated Entity for the financial year ended 30 June 2011 is set out in the table on pages 26 and 27.

Key executive bonus pool scheme

For the 2012 financial year, the Remuneration Committee has developed a new key executive bonus scheme.

The scheme objective is:

- to motivate key executives to maximise the profits of the Consolidated Entity and to enhance shareholder wealth;
- to retain the key executives of the Consolidated Entity;
- to formalise a transparent incentive structure for the key executives of the Consolidated Entity.

The scheme acts as both a short term and long term incentive scheme.

A bonus pool will be established that accumulates funds based on a percentage of both mature net profit before tax performance of the Consolidated Entity for each financial year and net profit before tax performance of the Consolidated Entity for each financial year. Accumulation of funds in the bonus pool started in the 2011 financial year based on the achievement of profit targets outlined in the schedule below.

The short term incentive scheme criteria will be:

- the first short term incentive distribution year will be based on the results for the 2012 financial year based on the metrics outlined in the schedule below;
- the minimum mature net profit before tax threshold before any distributions can be made from the bonus pool will be $40 million each financial year;
- if the minimum threshold of $40 million mature floor profit is not reached in each performance year, then accumulated bonus funds will be rolled forward to the next financial year;
- a minimum of 85% and a maximum of 90% of the bonus pool accumulated funds will be distributed to qualifying key executives in relation to each financial year;
- if a general manager receives a bonus locally, this bonus will be deducted from their entitlement under this scheme such that the maximum bonus they will receive will be the amount under this scheme;
- the discretionary bonus component of the scheme is defined as the difference between the base bonus percentage component payable to key executives and 85%;
- the discretionary component of the bonus scheme can only be distributed to participating key executives for each particular year;
- any additional bonus payable to key executives is directly linked to the key executive’s individual performance and is at the discretion of the Remuneration Committee, based on a written recommendation from the CEO;
- all of the discretionary bonus component must be distributed each performance year.

The long term incentive scheme criteria will be:

- the long term incentive will be paid in cash;
- accumulated funds in relation to a financial year that remain in the bonus pool after the short term incentive cash distribution will be the basis of the long term incentive for participating key executives of that financial year;
- long term incentive funds will be ‘ring fenced’ and will vest in the qualifying key executives that participated in the bonus scheme for that year;
- the long term incentive cash component will be paid to qualifying key executives on the 5th anniversary of the base short term incentive payment date in relation to each financial year;
- on the 5th anniversary of each year, the long term incentive in relation to the financial year will be split amongst remaining (i.e. still in the employment of Servcorp) key executives that participated in the key executive bonus scheme for that particular year in direct proportion to key executives short term incentive entitlement (calculated by included base and discretionary short term incentive bonus amounts) for that financial year.

The Remuneration Committee, on written recommendation from the CEO, will from time to time invite key executives to join the scheme. The maximum number of participants in any given year will be 14 key executives.

Scheme participants must be employed by the Consolidated Entity on the last day of the financial year to receive a short term incentive for that year. To qualify for the scheme each year, general managers will need to make a profit of greater than zero in their respective area.

Scheme participants must be employed by the Consolidated Entity on the 5th anniversary of the performance year to receive a long term incentive payment / allocation for that year.

The stewardship of the scheme will be the responsibility of the Remuneration Committee.

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

Key management personnel (continued)

Key executive bonus pool scheme (continued)

Schedule 1: Initial scheme contribution metrics and percentages

- Funds will accumulate in the bonus pool. There is no minimum net profit before tax threshold for accumulation.
- For the initial 2011 and 2012 financial years, funds will accumulate in the bonus pool based on:
  - 2.0% of achieved mature floor net profit before tax
  - 3.0% of achieved net profit before tax
- Should mature floor net profit before tax in any given year exceed $75 million the following bonus pool accumulation percentages will apply:
  - 2.5% of achieved mature floor net profit before tax
  - 3.5% of achieved net profit before tax
- Should mature floor net profit before tax in any given year exceed $100 million the following bonus pool accumulation percentages will apply:
  - 3.0% of achieved mature floor net profit before tax
  - 4.0% of achieved net profit before tax.

Remuneration report (continued)

Directors' remuneration

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees $	Bonus (iv) $	Non - monetary $	Other $	Super $	Equity options $	
A G Moufarrige (i)(v)							
2011	439,002	-	143,707	-	27,000	-	609,709
2010	465,083	-	144,167	-	27,000	-	636,250
T Moufarrige (i)							
2011	412,846	-	15,988	-	37,156	-	465,990
2010	392,325	-	13,724	-	34,328	-	440,377
B Corlett (ii) (vi)							
2011	137,615	-	-	45,872	16,513	-	200,000
2010	129,307	-	-	-	11,638	-	140,945
R Holliday-Smith (ii)							
2011	82,569	-	-	-	7,431	-	90,000
2010	76,284	-	-	-	6,866	-	83,150
J King (ii)							
2011	80,000	-	-	-	-	-	80,000
2010	73,950	-	-	-	4,200	-	78,150
M Vaile (ii) (vii)							
2011	1,129	-	-	-	102	-	1,231
Aggregate							
2011	1,153,161	-	159,695	45,872	88,202	-	1,446,930
2010	1,136,949	-	157,891	-	84,032	-	1,378,872

Note:

i. Executive directors.

ii. Non-executive directors.

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

iv. Short term bonus performance targets were not set for the current financial year. The percentage of the maximum attainable bonus which vested in respect of targets for the 2010 financial year was as follows. The balance of the bonus was forfeited.

A G Moufarrige	2010: 0%
T Moufarrige	2010: 0%

v. The salary and fees of A G Moufarrige include a component paid in Yen. The decrease in the 2011 year reflects the change in foreign currency exchange rate, not a change in salary in base currency terms.

vi. B Corlett received consulting fees in respect of services performed over and above his Chairman role with respect to leadership of special projects. These fees are disclosed under Other in short term employee benefits.

vii. M Vaile was appointed as a non-executive director on 27 June 2011.

Key management personnel remuneration

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees $	Bonus (iv) $	Non - monetary $	Other $	Super $	Equity options (vi) $	
M Moufarrige							
CIO & Sales Director (i)							
2011	412,846	-	15,988	-	37,156	-	465,990
2010	394,087	15,000	13,724	-	35,678	-	458,489
S Martin							
GM South East Asia (i)							
2011	216,618	-	23,128	-	19,725	-	259,471
2010	205,667	-	-	-	18,000	13,487	237,154
O Vlietstra							
GM Japan (i)							
2011	360,410	5,792	37,900	-	-	-	404,102
2010	346,251	-	52,147	-	-	13,487	411,885
J Goodwyn							
VP & GM USA (i) (v)							
2011	279,356	-	-	-	6,942	-	286,298
2010	351,989	-	-	-	-	-	351,989
L Lahdo							
GM Middle East (i) (v)							
2011	174,976	-	6,606	-	29,395	-	210,977
2010	202,901	65,000	8,009	-	26,947	-	302,857
T Wallace							
CFO (i)							
2011	300,000	43,000	-	-	30,870	-	373,870
2010	270,302	-	-	-	23,798	10,115	304,215
L Gorman							
GM Australia (i) (ii)							
2011	165,957	-	5,293	-	15,413	-	186,663
B Sharp							
GM Virtual (i) (ii)							
2011	250,000	-	-	-	22,500	-	272,500

Key management personnel remuneration (continued)

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees $	Bonus (iv) $	Non - monetary $	Other $	Super $	Equity options (vi) $	
W Wu GM Hong Kong (iii)							
2010	192,041	-	-	-	-	10,115	202,156
B Barakat GM Middle East (iii)							
2010	246,693	80,000	-	-	4,128	-	330,821
Aggregate							
2011	2,160,163	48,792	88,915	-	162,001	-	2,459,871
2010	2,209,931	160,000	73,880	-	108,551	47,204	2,599,566

Notes:

i. Key management personnel other than directors.

ii. L Gorman and B Sharp were key management personnel from 1 July 2010.

iii. B Barakat and W Wu were not key management personnel during the 2011 year.

iv. Short term bonus performance targets were not set for the current financial year. The percentage of the maximum attainable bonus which vested in respect of targets for the 2010 financial year was as follows. The balance of the bonus was forfeited.

M Moufarrige	2010: 0%
S Martin	2010: 0%
O Vlietstra	2010: 0%
J Goodwyn	2010: n/a
L Lahdo	2010: 0%
T Wallace	2010: 0%
L Gorman	2010: n/a
B Sharp	2010: n/a
W Wu	2010: 0%
B Barakat	2010: n/a

M Moufarrige received a discretionary bonus in 2010 in recognition of his efforts during Servcorp's equity capital raising in October 2009.

T Wallace received a discretionary bonus in 2011 in recognition of his efforts on special projects during the 2011 year.

O Vlietstra, L Lahdo and B Barakat received discretionary bonuses based on their performance in their region during the 2010 year.

v. The salary and fees of J Goodwyn and L Lahdo are paid in USD and AED respectively. The decrease in the 2011 year reflects the change in foreign currency exchange rate, not a change in salary in base currency terms.

vi. The amounts disclosed under "Share based payments" relate to options issued on 22 February 2008. Based on the EPS performance of the Consolidated Entity for the 2008 financial year the options vested 100%. No options were forfeited. No amount has been included in the remuneration of key management personnel with respect to these options. No options were issued in the 2011 financial year.

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, Mrs J King, The Hon. Mark Vaile, Mr T Moufarrige and Mr B Pashby against any loss or liability that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty. The agreement stipulates that the Company will meet the full amount of any such liabilities to the extent permitted by law, including reasonable costs and expenses.

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

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

State of affairs

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

Corporate governance

A statement of the Board's governance practices is set out on pages 1 to 10 of this annual report.

Environmental management

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

Rounding off

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

Non-audit services

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

The Board of directors has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors, 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 29 and forms part of this report.

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

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

A G Moufarrige
CEO
Dated at Sydney this 24th day of August 2011.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Servcorp Limited
Level 12, MLC Centre
19 Martin Place
Sydney, NSW 2000

24 August 2011

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 2011, 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

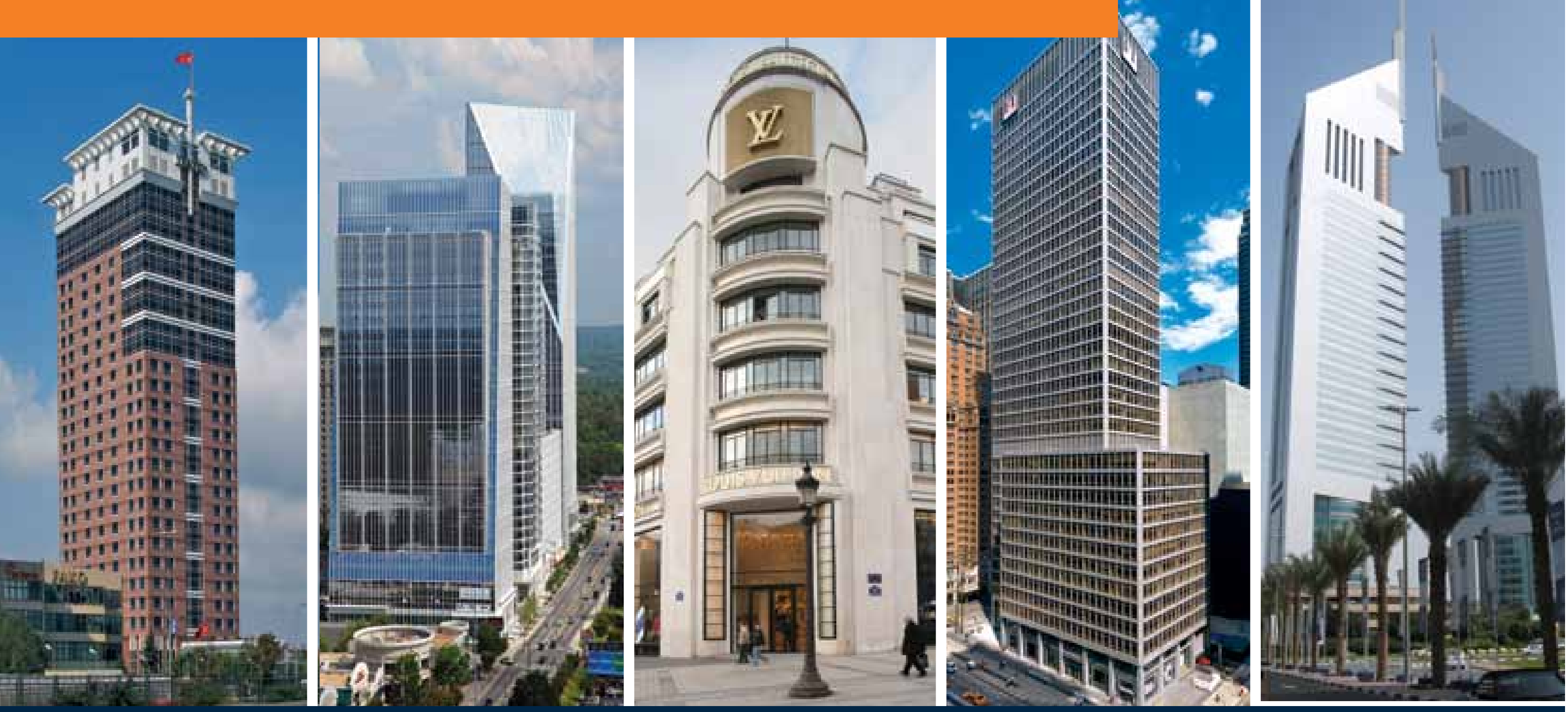
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants



SERVCORP LIMITED
and its controlled entities

2011 Financial Report

For the twelve months ended
30 June 2011

SERVCORP

2011 Financial Report

Contents

Statement of comprehensive income

Servcorp Limited and its controlled entities
for the financial year ended 30 June 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue	2	175,900	162,231
Other income	2	6,156	6,606
		182,056	168,837
Service expenses		(56,965)	(51,573)
Marketing expenses		(13,729)	(11,454)
Occupancy expenses		(86,193)	(82,590)
Administrative expenses		(22,048)	(19,021)
Borrowing expenses		(85)	(167)
Other expenses		-	(1,157)
Total expenses		(179,020)	(165,962)
Profit before income tax expense		3,036	2,875
Income tax expense	5	(543)	(869)
Profit for the year		2,493	2,006
Other comprehensive (loss) / income			
Translation of foreign operations (net of tax)		(12,647)	3
Other comprehensive (loss) / income for the period (net of tax)		(12,647)	3
Total comprehensive (loss) / income for the period		(10,154)	2,009
Earnings per share			
Basic earnings per share	8	$0.025	$0.022
Diluted earnings per share	8	$0.025	$0.022

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 as at 30 June 2011

	Note	Consolidated 2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	9	99,993	131,948
Trade and other receivables	10	20,131	17,160
Other financial assets	12	167	1,008
Current tax assets	5	334	2,695
Other	11	8,467	8,347
Total current assets		129,092	161,158
Non-current assets			
Other financial assets	12	25,008	31,105
Property, plant and equipment	13	73,987	56,639
Deferred tax assets	5	18,838	14,544
Goodwill	14	14,805	14,805
Total non-current assets		132,638	117,093
Total assets		261,730	278,251
Current liabilities			
Trade and other payables	15	27,877	29,742
Other financial liabilities	16	17,724	20,015
Current tax liabilities	5	2,474	1,588
Provisions	18	5,437	5,883
Total current liabilities		53,512	57,228
Non-current liabilities			
Trade and other payables	15	14,600	6,904
Other financial liabilities	16	-	169
Provisions	18	173	869
Deferred tax liabilities	5	833	471
Total non-current liabilities		15,606	8,413
Total liabilities		69,118	65,641
Net assets		192,612	212,610
Equity			
Issued capital	19	154,149	154,149
Reserves		(21,064)	(8,417)
Retained earnings		59,527	66,878
Equity attributable to equity holders of the parent		192,612	212,610
Total equity		192,612	212,610

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 2011

Consolidated	Issued capital	Foreign currency translation reserve	Employee equity settled benefits reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2009	76,118	(8,565)	98	77,640	145,291
Profit for the period	-	-	-	2,006	2,006
Translation of foreign operations (net of tax)	-	3	-	-	3
Total comprehensive income for the period	-	3	-	2,006	2,009
Share based payment	-	-	47	-	47
Issue of shares	79,894	-	-	-	79,894
Cost of capital raising	(2,662)	-	-	-	(2,662)
Tax effect of capital raising	799	-	-	-	799
Payment of dividends	-	-	-	(12,768)	(12,768)
Balance at 30 June 2010	154,149	(8,562)	145	66,878	212,610
Balance at 1 July 2010	154,149	(8,562)	145	66,878	212,610
Profit for the period	-		-	2,493	2,493
Translation of foreign operations (net of tax)	-	(12,647)	-	-	(12,647)
Total comprehensive loss for the period	-	(12,647)	-	2,493	(10,154)
Payment of dividends	-		-	(9,844)	(9,844)
Balance at 30 June 2011	154,149	(21,209)	145	59,527	192,612

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 2011

	Note	Consolidated 2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		190,161	173,441
Payments to suppliers and employees		(174,124)	(159,700)
Franchise fees		616	658
Income tax paid		(2,497)	(9,140)
Interest and other items of similar nature received		4,722	3,710
Interest and other costs of finance paid		(90)	(171)
Net operating cash flows	25(b)	18,788	8,798
Cash flows from investing activities			
Payments for property, plant and equipment		(40,710)	(25,200)
Payments for lease deposits		(1,468)	(6,467)
Proceeds from sale of property, plant and equipment		47	46
Proceeds from refund of lease deposits		3,251	3,405
Net investing cash flows		(38,880)	(28,216)
Cash flows from financing activities			
Proceeds from issue of equity securities of the parent		-	79,894
Payments for share issue costs		-	(2,662)
Proceeds from borrowings		2,504	-
Repayment of borrowings		(3,437)	(119)
Dividends paid		(9,844)	(12,769)
Landlord capital incentives received		5,021	-
Net financing cash flows		(5,756)	64,344
Net (decrease)/ increase in cash and cash equivalents		(25,848)	44,926
Cash and cash equivalents at the beginning of the financial year		131,331	83,726
Effects of exchange rate changes on cash transactions in foreign currencies		(5,634)	2,679
Cash and cash equivalents at the end of the financial year	25(a)	99,849	131,331

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

Notes to Consolidated financial report
for the financial year ended 30 June 2011

Contents of the notes to the Consolidated financial report

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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').

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 24 August 2011.

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 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. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes.

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

- AASB9 'Financial Instruments' AASB2009-11 Amendments to Australian Accounting Standards arising from AASB9. Effective for annual reporting periods beginning 1 January 2013.
- AASB2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of underlying assets". Effective for annual reporting periods beginning 1 January 2012.
- AASB124 'Related Party Disclosures' (revised December 2009), AASB2009-12 'Amendments to Australian Accounting Standards'.
- AASB10 'Consolidated Financial Statements'. Effective for annual reporting periods beginning 1 January 2013.

The directors anticipate that the adoption of these Standards and Interpretations and any other 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 Consolidated financial report
for the financial year ended 30 June 2011

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 to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 values of the identifiable net assets acquired is recognised as goodwill. If after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition the difference is credited to the 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 groups 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 groups 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 Consolidated financial report
for the financial year ended 30 June 2011

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 Consolidated financial report
for the financial year ended 30 June 2011

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, 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.

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 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 financial statements.

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

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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 Consolidated financial report
for the financial year ended 30 June 2011

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.

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 remaining lease term or estimated useful life, whichever is the shorter, using the straight line method.

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

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

Depreciation rates and methods are reviewed annually and, where changed, are accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

Assets are depreciated from the date of acquisition 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 in the accounting period 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.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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. Borrowings 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 is made for make good costs on leases that are expected to terminate where those make good costs can be reliably measured, and can be reasonably expected to occur.

Onerous contracts

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

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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 balance sheet date, which most closely match the terms of maturity of the related liabilities.

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

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, rather than the total number of dilutive potential ordinary shares.

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

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 Consolidated financial report
for the financial year ended 30 June 2011

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.

Share options

As described in Note 21, management uses their judgment in selecting an appropriate valuation technique for share options. Valuation techniques commonly used by market practitioners are applied. For share options, the Binomial Tree option valuation technique was applied.

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 Consolidated financial report
for the financial year ended 30 June 2011

2. Profit from operations

		Consolidated 2011 $'000	Consolidated 2010 $'000
a.	**Revenue**		
	Revenue from continuing operations consisted of the following:		
	Revenue from the rendering of services	175,284	161,573
	Franchise fees	616	658
		175,900	162,231
b.	**Other income**		
	Interest income - bank deposits	5,102	4,502
	Net foreign exchange (loss) / gains (realised and unrealised)	(368)	486
	Other income	1,422	1,618
	Total other income	6,156	6,606
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	85	167
	Depreciation of leasehold improvements	10,722	8,329
	Depreciation of property, plant and equipment	4,561	5,044
	Amortisation of licence fee	72	112
	Loss on disposal of property, plant and equipment	434	874
	Change in fair value of financial assets classified as fair value through the profit and loss	(279)	1
	Impairment of trade receivables arising from:		
	Third parties	983	658
	Operating lease rental expense:		
	Lease payments	68,677	67,865
	Employee benefit expense:		
	Equity-settled share based payments	-	47

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for the financial year ended 30 June 2011

3. Significant transactions

	Consolidated	
	2011 $'000	2010 $'000
Individually significant transactions included in profit from ordinary activities before income tax expense:		
Impairment of goodwill - France	-	1,157
Floor closure costs	1,327	1,977
	1,327	3,134

4. Remuneration of auditors

		Consolidated	
		2011 $	2010 $
a.	**Auditor of the parent entity**		
	(Deloitte Touche Tohmatsu Australia (DTT))		
	Audit and review of financial reports	533,935	451,653
	Other services - tax	148,154	163,000
	Other services	-	56,825
		682,089	671,478
b.	**Other auditors**		
	(DTT International Associates)		
	Audit and review of financial reports	558,619	536,032
	Other services - tax	208,591	93,577
	Other services	54,062	33,206
		821,272	662,815
		1,503,361	1,334,293

The auditor of Servcorp Limited is Deloitte Touche Tohmatsu.

5. Income taxes

	Consolidated 2011 $'000	2010 $'000
a. Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	5,510	4,551
Under/(Over) provision in prior years - current tax	392	(136)
Under provision in prior years - deferred tax	347	35
Deferred tax income relating to the origination and reversal of temporary differences and previously unrecognised tax losses	(5,706)	(3,581)
Income tax expense	543	869
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	3,036	2,875
Income tax expense calculated at 30%	911	863
Deductible local taxes	(173)	(182)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,777)	(1,638)
Other non-deductible items	471	679
Tax losses of controlled entities recovered	(171)	(40)
Income tax under/(over) provision in prior years	739	(101)
Unused tax losses and tax offsets not recognised as deferred tax assets	543	1,288
Income tax expense	543	869

The tax rate used in the above reconciliation is the Australian corporate tax rate of 30% (2010: 30%).

	2011 $'000	2010 $'000
b. Current tax assets and liabilities		
Current tax assets		
Tax refunds receivable	334	2,695
Current tax payables/(receivables)		
Income tax attributable to:		
Parent entity	1,452	(2,303)
Subsidiaries	1,022	3,891
	2,474	1,588

Notes to Consolidated financial report
for the financial year ended 30 June 2011

5. Income taxes (continued)

		Consolidated	
		2011 $'000	2010 $'000
c.	**Deferred tax balances**		
	Deferred tax assets comprises:		
	Tax losses - revenue	5,431	5,025
	Temporary differences	13,407	9,519
		18,838	14,544
	Deferred tax liabilities comprises:		
	Temporary differences	833	471
	Net deferred tax assets	18,005	14,073
	The gross movement of the deferred tax accounts are as follows:		
	Balance at the beginning of the financial year	14,073	9,947
	Movements in foreign exchange rates	(1,427)	(210)
	Statement of comprehensive income credit	5,359	4,336
	Balance at the end of the financial year	18,005	14,073
	Deferred tax assets		
	Movements in temporary differences:		
	Accruals not currently deductible	242	1,305
	Doubtful debts	(146)	61
	Depreciable and amortisable assets	407	414
	Tax losses	406	2,399
	Foreign exchange	2,202	158
	Deferred rent incentive	3,101	(335)
	Other	(441)	17
	Deferred tax assets	5,771	4,019
	Balance at the beginning of the financial year	14,544	10,741
	Movements in foreign exchange rates	(1,477)	(216)
	Statement of comprehensive income credit	5,771	4,019
	Balance at the end of the financial year	18,838	14,544
	Deferred tax liabilities		
	Movements in temporary differences:		
	Depreciable and amortisable assets	273	(95)
	Accruals and provisions not currently deductible	133	6
	Other	6	(228)
	Deferred tax liabilities	412	(317)
	Balance at the beginning of the financial year	471	794
	Movements in foreign exchange	(50)	(6)
	Statement of comprehensive income charge/ (credit)	412	(317)
	Balance at the end of the financial year	833	471

5. Income taxes (continued)

	Consolidated 2011 $'000	Consolidated 2010 $'000
d. Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Temporary differences	13	15
Tax losses - capital	2,086	2,086
Tax losses - revenue	3,358	3,611
	5,457	5,712

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 $5,430,806 (2010: $5,024,890) in respect to losses that can be carried forward against future taxable income.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

6. Segment information

Servcorp Serviced Offices are fully-managed, fully-furnished CBD office suites in a 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/exceed sales targets. Seven reportable operating segments have been identified: Australia and New Zealand, Greater China, South East Asia, Japan, Europe, the Middle East, the United States of America 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 2011 $'000	30 June 2010 $'000	30 June 2011 $'000	30 June 2010 $'000
Continuing operations				
Australia and New Zealand	53,119	46,578	13,834	10,143
Greater China	19,445	16,202	2,689	(2,434)
Southeast Asia	15,740	14,654	2,989	4,265
Japan	52,591	56,218	3,431	3,166
Europe	14,188	13,190	(1,904)	(4,279)
Middle East	18,151	14,770	99	(427)
USA	2,334	30	(11,671)	(2,045)
Other	852	912	(150)	(1,873)
	176,420	162,554	9,317	6,516
Finance costs	-	-	(85)	(167)
Interest revenue	5,102	4,502	5,102	4,502
Foreign exchange (losses) / gains	(368)	486	(368)	486
Centralised unrecovered head office overheads	-	-	(10,633)	(7,679)
Franchise fees	616	658	616	658
Unallocated	286	637	(913)	(1,441)
Profit before tax			3,036	2,875
Income tax expense			(543)	(869)
Consolidated segment revenue and profit for the period	182,056	168,837	2,493	2,006

Notes to Consolidated financial report
for the financial year ended 30 June 2011

6. Segment information (continued)

The revenue reported above represents revenue generated from external customers. Intersegment sales were eliminated in full.

For the 12 months ended 30 June 2011, the Group's Virtual Office revenue and Serviced Office revenue were $46,376,000 and $128,908,000 respectively (2010: $40,145,000 and $121,428,000, respectively).

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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						
2010						
Final	Fully paid ordinary shares	10.00	7,847	1 Oct 2009	30%	100%
Interim	Fully paid ordinary shares	5.00	4,922	29 Mar 2010	30%	100%
2011						
Final	Fully paid ordinary shares	5.00	4,922	6 Oct 2010	30%	30%
Interim	Fully paid ordinary shares	5.00	4,922	6 April 2011	30%	100%

Unrecognised amounts

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

Final	Fully paid ordinary shares	5.00	4,922	5 Oct 2011	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.

	2011 $'000	2010 $'000
Dividend franking account		
30% franking credits available	2,865	4,284
Impact on franking account balance of dividends not recognised	2,109	2,109

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.

8. Earnings per share

	Consolidated 2011 $'000	2010 $'000
Earnings reconciliation:		
Net profit	2,493	2,006
Earnings used in the calculation of basic and diluted EPS	2,493	2,006
	No.	**No.**
Weighted average number of ordinary shares used in the calculation of basic EPS	98,440,807	91,918,843
Weighted average number of ordinary shares used in the calculation of diluted EPS	98,440,807	91,918,843
Basic earnings per share	$0.025	$0.022
Diluted earnings per share	$0.025	$0.022

Options outstanding as at 30 June 2011 and 30 June 2010 were anti-dilutive.

9. Cash and cash equivalents

	Note	Consolidated 2011 $'000	2010 $'000
Cash (i)	20	26,216	16,955
Bank short term deposits (ii)		73,777	114,993
		99,993	131,948

Notes:

i. Australia and France have $4,622,000 (2010: $3,454,000) and $4,102,000 (2010: $7,513,000), respectively, in cash which is encumbered.

ii. Servcorp's unencumbered cash balance is $91,269,000 as at 30 June 2011.

iii. Bank short term deposits mature within an average of 175 days (2010: 176 days). These deposits and the interest earning portion of the cash balance earn interest at a weighted average rate of 5.72% (2010: 5.85%).

10. Trade and other receivables

	Consolidated	
	2011 $'000	2010 $'000
Current		
At amortised cost		
Trade receivables (i)	17,041	16,115
Less: allowance for doubtful debts	(667)	(575)
Other debtors	3,757	1,620
	20,131	17,160

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	14,992	14,346
31 - 60 days	1,490	1,013
60 + days	559	756
Total	17,041	16,115

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 Consolidated financial report
for the financial year ended 30 June 2011

11. Other assets

	Consolidated 2011 $'000	2010 $'000
Current		
Prepayments	7,096	6,733
Other	1,371	1,614
	8,467	8,347

12. Other financial assets

	2011	2010
Current		
At amortised cost		
Lease deposits	-	1,008
At fair value through profit or loss		
Forward foreign currency exchange contracts	167	-
	167	1,008
Non-current		
At amortised cost		
Lease deposits	24,943	29,898
Licence fees	-	1,131
Other	65	76
	25,008	31,105

Notes to Consolidated financial report

for the financial year ended 30 June 2011

13. Property, plant and equipment

	Consolidated								
	Land and buildings at cost $'000	Leasehold improve-ments owned at cost $'000	Leasehold improve-ments 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 2010	5,648	76,574	1,273	13,691	575	22,435	2,195	671	123,062
Additions	-	32,781	-	2,756	-	5,074	-	99	40,710
Disposals	-	(2,610)	-	(392)	(17)	(964)	(1,672)	(16)	(5,671)
Transfers	-	(15)	-	(29)	-	44	-	-	-
Effect of foreign currency exchange differences	(431)	(8,742)	(160)	(1,560)	(19)	(2,110)	(296)	(50)	(13,368)
Balance at 30 June 2011	5,217	97,988	1,113	14,466	539	24,479	227	704	144,733
Accumulated depreciation									
Balance at 30 June 2010	328	38,924	1,225	7,033	575	16,941	1,134	263	66,423
Depreciation expense	123	10,722	-	1,543	-	2,797	-	98	15,283
Disposals	-	(2,115)	-	(285)	(17)	(736)	(764)	(6)	(3,923)
Transfers	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(9)	(4,429)	(160)	(802)	(19)	(1,456)	(143)	(19)	(7,037)
Balance at 30 June 2011	442	43,102	1,065	7,489	539	17,546	227	336	70,746
Net book value									
Balance at 30 June 2011	4,775	54,886	48	6,977	-	6,933	-	368	73,987
Balance at 30 June 2010	5,320	37,650	48	6,658	-	5,494	1,061	408	56,639

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

Notes to Consolidated financial report
for the financial year ended 30 June 2011

14. Goodwill

	Consolidated 2011 $'000	2010 $'000
Gross carrying amount and net book value		
Balance at the beginning of the financial year	14,805	15,962
Impairment of goodwill - France	-	(1,157)
Balance at the end of the financial year	14,805	14,805

As at 30 June 2010, the Consolidated Entity assessed the recoverable amount of goodwill and determined that $1,157,000 goodwill was impaired for France. The impairment loss was included in the 'other expenses' line item in the Statement of comprehensive income.

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 2011 was as follows:

	Consolidated 2011 $'000	2010 $'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 uses cash flow projections, covering a five year period and terminal value. No growth factors were applied beyond year five of the forecast period. For the year ended 30 June 2011 the discount rate applied to the above countries, inclusive of country risk premium was as follows: Japan 16.1%, France 15.4%, Australia 15.4%, New Zealand 15.4%, Singapore 15.4%, Thailand 17.6% and China 16.4% (2010: Japan 16.4%, France 15.5%, Australia 15.5%, New Zealand 15.5%, Singapore 15.5%, Thailand 17.9% and China 16.9%).

Notes to Consolidated financial report
for the financial year ended 30 June 2011

15. Trade and other payables

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Current			
At amortised cost			
Trade creditors		3,183	5,498
Deferred income		12,731	12,188
Deferred lease incentive		5,965	6,466
Other creditors and accruals		5,998	5,590
		27,877	29,742
Non-current			
At amortised cost			
Deferred lease incentive		14,600	6,904
		14,600	6,904

16. Other financial liabilities

	Note	2011 $'000	2010 $'000
Current			
At amortised cost			
Bank loans - secured (i)		-	121
Bank overdraft (ii)		144	496
Security deposits		17,580	17,925
Finance lease	20	-	1,373
At fair value through profit or loss			
Forward foreign currency exchange contracts		-	100
		17,724	20,015
Non-current			
At amortised cost			
Finance lease	20	-	156
At fair value through profit or loss			
Forward foreign currency exchange contract		-	13
		-	169

Notes:

i. During the year ended 30 June 2011, the bank loan denominated in JPY was fully repaid.

ii. The bank overdraft in France is denominated in EUR and is secured. Interest at a rate of 4.36% is applicable to the outstanding balance.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

17. Financing arrangements

	Consolidated	
	2011 $'000	2010 $'000
The Consolidated Entity has access to the following lines of credit:		
Total facilities available:		
Bank guarantees (i)	18,929	21,612
Bank overdrafts and loans (iii)	1,832	3,434
Bill acceptance / payroll / other facilities (ii)	4,125	4,125
	24,886	29,171
Facilities utilised at balance sheet date:		
Bank guarantees (i)	13,540	14,890
Bank overdrafts and loans (iii)	1,416	645
	14,956	15,535
Facilities not utilised at balance sheet date:		
Bank guarantees (i)	5,389	6,722
Bank overdrafts and loans (iii)	416	2,789
Bill acceptance / payroll / other facilities (ii)	4,125	4,125
	9,930	13,636

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, 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 Consolidated financial report
for the financial year ended 30 June 2011

18. Provisions

	Consolidated	
	2011 $'000	**2010 $'000**
Current		
Employee benefits (i)	5,137	5,211
Other	300	672
	5,437	5,883
Non-current		
Employee benefits	173	428
Other	-	441
	173	869

Notes:

i. The current provision for employee benefits includes $3,914,000 of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2010: $3,800,000).

19. Issued capital

	Consolidated 2011 $'000	Consolidated 2010 $'000
Fully paid ordinary shares 98,440,807 (2010: 98,440,807)	154,149	154,149
Movements in issued capital		
Balance at the beginning of the financial year	154,149	76,118
Issue of shares (i)	-	79,894
Cost of capital raising	-	(2,662)
Tax effect of capital raising	-	799
Balance at the end of the financial year	154,149	154,149

Notes:

i. Equity capital raising
Servcorp Limited completed an equity capital raising of $79,893,988 to fund global expansion. Capital raising costs amounted to $2,662,000. A total of 19,973,497 shares were issued.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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 2010. 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:

- borrowings denominated in Japanese JPY;
- 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

Servcorp manages its foreign exchange risk for its assets and liabilities denominated in foreign currency by borrowing in the same functional currency of its investment to form a natural economic hedge.

For accounting purposes, net foreign operations are re-valued 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 re-valued at the end of each reporting period with the fair value movement reflected in the Statement of comprehensive income as exchange gains or losses.

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 5 year period.

	Impact on profit		Impact on equity	
	Consolidated		Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Pre-tax gain/(loss)				
AUD/USD (i) +15% (2010: +10%)	39	525	(165)	(80)
AUD/USD (i) -15% (2010: -10%)	(51)	(559)	230	97
AUD/JPY +12% (2010: +10%)	66	(23)	(1,510)	(1,126)
AUD/JPY -12% (2010: -10%)	248	(57)	1,935	1,368
AUD/EUR +9% (2010: +8%)	(126)	(3)	349	26
AUD/EUR -9% (2010: -8%)	150	4	(415)	(31)
AUD/RMB +10% (2010: +7%)	(296)	(139)	-	-
AUD/RMB -10% (2010: -7%)	363	159	-	-
AUD/SGD +7% (2010: +6%)	(73)	(200)	(244)	169
AUD/SGD -7% (2010: -6%)	84	225	473	(189)
AUD/HKD +15% (2010: +10%)	190	209	-	-
AUD/HKD -15% (2010: -10%)	(259)	(257)	-	-

Notes:

i. Servcorp is exposed to Dirhams (Dubai), Dinars (Bahrain), Rials (Qatar) and Riyals (Saudi Arabia). These currencies are pegged to the USD.

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 2011. These are level 2 fair value measurements derived from inputs as defined in note 20(e).

	Average exchange rate		Foreign currency		Fair value	
	2011	2010	2011 million	2010 million	2011 $'000	2010 $'000
Outstanding contracts						
Consolidated						
Sell JPY						
Not later than one year	81.58	74.29	400	200	(42)	(84)
Later than one year and not later than five years	73.38	66.46	150	50	(123)	(13)
Sell USD			-			
Not later than one year	-	0.83		2	-	(16)

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	
	2011 $'000	2010 $'000
Pre tax gain/(loss)		
AUD balances		
125 basis point increase	914	1,484
125 basis point decrease	(957)	(1,437)
Other balances		
250 basis point increase	191	92
250 basis point decrease	(145)	(62)

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 $'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							
2011							
Non-interest bearing							
Cash and cash equivalents	26,216	-	-	-	-	26,216	
Receivables	20,131	-	-	-	-	20,131	
Lease deposits	-	1,070	3,767	16,196	4,234	25,267	
Forward foreign currency exchange contracts	-	-	4,903	2,044	-	6,947	
Interest bearing							
Cash and cash equivalents (i)	32,865	26,034	17,408	-	-	76,307	5.72%
	79,212	27,104	26,078	18,240	4,234	154,868	
2010							
Non-interest bearing							
Cash and cash equivalents	16,955	-	-	-	-	16,955	
Receivables	17,160	-	-	-	-	17,160	
Lease deposits	859	1,163	3,483	19,852	4,849	30,206	
Forward foreign currency exchange contracts	-	-	5,100	752	-	5,852	
Interest bearing							
Cash and cash equivalents (i)	7,418	8,793	100,495	-	-	116,706	5.85%
	42,392	9,956	109,078	20,604	4,849	186,879	

Notes:

i. Fixed interest rate instruments.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

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 was 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	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000	Weighted average effective interest rate %
Consolidated							
2011							
Non-interest bearing							
Payables	-	10,406	-	-	-	10,406	
Security deposits (i)	-	-	17,905	-	-	17,905	
Forward foreign currency exchange contracts	-	-	4,860	1,920	-	6,780	
Interest bearing							
Bank overdrafts and loans (ii)	144	-	-	-	-	144	4.36%
	144	10,406	22,765	1,920	-	35,235	
2010							
Non-interest bearing							
Payables	-	12,993	-	-	-	12,993	
Security deposits (i)	-	-	17,975	-	-	17,975	
Forward foreign currency exchange contracts	-	-	5,190	775	-	5,965	
Interest bearing							
Finance lease	871	34	467	156	1	1,529	5.84%
Bank overdrafts and loans (ii)	526	-	2	89	-	617	1.79%
	1,397	13,027	23,634	1,020	1	39,079	

Notes:

i. Fixed interest rate instruments.

ii. Variable interest rate instruments.

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 Consolidated financial report

for the financial year ended 30 June 2011

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 2011 are as follows:

	Consolidated	
	2011 $'000	2010 $'000
Employer contributions	1,744	1,653

As at 30 June 2011, there were no outstanding employer contributions payable to other funds.

Options granted to employees

Share option scheme

	Consolidated	
	2011 No.	2010 No.
Balance at the beginning of the financial year	140,000	140,000
Balance at the end of the financial year	140,000	140,000

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.

Further details on option conditions are included later in this Note.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

21. Employee benefits (continued)

Options granted to employees (continued)
Executive share options issued by Servcorp Limited

	Balance at 1/7/10 No.	Granted No.	Forfeited No.	Exercised No.	Balance at 30/06/11 No.	Vested and exercisable No.	Net vested No.
T Wallace	30,000	-	-	-	30,000	30,000	30,000
O Vlietstra	40,000	-	-	-	40,000	40,000	40,000
S Martin	40,000	-	-	-	40,000	40,000	40,000
W Wu	30,000	-	-	-	30,000	30,000	30,000
	140,000	-	-	-	140,000	140,000	140,000

Options granted during the financial year
Nil options were issued during the financial year ended 30 June 2011.

Options issued under the Executive Share Option Scheme carry no rights to dividends and have no voting rights.

Options exercised during the financial year
Nil (2010: Nil) options were exercised into ordinary shares in Servcorp Limited during the financial year ended 30 June 2011.

Options lapsed during the financial year
Nil (2010: Nil) options were forfeited under the Executive Share Option Scheme during the financial year ended 30 June 2011.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

21. Employee benefits (continued)

Options granted to employees (continued)
Balance at the end of the financial year

Grant date	Expiry date	Vested	Exercise price	Number of options outstanding	
				2011	2010
22 February 2008	22 February 2013	Yes	$4.60	140,000	140,000
				140,000	140,000

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

Nil options were granted during the financial year. Options were valued using the Binomial Tree option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical market price of the Company's share.

Inputs into the options model

Award type	Options
Grant date	22/2/08
Expiry date	22/2/13
Share price at grant date	$4.60
Exercise price	$4.60
Expected life	3.5 years
Volatility	25%
Risk free interest rate	6.66%
Dividend yield	2.6%

Vesting Conditions
The options will vest in the proportions detailed in the following table:

EPS performance	Percentage of options that will vest
<10%	0%
>10% to <15%	50% to 100% determined on pro-rata basis
>15%	100%

22. Commitments for expenditure

	Consolidated	
	2011 $'000	2010 $'000
Capital expenditure commitments - property, plant and equipment		
Contracted but not provided for and payable:		
Not later than one year	1,588	16,251
Later than one year but not later than five years	-	-
Later than five years	-	-
	1,588	16,251
Non-cancellable operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	68,130	78,396
Later than one year but not later than five years	161,965	194,570
Later than five years	48,787	68,350
	278,882	341,316

The Consolidated Entity leases property under operating leases expiring from one to 13 years. Liabilities in respect of lease incentives are disclosed in Note 15 to the financial statements.

Operating leases

Leasing arrangements

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

Notes to Consolidated financial report
for the financial year ended 30 June 2011

22. Commitments for expenditure (continued)

Finance lease liabilities	Minimum future lease payments Consolidated		Present value of minimum future lease payments Consolidated	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Not later than one year	-	1,380	-	1,380
Later than one year and not later than five years	-	149	-	149
Later than five years	-	-	-	-
Minimum lease payments (i)	-	1,529	-	1,529
Less future finance charges	-	(67)	-	-
Present value of minimum lease payments	-	1,462	-	1,529
Included in the financial statements as Note 16:				
Current borrowings			-	1,373
Non current borrowings			-	156
			-	1,529

Notes:

i. Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

23. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2011 %	2010 %
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 Bridge Street Pty Ltd	Australia	100	100
Servcorp Brisbane Pty Ltd	Australia	100	100
Servcorp Castlereagh Street Pty Ltd	Australia	100	100
Servcorp Chifley 25 Pty Ltd	Australia	100	100
Servcorp Chifley 29 Pty Ltd	Australia	100	100
Servcorp Communications Pty Ltd	Australia	100	100
Servcorp IT Pty Ltd	Australia	100	100
Servcorp Melbourne Virtual Pty Ltd	Australia	100	100
Servcorp MLC Centre Pty Ltd	Australia	100	100
Servcorp Melbourne 27 Pty Ltd	Australia	100	100
Servcorp Sydney Virtual Pty Ltd	Australia	100	100
Servcorp William Street Pty Ltd	Australia	100	100
Servcorp Melbourne 50 Pty Ltd	Australia	100	100
Servcorp Perth Pty Ltd	Australia	100	100
Servcorp Brisbane Riverside Pty Ltd	Australia	100	100
Servcorp Market Street Pty Ltd	Australia	100	100
Office Squared Pty Ltd	Australia	100	100
Servcorp WA Pty Ltd	Australia	100	100
Servcorp Parramatta Pty Ltd	Australia	100	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 Gold Coast 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
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

Notes to Consolidated financial report
for the financial year ended 30 June 2011

23. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest 2011 %	2010 %
Controlled entities (continued)			
Servcorp Serviced Offices Pte Ltd	Singapore	100	100
Servcorp Battery Road Pte Ltd	Singapore	100	100
Servcorp Marina Pte Ltd	Singapore	100	100
Servcorp Franchising Pte Ltd	Singapore	100	100
Servcorp Singapore Holdings Pte Ltd	Singapore	100	100
Office Squared Pte Ltd	Singapore	100	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
Servcorp Business Services (Shanghai) Co. Ltd	China	100	100
Servcorp Business Service (Beijing) Co. Ltd	China	100	100
Servcorp Business Service (Chengdu) Co. Ltd	China	100	100
Servcorp Business Service (Sihui) Co. Ltd	China	100	100
Office Squared Network Technology Services (Hangzhou) Co. Ltd	China	100	100
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Office Squared Malaysia Sdn Bhd	Malaysia	100	100
I-Office2 Sdn Bhd	Malaysia	20	20
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	Japan	100	100
Servcorp Marunouchi KK	Japan	100	100
Servcorp Ginza KK	Japan	100	100
Servcorp Shinagawa KK	Japan	100	100
Servcorp Nagoya KK	Japan	100	100
Servcorp Fukuoka KK	Japan	100	100
Servcorp Seoul LLC	Korea	100	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 LLC (ii)	UAE	49	49
Servcorp Administration Services WLL (ii)	UAE	49	49
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
Servcorp US Holdings, Inc.	United States	100	100

23. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest 2011 %	2010 %
Controlled entities (continued)			
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

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 Qatar LLC, Servcorp Aswad Real Estate Company WLL and Servcorp Administration Services 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.

Notes to Consolidated financial report
for the financial year ended 30 June 2011

24. Formation/deregistration of controlled entities

	Consideration $'000	The Consolidated Entity's interest %
Formation		
2011		
Servcorp Brisbane 400 Pty Ltd	-	100
The entity was formed on 7 July 2010		
Servcorp Southbank Pty Ltd	-	100
The entity was formed on 23 July 2010		
Servcorp Manila Inc	-	100
The entity was formed on 30 July 2010		
Office Squared (Atlas) Pty Ltd	-	100
The entity was formed on 6 December 2010		

Notes to Consolidated financial report
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24. Formation/deregistration of controlled entities (continued)

	Consideration $'000	The Consolidated Entity's interest %
Formations		
2010		
Servcorp America LLC		
The entity was formed on 8 July 2009	-	100
Servcorp New York LLC		
The entity was formed on 8 July 2009	-	100
Servcorp SR Pte. Ltd		
The entity was formed on 14 July 2009	-	100
Servcorp Atlanta LLC		
The entity was formed on 17 November 2009	-	100
Servcorp Washington LLC		
The entity was formed on 17 November 2009	-	100
Servcorp Boston LLC		
The entity was formed on 23 November 2009	-	100
Servcorp Docklands Pty Ltd		
The entity was formed on 13 January 2010	-	100
Servcorp Philadelphia LLC		
The entity was formed on 13 January 2010	-	100
Servcorp Sydney 22 Pty Ltd		
The entity was formed on 14 January 2010	-	100
Servcorp Seoul LLC		
The entity was formed on 22 February 2010	-	100
Servcorp Dallas LLC		
The entity was formed on 22 February 2010	-	100
Servcorp Houston LLC		
The entity was formed on 22 February 2010	-	100
Servcorp Los Angeles LLC		
The entity was formed on 14 April 2010	-	100

24. Formation/deregistration of controlled entities (continued)

	Consideration $'000	The Consolidated Entity's interest %
Formations (continued)		
2010		
Servcorp Denver LLC		
The entity was formed on 14 April 2010	-	100
Servcorp Miami LLC		
The entity was formed on 14 April 2010	-	100
Servcorp San Francisco LLC		
The entity was formed on 14 April 2010	-	100
Servcorp Phoenicia SAL		
The entity was formed on 21 April 2010	-	100
Servcorp Hobart Pty Ltd		
The enitity was formed on 21 April 2010	-	100
Servcorp Aswad Real Estate Company WLL		
The entity was formed on 4 May 2010	-	49
Servcorp Business Centres Operation Limited Liability Partnership		
The entity was formed on 14 May 2010	-	100
Servcorp Christchurch Limited		
The entity was formed on 20 May 2010	-	100

	Country of incorporation
Deregistration	
2011	
Nil	
Deregistration	
2010	
Servcorp Jeddah Pte Ltd	Singapore
The entity was deregistered on 7 August 2009	

Notes to Consolidated financial report

for the financial year ended 30 June 2011

25. Notes to statement of cash flows

		Consolidated 2011 $'000	Consolidated 2010 $'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 year as shown in the Cash flow statement are reconciled to the related items in the Statement of financial position as follows:		
	Cash at bank	26,216	16,955
	Short term deposits	73,777	114,993
	Cash and cash equivalents	99,993	131,948
	Bank overdraft and bank loans	(144)	(617)
		99,849	131,331
b.	**Reconciliation of profit for the period to net cash flows from operating activities**		
	Profit after income tax	2,493	2,006
	Add/(less) non-cash items:		
	Movements in provisions	(849)	232
	Depreciation of non-current assets	15,283	12,625
	Amortisation of licence fees	72	112
	Goodwill impairment	-	1,157
	Loss on disposal of non-current assets	434	874
	Increase/ (decrease) in current tax liability	3,368	(4,723)
	Decrease in deferred tax balances	(5,155)	(6,435)
	Unrealised foreign exchange loss	1,006	874
	Equity-settled share based payment	-	47
	Changes in net assets and liabilities during the financial period:		
	Increase in prepayments and receivables	(351)	(1,308)
	(Increase)/ decrease in trade debtors	(4,778)	214
	(Increase)/decrease in current assets	727	(1,801)
	Increase in deferred income	1,974	190
	Increase/(decrease) in client security deposits	1,706	(137)
	Increase in accounts payable	2,858	4,871
	Net cash provided from operating activities	18,788	8,798

26. Related party disclosures

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

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

	Balance at 01/07/10 No.	Received on exercise of options No.	Net change No.	Balance at 30/06/11 No.
Specified directors				
B Corlett	413,474	-	-	413,474
R Holliday-Smith	250,000	-	-	250,000
J King	105,165	-	-	105,165
M Vaile	-	-	-	-
A G Moufarrige (i)	49,790,096	-	108,561	49,898,657
T Moufarrige (i)	1,865,446	-	-	1,865,446
Specified executives				
M Moufarrige (i)	1,928,842	-	-	1,928,842
S Martin	27,000	-	-	27,000
J Goodwyn	-	-	-	-
O Vlietstra	30,000	-	-	30,000
L Lahdo	5,000	-	-	5,000
T Wallace	-	-	-	-
B Sharp	-	-	-	-
L Gorman	11,000	-	-	11,000
	54,426,023	-	108,561	54,534,584

Notes:
i. T Moufarrige and M Moufarrige have a relevant interest in 1.8 million shares each in the Company. The total of 3.6 million shares is also included as a relevant interest of A G Moufarrige.

Key management personnel benefits
The aggregate compensation of the key management personnel of the Consolidated Entity, are as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Salary and fees, bonus and non-monetary benefits	3,657	3,739
Post employment benefits - superannuation	250	193
Share based payment - equity options and shares	-	47

26. Related party disclosures (continued)

Loans to key management personnel

The following loan balances are in respect of loans made to key management personnel of the Group.

	Balance at the beginning of financial year $	Loan repayment $	Interest charged/paid $	Balance at the end of financial year $	Number in group
2011	-	-	-	-	-
2010	31,995	(32,000)	5	-	1

Key management personnel are charged interest on loans provided by the Group at 8.05% p.a., which is comparable to the average commercial rate of interest.

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.

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

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

Rumble Australia Pty Ltd provided consulting services for the development of proprietary software to a company in the Consolidated Entity on arms length terms. A director of the Company, Mr A G Moufarrige, has an interest in and is a director of Rumble Australia Pty Ltd.

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

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

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 is a client of Servcorp in Sydney and 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, has an interest in and is the Chairman of The Trust Company Limited. The Trust Company 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 The Trust Company Limited.

A director of the Company, Mr R Holliday-Smith, has an interest in and is a director of Aegis Partners Pty Ltd. Aegis Partners Pty Ltd is a client of Servcorp in Sydney.

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 Consolidated financial report
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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**	**2011 $**	**2010 $**
A G Moufarrige	Tekfon Pty Ltd	Premises rental	77,500	68,000
A G Moufarrige	Enideb Pty Ltd	Franchisee	649,000	677,000
A G Moufarrige	Rumble Australia Pty Limited	Consulting	7,000	21,000
A G Moufarrige, T Moufarrige	Sovori Pty Ltd	Reimbursements	201,000	76,000
A G Moufarrige	MRC Biotech Pty Ltd	Reimbursements	13,000	202,000
B Corlett	TDM Asset Management Pty Ltd	Client	36,000	22,000
B Corlett	Australian Maritime Systems Limited	Client	87,000	16,000
B Corlett	The Trust Company Limited	Client	80,000	-
R Holliday-Smith	Aegis Partners Pty Ltd	Client	2,000	2,000

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

Current receivable		
Enideb Pty Ltd	64,000	66,000
TDM Asset Management Pty Ltd	314	4,000
Australian Maritime Systems Limited	8,000	5,000
The Trust Company Limited	10,000	-
Current payable		
Enideb Pty Ltd	-	11,000
Tekfon Pty Ltd	-	6,000

Notes to Consolidated financial report
for the financial year ended 30 June 2011

27. Parent entity disclosures

Financial Position

	The Company	
	2011 $'000	**2010 $'000**
Assets		
Current assets	157,285	165,321
Non-current assets	19,634	19,817
Total Assets	176,919	185,138
Liabilities		
Current liabilities	5,702	13,898
	5,702	13,898
Equity		
Issued capital	154,149	154,147
Retained earnings	16,922	16,947
Reserves		
Equity settled employee benefits	146	146
	171,217	171,240
Financial performance		
Profit for the year	10,524	13,980
Total comprehensive income	10,524	13,980

As at 30 June 2011:

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

ii. On 4 February 2010 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 Australian and New Zealand companies a $16,406,000 interchangable facility for general corporate purposes. The liability under the deed by and between the Australian and New Zealand companies is limited to $30,000,000. As at 30 June 2011 the fair value of the these committments was Nil (2010:Nil).

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

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

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 Enitity in future financial years:

Dividend
On 24 August 2011 the directors declared a fully franked final dividend of 5.00 cents per share, payable on 5 October 2011.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2011.

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 are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

c. 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; and

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 made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

A G Moufarrige
CEO
Dated at Sydney this 24th day of August 2011.

Deloitte Touche Tohmatsu
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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 2011, 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 32 to 87.

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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

Deloitte.

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 2011 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 20 to 27 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 24 August 2011