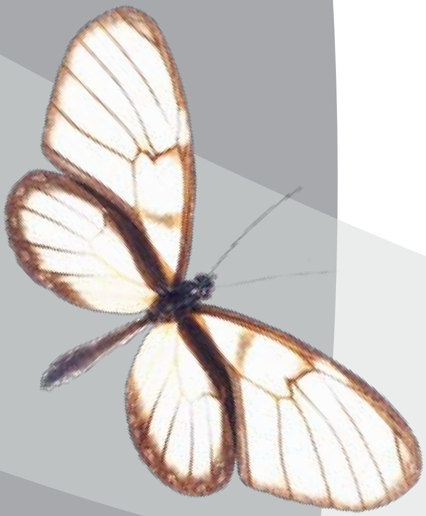
SERVCORP

Annual Report 2010

Servcorp Limited
ABN 97 089 222 506



About Servcorp

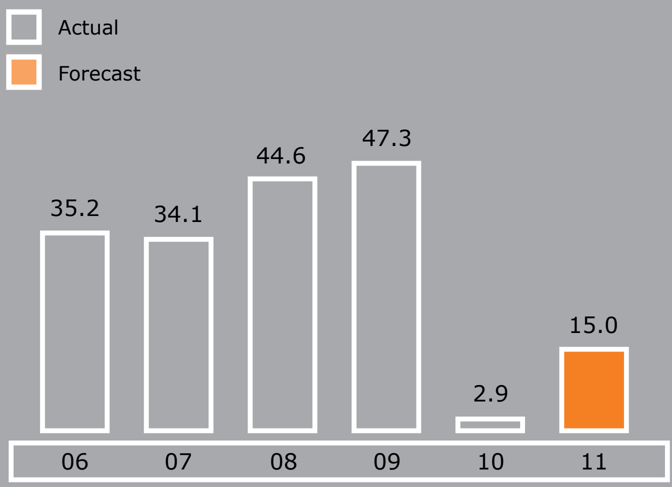
Servcorp offers the world's finest Serviced and Virtual Office solutions. Founded in Sydney in 1978, Servcorp now operates an international network of prime CBD locations throughout Australia, New Zealand, Japan, China, South-East Asia, India, Europe, the Middle East, United Kingdom and United States including the prestigious Chifley Tower, Sydney; Shiroyama Trust Tower, Tokyo; Emirates Towers, Dubai; and Louis Vuitton Building, Paris. Servcorp's office and IT solutions enable companies of any size to operate with the corporate presence, IT, infrastructure and support of a multi national organisation, without having the associated overheads normally required to do so. A **Servcorp Smart Office®** is a fully managed corporate office suite in a prime CBD building. It includes a dedicated, local receptionist, access to a worldwide network of meeting rooms, secretarial support on hand and exclusive access to an online portfolio of business services and tools. A **Servcorp Virtual Office®** gives clients access to the presence, facilities and services of a **Servcorp Smart Office®**, whilst they work from home or another location.

2010 Highlights

- **Servcorp global expansion… new VIP floors begin to hatch**
- **New regions… USA, UK, Saudi Arabia, Kuwait**
- **Equity capital raising… $80 million to fund expansion**
- **Australian Export Awards Winner… Large Services category**
- **NSW Export Awards Winner… Large Services category**

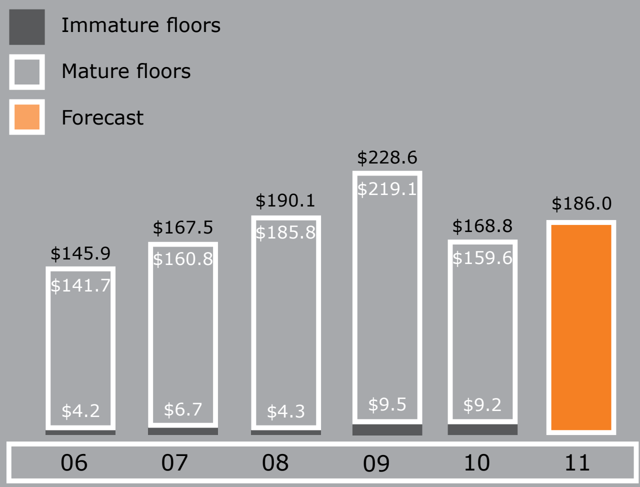
2010
We stretch our wings

Net profit before tax ($ millions)



12 months to June 2010
$2.9 million

Revenue ($ millions)



12 months to June 2010
$168.8 million

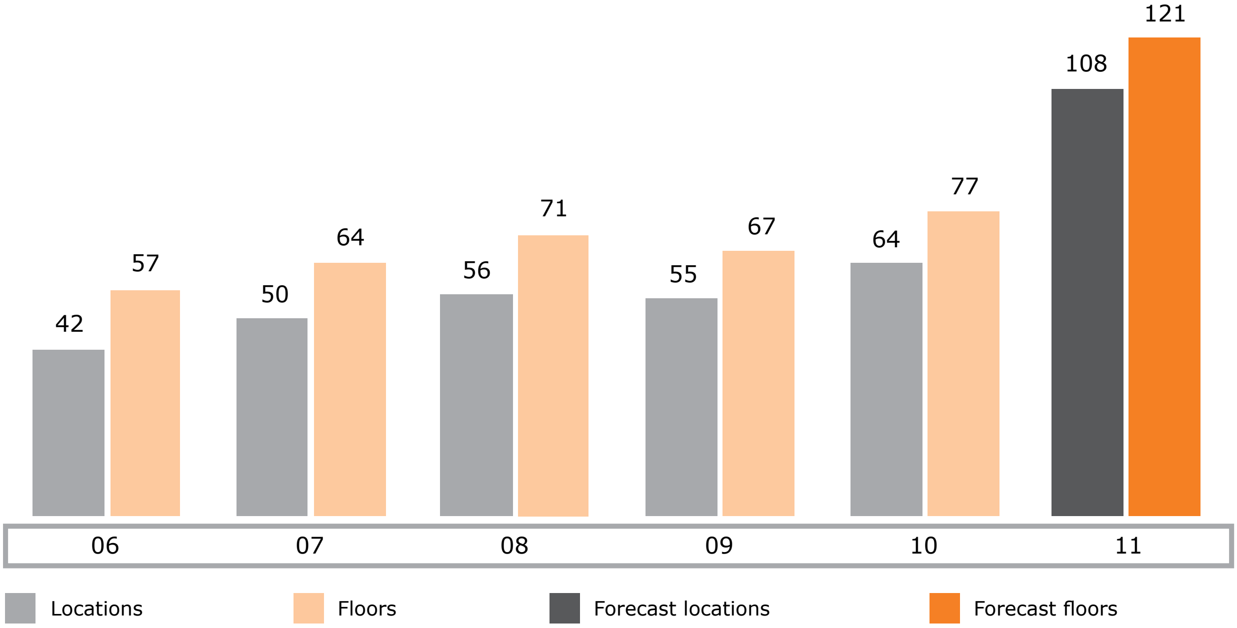
12 months ended 30 June

	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000
Revenue & other income	145,941	167,518	190,142	228,646	168,837
Net profit before tax	35,207	34,124	44,578	47,275	2,875
Net profit after tax	25,375	26,332	33,834	34,097	2,006
Net operating cash flows	35,345	39,984	51,192	43,024	8,798
Cash & cash equivalents	58,213	55,401	73,716	83,958	131,948
Interest earning financial assets	5,035	9,266	-	-	-
Net assets	107,261	111,152	127,651	145,291	212,610
Earnings per share	$0.316	$0.327	$0.420	$0.427	$0.022
Dividends per share	$0.105	$0.230	$0.200	$0.250	$0.100

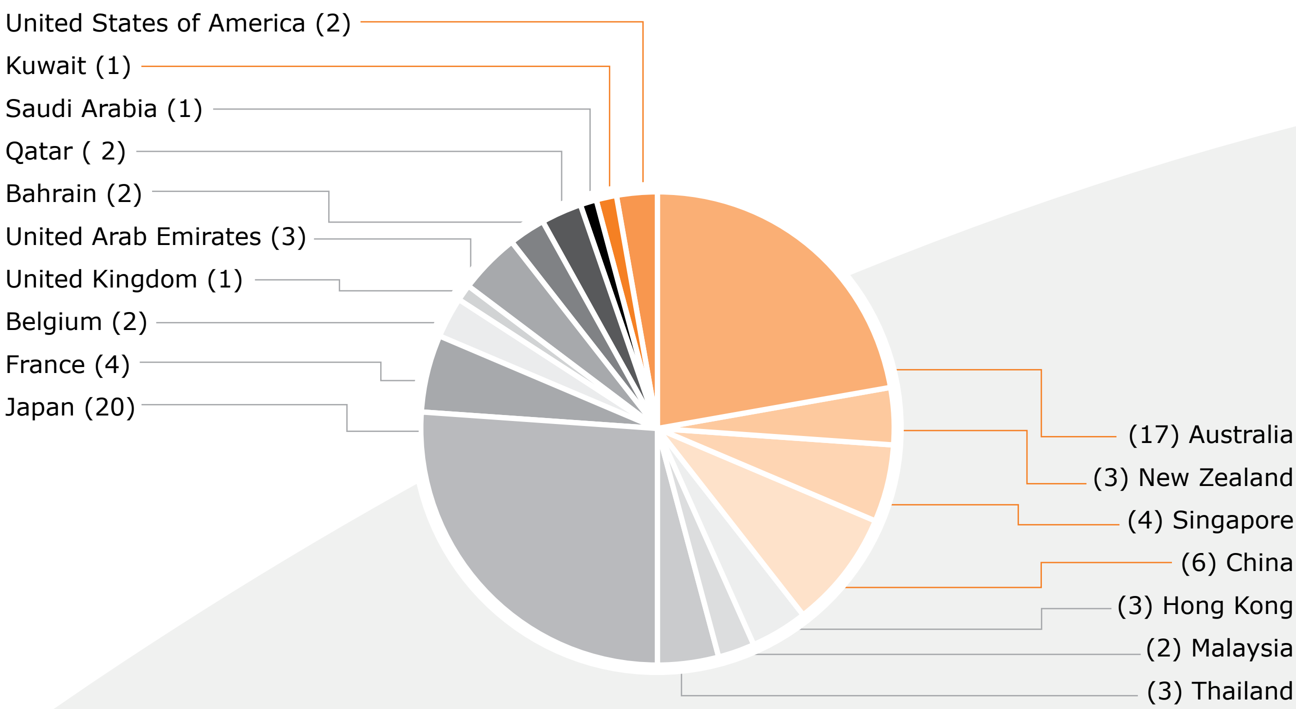
2011

Fly

Servcorp floors and locations (at 30 June)



Servcorp geographic spread (at 30 June 2010)



Locations opened in the: 2010 financial year 2011 financial year

Servcorp...seeing beauty, colour and growth

Australia

Sydney
Level 29 Chifley Tower
2 Chifley Square

Levels 56 and 57 MLC Centre
19-29 Martin Place

Level 26, 44 Market Street

Levels 21 and 22
201 Miller Street
North Sydney

Level 32, 101 Miller Street
North Sydney

Suite 2201 Level 22 Tower Two
Westfield Bondi Junction
101 Grafton Street
Bondi Junction

Suite F Level 1 Octagon
110 George Street
Parramatta

Level 9 Avaya House
123 Epping Road
North Ryde

Level 5 Nexus Building
Norwest Business Park
4 Columbia Court
Baulkham Hills

Melbourne
Level 27, 101 Collins Street

Level 40, 140 William Street

Brisbane
Level 36 Riparian Plaza
71 Eagle Street

Level 24 AMP Place
10 Eagle Street

Perth
Level 28 AMP Tower
140 St Georges Terrace

Level 18 Central Park
152-158 St Georges Terrace

Adelaide
Levels 24 and 30
Westpac House
91 King William Street

Canberra
Level 11 St George Centre
60 Marcus Clarke Street

Level 1 The Realm
18 National Circuit

New Zealand

Auckland
Level 27 PWC Tower
188 Quay Street

Level 20 ASB Bank Centre
135 Albert Street

Wellington
Level 16 Vodafone on the Quay
157 Lambton Quay

United States of America

Chicago
155 North Wacker Drive
42nd floor

300 North LaSalle Street
Suite 4925 49th floor

Washington
1717 Pennsylvania Avenue NW
Suite 1025 10th floor

1155 F Street NW
Suite 1050 10th floor

Atlanta
Terminus 200
3333 Piedmont Road
Suite 2050 20th floor

1075 Peachtree Street NE
Suite 3650 36th floor

New York City
Financial Times Building
1330 Avenue of the Americas
23rd floor

McLean
1650 Tysons Boulevard
15th floor

Japan

Tokyo
Level 11 Aoyama Palacio Tower
3-6-7 Kita-Aoyama Minato-ku

Level 14 Hibiya Central Building
1-2-9 Nishi-Shimbashi Minato-ku

Level 20 Marunouchi Trust Tower – Main
1-8-3 Marunouchi Chiyoda-ku

Level 7 Wakamatsu Building
3-3-6 Nihonbashi-Honcho Chuo-ku

Level 8 Nittochi Nishi-Shinjuku Building
6-10-1 Nishi-Shinjuku Shinjuku-ku

Level 9 Ariake Frontier Building Tower B
3-7-26 Ariake Koto-ku

Level 28 Shinagawa Intercity Tower A
2-15-1 Konan Minato-ku

Level 32 Shinjuku Nomura Building
1-26-2 Nishi-Shinjuku Shinjuku-ku

Level 21 Shiodome Shibarikyu Building
1-2-3 Kaigan Minato-ku

Levels 16 and 27 Shiroyama Trust Tower
4-3-1 Toranomon Minato-ku

Level 45 Sunshine 60
3-1-1 Higashi-Ikebukuro Toshima-ku

Level 27 Tokyo Sankei Building
1-7-2 Otemachi Chiyoda-ku

Level 18 Yebisu Garden Place Tower
4-20-3 Ebisu Shibuya-ku

Yokohama
Level 10 TOC Minato-Mirai
1-1-7 Sakuragi-cho Naka-ku

Nagoya
Level 40 Nagoya Lucent Tower
6-1 Ushijima-cho Nishi-ku

Level 4 Nagoya Nikko Shoken Building
3-2-3 Sakae Naka-ku

Osaka
Level 9 Edobori Center Building
2-1-1 Edobori Nishi-ku

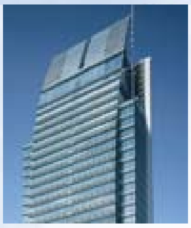
Level 19 Hilton Plaza West Office Tower
2-2-2 Umeda Kita-ku

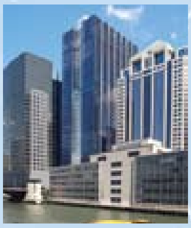
Level 4 Shinsaibashi Plaza Building
3-12-21 Minami-Senba Chuo-ku

Fukuoka
Level 15 Fukuoka Tenjin
Fukoku Seimei Building
1-9-17 Tenjin Chuo-ku

Level 2 NOF Hakata Ekimae Building
1-15-20 Hakata-Ekimae Hakata-ku

across the globe





China and Hong Kong

Shanghai
Level 23 Citigroup Tower
33 Huayuanshiqiao Road

Level 29
Shanghai Kerry Centre
1515 Nanjing West Road

Chengdu
Level 18
Shangri-La Office Tower
9 Binjiang East Road

Beijing
Level 24 Tower 3
China Central Place
77 Jianguo Road Chaoyang District

Level 19 Tower E2
Oriental Plaza
1 East Chang An Avenue
Dongcheng District

Hangzhou
Level 1 Lyra
2 Science and Technology Park Road
Singapore-Hangzhou Science & Technology Park HEDA

Hong Kong
Level 19 Two International Finance Centre
8 Finance Street Central

Suite 901 Level 9 The Hong Kong Club Building
3A Chater Road Central

Suite 1202 Level 12
One Peking
1 Peking Road
Tsimshatsui Kowloon

Middle East

Abu Dhabi, United Arab Emirates
Level 4
Al Mamoura Building B
Muroor Road

Dubai, United Arab Emirates
Levels 41 and 42
Emirates Towers
Sheikh Zayed Road

Manama, Kingdom of Bahrain
Levels 22 and 41 West Tower
Bahrain Financial Harbour
King Faisal Highway

Doha, Qatar
Levels 14 and 15
Commercialbank Plaza
West Bay

Jeddah, Kingdom of Saudi Arabia
Level 9 Jameel Square
Corner of Talhia Street and Al Andalus Street

Riyadh, Kingdom of Saudi Arabia
Level 18
Al Faisaliah Office Tower
King Fahad Highway
Olaya District

Kuwait City, Kuwait
Level 18 Sahab Tower
Salhia

Beirut, Lebanon
Suite 2029
Level 2 Beirut Souks
Louis Vuitton Building
Allenby Street
Downtown Beirut

Europe

Paris, France
Level 5 Louis Vuitton Building
101 Avenue des Champs Elysées

Levels 2 and 3
17 Square Edouard VII

Level 2 Actualis Building
21 and 23 Boulevard Haussmann

London, United Kingdom
Level 17 Dashwood House
69 Old Broad Street

Brussels, Belgium
Levels 20 and 21
Bastion Tower
5 Place du Champ de Mars

Istanbul, Turkey
Levels 5 and 6
Louis Vuitton Orjin Building
15 Bostani Sokagi Tesvikiye
(Corner Adbi Ipecki Cadessi)
Nisantasi

South East Asia

Singapore
Penthouse and Level 42
Suntec Tower Three
8 Temasek Boulevard

Levels 30 and 31
Six Battery Road

Kuala Lumpur, Malaysia
Level 36 Menara Citibank
165 Jalan Ampang

Level 20
Menara Standard Chartered
30 Jalan Sultan Ismail

Bangkok, Thailand
Levels 8 and 9
1 Silom Road Bangrak

Level 29 The Offices at Centralworld
999/9 Rama 1 Road
Pathumwan

Manila, Philippines
Suite 22C Level 22
Tower One Ayala Triangle
6767 Ayala Avenue (Corner Paseo de Roxas Avenue)
Makati City

India

Mumbai
Levels 7 and 8
Vibgyor Towers
G Block
C62 Bandra Kurla Complex

Hyderabad
Level 7 Maximus Towers
Building 2A
Mindspace Complex
Hi-Tech City

Growing the Servcorp garden

Servcorp has undertaken a significant global expansion.

The current global market conditions create an opportunity to secure leases on very favourable terms and represent an attractive opportunity for aggressive expansion.

In October 2009, the decision was taken to substantially expand the Servcorp footprint globally with particular focus on the United States. During October and November 2009, an equity capital raising of $80 million was successfully undertaken through UBS to fund this global expansion program.

Servcorp has a strong track record of global organic growth since its IPO in 1999. At the time of the IPO, Servcorp operated in 8 countries with 33 floors. In October 2009 it operated in 13 countries, with 67 floors.

Over the past 30 years of operations, Servcorp has made a significant investment in proprietary business infrastructure and IT platforms which has transformed the range and depth of services available to Servcorp's clients. This IT platform, which was built to complement Servcorp's Serviced Office product, also enables Servcorp to offer its customers an attractive Virtual Office product. A new business model based on a smaller VIP floor which requires lower fixed costs and upfront capital outlays is expected to enable Servcorp to achieve margin uplift and potentially improve shareholder returns over the medium term. Servcorp's systems and IT platform are now scalable, robust and able to accommodate the aggressive expansion plans for the VIP model.

The proceeds of the capital raising plus existing available cash reserves will fund the roll-out of at least 100 new floors to be targeted over the period to 30 June 2013, the vast majority of which will be our new VIP floors. Between November 2009 and 30 June 2010 we opened 13 new floors, and a further 31 leases had been executed for locations expected to open during the 2011 financial year.

The large number of immature floors as a consequence of the expansion program is expected to have a material negative impact on profitability until the new floors reach maturity.

We are on track to reach our floor opening targets of 35 new locations in the eighteen months to 31 December 2010, and 100 new locations in the thirty six months to 30 June 2013.

Chairman's message

2010 was a difficult year for Servcorp. The tough economic climate and depressed global business sentiment significantly impacted serviced offices globally.

Revenue for the year was $168.84 million, a decrease of 26% on 2009. Our mature floors contributed $25.13 million profit before tax, a decrease of 54%, but in line with guidance. Due to our rapid expansion initiatives, immature floor costs were $20.10 million. As a result, net profit after tax decreased by 94% on 2009, to $2.01 million. Earnings per share also decreased - down by 95% to 2.2 cents per share.

The Directors have declared a fully franked final dividend of 5.00 cents per share, bringing total dividends for the year to 10.00 cents per share, resulting in a payout to shareholders of approximately $9.8 million. All dividends were fully franked.

As mentioned in last year's annual report, the global financial crisis created favourable market conditions for Servcorp to acquire new space on attractive terms. As detailed in the report on our global expansion, in October 2009, the decision was taken to substantially expand the Servcorp footprint globally. During October and November 2009, an equity capital raising of $80 million was successfully undertaken through UBS to fund this global expansion program. We appreciate the support this issue generated from our institutional and retail shareholders.

Notwithstanding the current global trading conditions, when we released our 2010 results we forecast that mature floor net profit before tax for the 2011 financial year would increase by 20 per cent on 2010 to approximately $30 million, $13 million in the first half and $17 million in the second half.

New floor openings will continue to have a material adverse impact on net profits, and forecast immature floor losses will be approximately $15 million for the 2011 financial year, significantly skewed toward the first half. This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

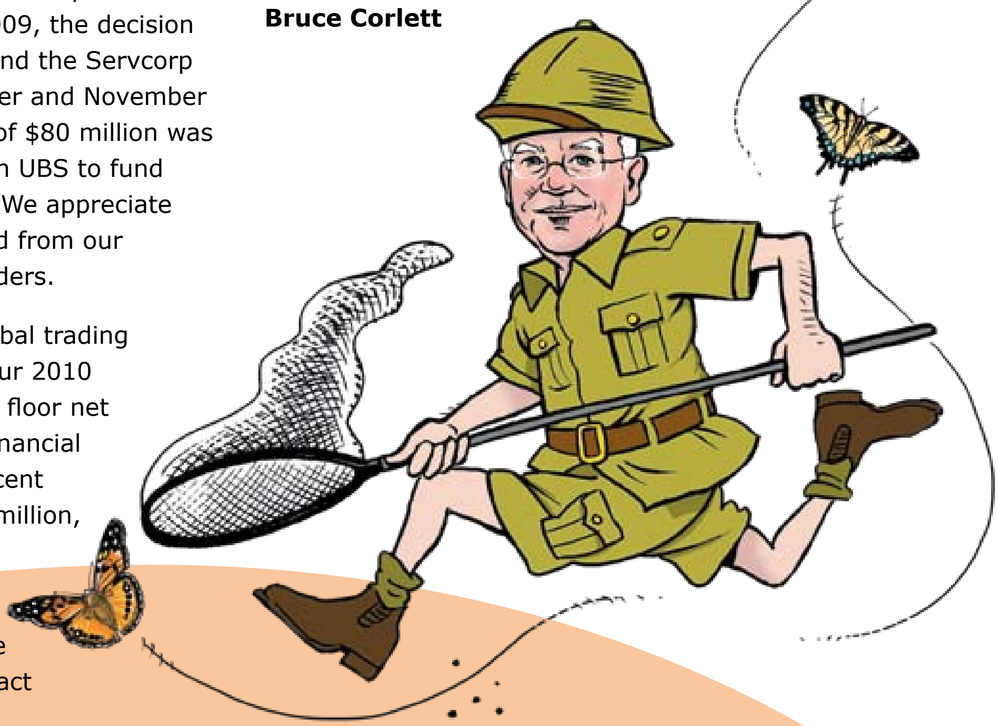
Directors anticipate the level of dividends for the 2011 financial year will be 10.00 cents per share.

Servcorp enjoys substantial financial strength. Cash generation from mature floors remains strong, cash balances at 30 June 2010 were almost $132 million and the Company has negligible debt.

We continue to be optimistic about the new business model and look forward to updating shareholders on how we are performing at our annual general meeting in November.

On behalf of the Board I thank our CEO, Alf Moufarrige, our leadership group and all the Servcorp team members for their dedication and commitment during the past year. 2010 has been one of Servcorp's busiest years to date as we continue to maintain our position as the world's finest serviced and virtual office provider.

Bruce Corlett



CEO statement

...float like a butterfly, sting like a bee

As everybody knows, in the majority of Servcorp locations, 2009/2010 was a most difficult year. For Servcorp it was a year of change; we raised $80 million, altered the business model and created a global roll-out plan that will allow us to grow our footprint by in excess of 70 centres over a 20 month period. We will double the number of Servcorp locations during the period November 2009 to November 2011.

All our expansion will take place while the commercial real estate market faces rising vacancies and falling rentals. This, combined with the strength of the Australian dollar, makes the case for expansion compelling. In the 2011/2012 financial year I expect growth to be approximately 15%, taking the number of centres at the end of the calendar year 2012 to 150. With the smaller VIP floors, the task of gaining higher occupancy and bringing the floors to maturity should be a lot easier.

We have opened 25 centres since November 2009, and intend opening, on average, one new centre per week from September 2010 to January 2011.

Our performance on mature floors for 2010 was ahead of target, however losses on immature floors are higher than I would like, but I expect as the new floors open and our teams streamline the process for opening new centres, the costs will drop substantially. Our mature floor profits this year should increase from $25 million to above $30 million, and we should not incur more than $15 million in immature floor losses.

The world is not out of the woods yet and competition is fierce, but Servcorp remains cash rich and cash positive, therefore our profit should grow substantially when the markets strengthen and I am sure our management, marketing and search engine optimization teams are capable of running the new centres. We will continue to mature in the global markets and our IT systems have shown they are scalable.

Our sales at this stage are at the lower end of our expectations, but nevertheless within our target range.

I believe Servcorp's future prospects are good. We made many right decisions over the last 2 years that I think will stand us in good stead, maintaining our position as the second largest business centre operator across the globe.

To the Serviced and Virtual Office Managers and their teams; thank you. It has been a trying year. To Taine and Marcus, Head Office, Bruce and the Board; thank you for your guidance, help and patience.

Alf Moufarrige

2010-2011
New floors opening

Australia
Bondi Junction – July 2010
Parramatta – July 2010
Hobart – October 2010
Melbourne Docklands – November 2010
Melbourne Southbank – January 2011
Brisbane – January 2011

New Zealand
Christchurch – May 2011

United States of America
Atlanta – July 2010
Washington – August 2010
Atlanta – August 2010
Virginia – September 2010
Washington – September 2010
New York City – September 2010
Boston – October 2010
Dallas – October 2010
Houston - October 2010
Houston - October 2010
Philadelphia – November 2010
New York City – November 2010
Dallas – November 2010
Dallas – November 2010
Miami – December 2010
San Francisco – December 2010
San Francisco – December 2010
Los Angeles – December 2010
Orange County – December 2010
Denver – TBC

Japan
Yokohama – August 2010
Osaka – September 2010
Fukuoka – September 2010

China
Guangzhou – March 2011

Middle East
Beirut – July 2010
Riyadh – August 2010
Al Khobar, Damman – December 2010
Dubai – December 2010
Riyadh – December 2010
Cairo – February 2011

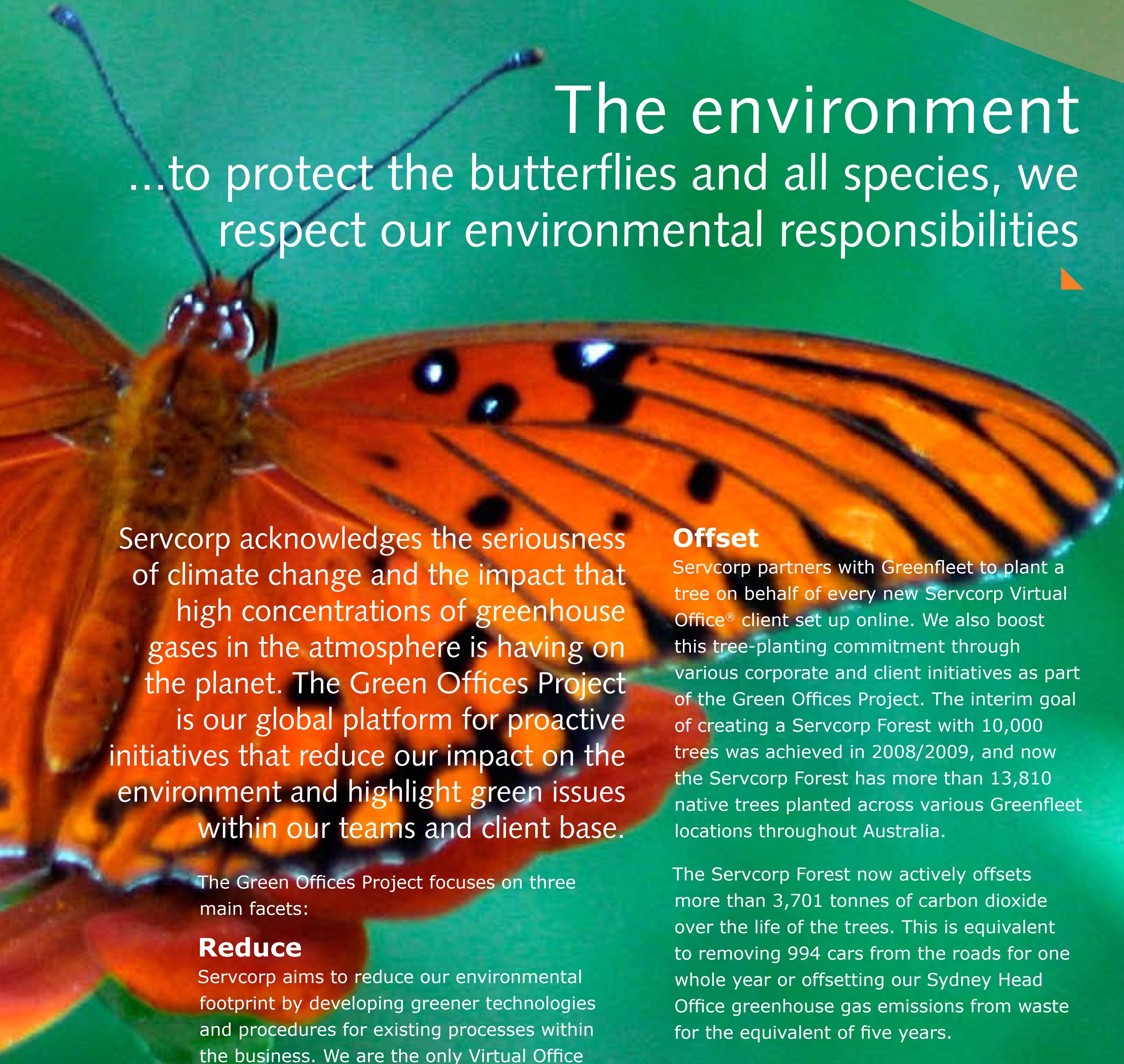
Europe
Istanbul – August 2010
London Canary Wharf – November 2010
Istanbul – January 2011
Brussels – January 2011

South East Asia
Manila – September 2010
Jakarta – January 2011
Singapore – January 2011
Taipei – February 2011

Beauty, colour, class
– the design of the new V.I.P. floors

The environment

…to protect the butterflies and all species, we respect our environmental responsibilities



Servcorp acknowledges the seriousness of climate change and the impact that high concentrations of greenhouse gases in the atmosphere is having on the planet. The Green Offices Project is our global platform for proactive initiatives that reduce our impact on the environment and highlight green issues within our teams and client base.

The Green Offices Project focuses on three main facets:

Reduce

Servcorp aims to reduce our environmental footprint by developing greener technologies and procedures for existing processes within the business. We are the only Virtual Office provider in the world to offer complete provision of client services online, eliminating the need for paper based documentation and administration. Our online sign-up facility eliminates more than 100 individual sheets of paper during the set up of a new Servcorp Virtual Office® client. Continuing on this path, the My Servcorp Manual is now available to clients via Servcorp Online rather than a printed document. Invoices, Rental Agreements and the majority of client communications are also now offered in electronic or online formats. These process improvements, along with the overall aim to reduce daily paper and energy consumption in all locations, is helping Servcorp actively reduce our global environmental impact.

Offset

Servcorp partners with Greenfleet to plant a tree on behalf of every new Servcorp Virtual Office® client set up online. We also boost this tree-planting commitment through various corporate and client initiatives as part of the Green Offices Project. The interim goal of creating a Servcorp Forest with 10,000 trees was achieved in 2008/2009, and now the Servcorp Forest has more than 13,810 native trees planted across various Greenfleet locations throughout Australia.

The Servcorp Forest now actively offsets more than 3,701 tonnes of carbon dioxide over the life of the trees. This is equivalent to removing 994 cars from the roads for one whole year or offsetting our Sydney Head Office greenhouse gas emissions from waste for the equivalent of five years.

Educate

Servcorp aims to educate and inform our teams and clients about global initiatives that they can join us in supporting locally. As an ongoing global supporter of Earth Hour (a World Wildlife Foundation initiative) we have successfully turned off all lights across our global network of locations for the past 3 years running. Whilst this is just a one-night initiative each year, we believe it helps increase awareness and local action for simple yet effective ways of being more environmentally responsible.

Please see www.greenofficesproject.net for ongoing updates.

Broken wings

Servcorp's focus is to support and assist continuing research into the prevention and cure of cancer and assisting young, seriously or terminally ill members of the community.

Servcorp holds charity functions and balls, runs raffles and undertakes donation drives all year round in all locations. Every dollar that is raised by our teams on the ground is matched dollar for dollar by Servcorp.

This year the organisations we strongly supported included:

- **The Rotary Club of Sydney**
- **Youngcare**
- **MRC Cancer Research**
- **Dry July**
- **MS Society**
- **The Cancer Council**
- **St Vincent Hospital - Sydney**
- **The Mater Hospital**
- **Breast Cancer Foundation**
- **MAKNA - KL Cancer Council**
- **Assisi Hospice - Singapore**
- **Tyler Foundation - Japan**
- **Seeing is Believing - Hong Kong**

Servcorp also contributed to many other local charitable organisations around the world. In 2009/2010 Servcorp donated in excess of $350,000.

In Australia, Youngcare continues to be the focus of our fundraising. For more information please visit their website at youngcare.com.au. Taine Moufarrige was appointed a Director of this organisation in June 2009.

We are proud of the fact that as a global company we work with our local communities to bring about real change for good. We'd like to thank our clients and those who contributed to the success of our fundraising for the year.

Servcorp also sponsors and supports the Australian Chamber Orchestra and The Art Gallery of NSW.

We will keep you updated.

Servcorp services

Servcorp Smart Office®

Servcorp Smart Office® allows clients to run their businesses from the best CBD addresses and enjoy the benefits of team support and IT infrastructure, superior to that of a multi-national organisation. Clients have access to all of this without incurring the costs and financial commitment normally required to do so.

Servcorp continues to provide the highest quality serviced offices in the industry with the highest-quality fit-outs and services. All this while maintaining a cost effectiveness which meets the needs of start-ups, SMEs and larger corporations. Servcorp clients come from a wide range of industries and we are proud to support all professions from accountants and lawyers to recruiters and journalists.

Whilst technology development remains the driving force of the latest developments and our ability to stay a cut above the competition, Servcorp remains committed to the proven, international Servcorp model. We operate in only the best buildings in the best locations around the world, we hire and train only the best team of motivated and service-orientated people and we provide services and solutions which genuinely save our clients time and money.

Servcorp Virtual Office®

Servcorp Virtual Office® allows clients to leverage all of the services and solutions within our global network of serviced offices (Servcorp Smart Office®) without having to take a physical office. Clients can work predominantly from home or another location, yet enjoy everything they need to run their business professionally and effectively, without the cost of a full time office.

Servcorp continues to experience growth from a variety of sources and has received excellent reviews of the, now globally available, online sign up and set up process. Servcorp is the only Virtual Office provider in the industry to have full provision of all of our services and solutions, online from anywhere in the world.

The Servcorp world wide network

Servcorp has invested more than US$40 million in infrastructure and continues to maintain and develop the exclusive Servcorp world wide network. Servcorp has an international team of IT experts to ensure 24 hour a day maintenance of the network and provide clients with immediate support and assistance.

Servcorp's technology developments maintain the single goal of providing new and innovative solutions and support tools to make our clients' jobs easier. These innovations form the backbone of our increasingly broad portfolio of products including the recently launched Servcorp Onefax and Servcorp Onefone.

By refusing to outsource such a core service, the Servcorp world wide network offers Servcorp clients unprecedented flexibility and control over all levels of service and support tools.

ITS...
innovation investment infrastructure

After many years of developing new technologies to ensure our firm competitive advantage, Servcorp IT teams in the last year have been focusing on ensuring security and scalability for our system. From a hardware and software perspective, Servcorp's world-leading hardware and software platform is now more robust than ever before.

We have been totally committed this year to dramatically improving the performance of our products and preparing our business for the significant expansion that Servcorp is undertaking. Our teams are working to make sure our systems are faster, easier to use, and more mobile than ever before. We have strengthened our support teams and rollout teams by adopting, for the first time, an in-source and out-source model.

Improving, growing and stabilizing our platform this year reinforces our competitive advantage and ensures successful growth.

The Servcorp Board and Management team

The Board and Executive

Bruce Corlett
Chairman

Rick Holliday-Smith
Non-Executive Director

Julia King
Non-Executive Director

Alf Moufarrige
Executive Director, CEO

Taine Moufarrige
Executive Director

Marcus Moufarrige
BCom
CIO

Thomas Wallace
BBS, ACA
Chief Financial Officer

Greg Pearce CA, ACIS
Company Secretary

Operational Executive

Susie Martin BEc
General Manager South East Asia

Olga Vlietstra BA
General Manager Japan

Jennifer Goodwyn BA
Vice President & General Manager USA

Barry Barakat BE, MBA
General Manager Middle East

Wilma Wu BA (Hons)
General Manager Hong Kong

Laudy Lahdo BCom
General Manager UAE & Bahrain

Kureha Ogawa BA
Senior Manager Japan

Adeline Charles BBus Mktg
Senior Manager Paris

Liane Gorman
International Training & Development Manager

Bryn Sharp
General Manager Virtual Office

Kristie Thomas BArts, BBus
International Sales Manager

Warren James
Manager International Property Portfolio

Lachlan Buchanan BCom
International Property Project Manager

Ryoma Eguchi BBus, MIT
Group Executive, IT & Solution Development

Daniel Kukucka BE
Group Executive, Unified Communications

Sui Hua BCom
Group Executive, Commercial Services


PANOZZO

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 (2nd edition) which became effective after 1 January 2008. 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. This will include a review of the amended guidelines which will become effective after 1 January 2011.

Details of Servcorp's compliance are set out below, and in the ASX principles compliance statement on pages 20 to 25 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;
- providing strategic direction, including reviewing and determining goals for management;
- monitoring management's performance within that framework;
- appointing the Chief Executive Officer and evaluating his performance and remuneration;
- monitoring business performance and results;
- identifying areas of significant risk and ensuring adequate controls are in place to manage those risks;
- establishing appropriate standards of ethical behaviour and a culture of corporate and social responsibility;
- approving executive remuneration policies;
- ratifying the appointment of the Chief Financial Officer and the Company Secretary;
- ensuring compliance with continuous disclosure policy in accordance with the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange;
- reporting to shareholders;
- approval of the commitment to new locations;
- ensuring the Board is, and remains, appropriately skilled to meet the changing needs of the Company.

Composition of the Board

The size and composition of the Board is determined by the Board, subject to the limits set out in Servcorp's Constitution which requires a minimum of three directors and a maximum of twelve directors.

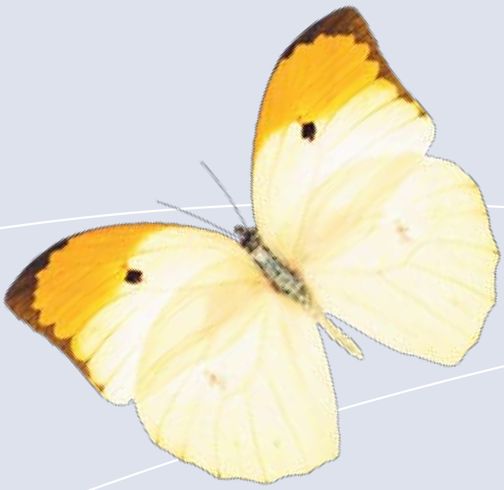
The Board comprises five directors (two executive and three non-executive). The non-executive directors are all independent.

There has been no change to the Board since the last annual report.

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

The non-executive directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The skills, experience and expertise of each director in office at the date of this annual report is set out on pages 26 and 27 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 2010 AGM	Seeking re-election at 2010 AGM
B Corlett	19 October 1999	Yes	Yes	No	No
R Holliday-Smith	19 October 1999	Yes	Yes	Yes	Yes
J King	24 August 1999	Yes	Yes	No	No
A G Moufarrige	24 August 1999	No	No	No	No
T Moufarrige	25 November 2004	No	No	No	No

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. Ms J King is the sister of Mr A G Moufarrige, but she has no joint financial interests in Servcorp or otherwise. Ms King is an experienced business woman who has held directorships on several other public company boards. Ms 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 release of the Company's half-year and full-year results to the ASX; or
- whilst in possession of 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.

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
- Ms 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 role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the external audit function. In doing so, 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, 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;
- improving the quality of the accounting function;
- 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 the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
- reviewing the nomination, fees, independence and performance of the auditor;
- liaising with the external auditors and ensuring that the statutory annual audit and half-yearly review are conducted in an effective manner;
- monitoring the internal control framework and compliance structures and considering enhancements;
- monitoring the compliance with appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with the auditors, taxation authorities, corporate regulators, Australian Securities Exchange and financial institutions;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- overseeing the risk management framework.

Remuneration Committee

The Remuneration Committee members during the year were:

- Ms J King (Chair, Non-Executive Director)
- Mr B Corlett (Non-Executive Director)
- Mr T Moufarrige (Executive Director)

The role of the Remuneration Committee is to assist the Board by 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:

- remuneration policy and its application to the Chief Executive Officer and those who report to the Chief Executive Officer;
- adoption of short-term and long-term incentive plans;
- determination of levels of reward to the Chief Executive Officer and approval of rewards to those who report to the Chief Executive Officer;
- ensuring the total remuneration policy and practices are designed with full consideration of all tax, accounting, legal and regulatory requirements.

The Remuneration Committee is committed to the principles of accountability, transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance.

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.

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 will be effective after 1 January 2011. The Board will undertake 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 16. The Board charter is available on the Company's website.
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 34 to 40 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 16 to 25 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 would endeavour to retain this skills mix if 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 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 16 to 25 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; ▪ analyst 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 17 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.

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.
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 18, 26 and 27 of this annual report.
Recommendation 4.4 (continued)	▪ procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
Servcorp Board Response	The external auditor, Deloitte Touche Tohmatsu (Deloitte), under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. Deloitte were appointed at the annual general meeting of the Company held on 6 November 2003. The committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. No director has any association, past or present, with the external auditor. Deloitte rotate their audit engagement partner every five years.

Principle 5	Make timely and balanced disclosure *Promote timely and balanced disclosure of all material matters concerning the company.*
Recommendation 5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
Servcorp Board Response	The Company has established a continuous disclosure compliance plan. The Board and management continually monitor information and events and their obligation to report any matters. Responsibility for communications to the ASX on all material matters rests with the Company Secretary following consultation with the Chair and Managing Director.
Recommendation 5.2	Provide the information indicated in the Guide to reporting on Principle 5.
Servcorp Board Response	There is no further information to be provided.
Principle 6	Respect the rights of shareholders *Respect the rights of shareholders and facilitate the effective exercise of those rights.*
Recommendation 6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.
Servcorp Board Response	Servcorp aims to communicate clearly and transparently with shareholders and the community. Servcorp places company announcements on its website and also displays annual and half-year reports. Shareholders are given a reasonable opportunity to ask questions at the annual general meeting. Briefings are held following the release of annual and half-year results and the time and location of these briefings are notified to the market.
Recommendation 6.2	Provide the information indicated in the Guide to reporting on Principle 6.
Servcorp Board Response	The information has been provided in the response to recommendation 6.1.

Principle 7	Recognise and manage risk *Establish a sound system of risk oversight and management and internal control.*
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
Servcorp Board Response	Management has a sound and comprehensive understanding of the inherent risks of the business which have been identified and managed through the experience of the Chief Executive Officer and long serving executives. Management have identified and documented the key risks of the business across the spectrum of strategic, information technology, human resources, operational, financial and legal/ compliance. The company does not have formal written policies for all aspects of its risk oversight and management. The company is a globally run business where senior executives have oversight through the systems and reporting mechanisms of all activities in all global locations. The systems infrastructure is centrally managed through a small group of senior executives. Management's objective is to create a culture 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 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 in the early stages of 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. The Remuneration Committee consists of three members, two of whom are independent non-executive directors. The Chair of the Committee is an independent non-executive director.
Recommendation 8.2	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 34 of this annual report.
Recommendation 8.3	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 19 and 27 of this annual report.
Recommendation 8.3 (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 2010.

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 30 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
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 current directorships include Trust Company Limited (Chair).

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);
- Trust Company Limited since October 2000 (Chair).

Rick Holliday-Smith
Independent non-executive director
BA (Hons), CA, FAICD

Chair of Audit and Risk 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.

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)

Taine Moufarrige
Executive director
BA, LLB

Member of Remuneration Committee
Appointed November 2004

Taine joined Servcorp in 1996 as a Trainee Manager. Taine is now responsible for operations in Australia, New Zealand, India and the Middle East 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, 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' meetings

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year is set out in the following table.

Directors' attendances at meetings

Director	Board meetings	Audit & Risk committee	Remuneration committee
Number of meetings held:	11	3	1
Number of meetings attended:			
B Corlett	11	3	1
R Holliday-Smith	11	3	
J King	11	3	1
A G Moufarrige	11		
T Moufarrige	11		1

The details of the function and membership of the committees are presented in the corporate governance statement on pages 18 and 19.

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	-
A G Moufarrige (i)	540,890	49,251,221	-
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.

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 $2.01 million (2009: $34.10 million). Operating revenue was $161.57 million (2009: $219.39 million). Basic and diluted earnings per share was 2.2 cents (2009: 42.7 cents).

Dividends

Dividends totalling $9.84 million have been paid or declared by the Company in relation to the financial year ended 30 June 2010 (2009: $19.92 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: 2009						
Special	Ordinary shares	5.00	4,023	10 December 2008	100%	30%
Interim	Ordinary shares	10.00	8,047	2 April 2009	100%	30%
Final	Ordinary shares	10.00	7,847	1 October 2009	100%	30%
In respect of the current 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%

Review of operations

Revenue from ordinary activities for the twelve months ended 30 June 2010 was $168.84 million, down 26% from the twelve months ended 30 June 2009. During the year the Australian dollar appreciated strongly against all major currencies. The Australian dollar increased by an average of 17% against the US dollar, 17% against the Euro and 8% 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 2010. When expressed in constant currency terms, revenue decreased by 19% compared to the 2009 year.

Net profit before tax for the twelve months to 30 June 2010 was $2.88 million, down 94% compared to the prior year. When expressed in constant currency terms, net profit before tax decreased by 97% compared to the twelve months ended 30 June 2009.

The result for the twelve months ended 30 June 2010 included realised and unrealised foreign currency gains in the amount of $0.49 million (gain for the twelve months ended 30 June 2009: $3.87 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 $131.95 million at 30 June 2010 (30 June 2009: $83.96 million). Of this balance, $10.92 million has been pledged with banks as collateral for bank guarantees, leaving an unencumbered cash balance of $121.03 million in the business as at 30 June 2010 (30 June 2009: $71.49 million).

Serviced Offices

As previously advised, trading conditions in the Serviced Office business were very difficult in the 2010 financial year. Depressed global business sentiment, particularly in the commercial real estate market, caused a drop in demand for Serviced Offices globally which impacted office pricing and occupancy of the mature Serviced Office business. This environment has created an opportunity for Servcorp to expand.

Consolidated Serviced Office revenue was impacted by a strong Australian dollar throughout the year, recording a drop of 32% compared to the year ended 30 June 2009. When the effect of changes in foreign currency translation is stripped out revenue dropped by 26% compared to the 2009 year.

Average mature floor occupancy for the twelve months softened to 76% (twelve months ended 30 June 2009: 79%).

As at 30 June 2010 Servcorp operated 76 floors in 29 cities in 17 countries.

Virtual Office

Virtual Office package memberships increased by 20% during the twelve months ended 30 June 2010. Virtual Office revenue decreased by 1% for the twelve months to 30 June 2010, however when the translation effect of changes in currency is stripped out, Virtual Office revenue increased by 9% compared to the 2009 year.

Expansion

Thirteen floors were opened in the year ended 30 June 2010. At 30 June 2010 a further 31 leases had been executed for locations that are expected to open in the next six to nine months.

Servcorp is on track to reach its floor opening target of 35 new locations in the eighteen months to 31 December 2010.

As outlined at Servcorp's annual general meeting in November 2009, we are focussed on rapidly expanding the Servcorp footprint into a number of new markets, in particular North America.

We are happy with the progress of new centre rollouts and early indications are that sales are adhering to the business model projections. Our focus is to build scale in each geographic location to spread marketing and web optimisation costs.

Immature floor expansion costs were $20.10 million for the year ended 30 June 2010 (30 June 2009: $2.94 million). Included in the current year immature floor costs are head office costs associated with expansion in the amount of $8.57 million (2009: $Nil).

Office Squared

The Office Squared business has been significantly scaled back. Management is now focussing on our core business of Serviced and Virtual Offices. The Office Squared loss for the twelve months ended 30 June 2010 was $2.15 million (30 June 2009: $4.14 million).

Review of operations (continued)

Australia & New Zealand

Mature floors
Despite global economic market turmoil, Australia and New Zealand have performed well throughout the 2010 year and have not been impacted to the same extent as other markets.

Mature floor revenue from ordinary activities decreased by 6% to $45.47 million when compared to the 2009 year. Mature floor net profit before tax decreased by 21% to $10.77 million. The closure cost associated with closing one floor in Australia had the effect of reducing the mature floor result by $0.63 million.

An additional three floors are scheduled to open in Australia and New Zealand by 31 December 2010.

Immature floors
Two floors in Australia and New Zealand were immature during the year. Immature floor losses in the twelve months ended 30 June 2010 were $0.63 million.

Japan

Mature floors
Japanese business sentiment continues to be depressed and as a result the commercial market and lease rates are now at cyclical lows. There is an opportunity to expand in this market and Servcorp has secured space in three new locations that will open prior to 31 December 2010.

Revenue from mature locations decreased by 24% to $55.14 million and net profit before tax decreased by 45% to $5.34 million for the twelve months ended 30 June 2010.

Immature floors
Four locations in Japan were immature during the year. The net loss before tax on immature floors was $2.17 million.

Middle East

Mature floors
The Dubai market which was in boom has suffered a material downturn with vacancy rates in this city now at ten year highs. Servcorp still operates a profitable business in this city, but nowhere near the profits of boom time.

The Serviced Office markets in both Bahrain and Qatar remain challenging.

Mature floor revenue from ordinary activities decreased by 37% to $10.99 million when compared to the 2009 year. Mature floor net profit before tax decreased by 65% to $3.29 million.

Middle East (continued)

Immature floors
Locations were opened in Abu Dhabi, Jeddah and Kuwait during the twelve months ended 30 June 2010 and the performance of these floors is encouraging. Six floors in the Middle East were immature during the year with losses in the twelve months ended 30 June 2010 of $3.72 million.

Since the end of the financial year new locations have opened in Beirut and Istanbul. A further location is expected to open by 31 December 2010 in Saudi Arabia.

Greater China

Mature floors
During the 2010 year, we experienced management problems in this region. Management has now been restructured in China and the region is on track to recovery. The Hong Kong market was significantly impacted by the global financial crisis but this market is now improving and we should return to profitability in the 2011 financial year.

Revenue from ordinary activities decreased by 54% to $13.19 million and net loss before tax was $0.40 million for the twelve months ended 30 June 2010.

Immature floors
Four floors in Greater China were immature as at 30 June 2010, with a net loss before tax of $2.02 million for the twelve months ended 30 June 2010.

Southeast Asia

Mature floors
During calendar year 2009, the Singapore and Kuala Lumpur markets saw dramatic falls in commercial property values and commercial leasing rates. A recovery in Singapore is now evident, however Kuala Lumpur remains challenging. The Bangkok market has suffered as a result of the civil upheaval in April and May 2010 but it has now stabilised.

Revenue from ordinary activities decreased by 39% to $14.58 million and net profit before tax decreased by 52% to $4.27 million for the twelve months ended 30 June 2010.

Immature floors
There were no immature floors in Southeast Asia during the twelve months ended 30 June 2010.

Review of operations (continued)

Europe

Mature floors
The European market continues to be very difficult. The Paris location continues to be impacted by pricing pressures as a result of heightened competition. The Brussels operation has now stabilised.

Mature floor revenue from ordinary activities decreased by 33% to $12.76 million. The net loss before tax on mature floors was $3.29 million for the twelve months ended 30 June 2010. The loss before tax includes impairment of goodwill for the Paris operation of $1.16 million.

Immature floors
A new location was opened in London in December 2009. This location is performing to expectations. Immature floor losses for Europe were $0.99 million for the twelve months ended 30 June 2010.

USA

Two floors were opened in Chicago in the USA during the second half of 2010. An additional 19 leases have been executed in this market and these floors are expected to open by 31 December 2010.

Immature floors
Immature floor losses of $2.05 million include the set-up of the USA head office infrastructure and the cost of sourcing and executing leases for new locations.

India franchise

The India property market collapsed in calendar year 2009 but is now starting to improve.

Events subsequent to balance date

Office Squared contract termination

On 17 August 2010 a company in the Office Squared group issued a contract termination notice as a result of a fundamental breach. As at the date of signing this report, negotiations are under way to settle approximately $1 million due to Office Squared. Management are confident that this amount will be recovered.

Dividend

On 26 August 2010 the directors declared a fully franked final dividend of 5.00 cents per share, payable on 6 October 2010.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2010.

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.

New locations

City	Location	Offices	Opened
Hangzhou	Level 1, Lyra Building	4	July 2009
Abu Dhabi	Level 4, Al Mamoura Building	79	September 2009
Tokyo	Level 20, Marunouchi Trust Tower	52	December 2009
London	Level 17, Dashwood House	38	December 2009
Jeddah	Level 9, Jameel Square	60	December 2009
Fukuoka	Level 15, Da Vinci Building	15	December 2009
Hong Kong	Level 19, Two International Finance Centre	82	January 2010
Kuwait	Level 18, Sahab Tower	14	February 2010
Chicago	Level 42, 155 North Wacker	58	March 2010
Tokyo	Level 8, Nittochi Nishi Shinjuku Building	12	March 2010
Hong Kong	Level 12, One Peking Road	2	April 2010
Chicago	Level 49, 300 LaSalle	11	May 2010
Hong Kong	Level 9, Hong Kong Club Building	8	May 2010

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.

Options granted on 22 September 2008 lapsed subsequent to the end of the 2009 financial year as the vesting conditions were not attained.

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.

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 executives of the highest calibre;
- 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 35 to 40. 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' fee limit. The pool limit currently stands at $350,000 inclusive of payments for SGC superannuation. This was approved at the time of Servcorp's IPO in December 1999.

Non-executive directors' fees were initially set in December 1999. That level of fees did not vary until they were reviewed with effect from 1 January 2005. Their remuneration was reviewed again with effect from 1 October 2006 and as at 1 July 2008. Effective 1 July 2008, non-executive directors' fees were as follows:

- Chair - $131,890 per annum including superannuation;
- Non-executive - $76,300 per annum including superannuation.

Effective 1 January 2010, non-executive directors' fees have been 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.

An entity associated with Mr Holliday-Smith received consulting fees in respect of services performed for Office Squared. These consulting fees ceased effective February 2009.

Since 2006 non-executive directors' fees have increased by 39%. Over the same period dividends have decreased by 5% and EPS by 93%.

Retirement allowances for directors

Non-executive directors are not entitled to retirement allowances other than amounts previously contributed to complying superannuation funds.

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 2010 is set out on page 38.

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

Senior executives

The senior executive remuneration and reward framework has three components:

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

The combination of these comprises the executive's total remuneration. No senior executives are employed under a contract.

In 2008 the Remuneration Committee undertook a review of the Consolidated Entity's remuneration practices. A policy is in place which provides senior executives with a more structured scheme for long term and short term incentives, based on earnings, earnings growth and individual performance criteria. As part of this years review, the Remuneration Committee identified 10 key management personnel.

The continued steady increase in the Consolidated Entity's earnings has resulted in reward for those executives who have been essential to achieving this success. The success of Servcorp's current executives is evident in the Consolidated Entity's results over the previous four financial years. Net profit after tax increased from $25.37 million in 2006 to $34.10 million in 2009, an increase of 34%.

Shareholder wealth also increased. Dividends paid had increased from 10.50 cents per share in 2006 to 25.0 cents per share in the 2009 financial year, an increase of 138%. The Consolidated Entity's strong performance and healthy cash flow and balance sheet has been reflected in its ability to pay 'special' dividends in the previous three financial years. Earnings per share increased from 31.6 cents per share in 2006 to 42.7 cents per share in 2009, an increase of 35%.

Over the same four year period, the average total remuneration paid to key management personnel including executive directors has increased by 20%.

In the current financial year, Servcorp has commenced an aggressive expansion plan with the intention of doubling the size of its operations by December 2013. Accordingly, the Consolidated Entities results for the 2010 financial year have not continued the impressive growth of the previous 4 years.

The Directors are pleased with the results achieved and the Consolidated Entity is on target with its growth plan.

The Consolidated Entity achieved its forecast net profit before tax on mature floors of $24 million.

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 executive's remuneration is competitive with the market. Remuneration is also reviewed on promotion. There are no guaranteed fixed remuneration increases for any senior executives.

Short term incentives

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

Executives 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 executives 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.

For the financial year ended 30 June 2010, the Remuneration Committee set the short term incentive component of remuneration of the key management personnel in the form of a cash bonus contingent upon attaining performance targets for net profit before tax for mature floors for their region of responsibility.

- Key management personnel who had responsibility for the Consolidated Entity overall were A G Moufarrige, T Moufarrige, M Moufarrige and T Wallace. Short term incentive components for these personnel were attainable as follows:

Consolidated Entity NPBT on mature floors $m	Short term incentive % of base salary
>$45 to <$47	Range from 20% to 25%
>$47 to <$49	Range from 25% to 30%
>$49 to <$51	Range from 30% to 35%
>$51	Range from 35% to 40%

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

Senior executives (continued)

Short term incentives (continued)

- Key management personnel who had responsibility for a region were S Martin (Australia and New Zealand), O Vlietstra (Japan), B Barakat (Qatar) and L Lahdo (Middle East). Each region was set a performance target for net profit before tax for mature floors. Short term incentive components for these personnel were attainable as follows:

Attainment of performance target (PT)	Short term incentive % of base salary
PT less $1m	20%
PT attained	30%
PT plus $1m	40%
PT plus $2m	50%

- In addition, S Martin, O Vlietstra and L Lahdo were given short term incentive components based on the Consolidated Entity's overall performance, attainable as follows:

Consolidated Entity NPBT on mature floors $m	Short term incentive % of base salary
>$45 to <$47	Range from 10% to 15%
>$47 to <$49	Range from 15% to 20%
>$49 to <$51	Range from 20% to 30%
>$51	Range from 30% to 40%

If the Consolidated Entity and all specified regions attained their performance targets for the financial year ended 30 June 2010, the total value of short term incentives payable to key management personnel was $729,856 (2009: $773,800). The range attainable was a minimum of $541,663 (2009: $572,959) and a maximum of $1,178,443 (2009: $1,232,734).

Long term incentives

The Board may grant options to eligible executives 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.

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;
- The Company afforded shareholders the opportunity to re-approve the Scheme at a general meeting of the Company in May 2001. 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 executive's remuneration.

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

Senior executives (continued)

Long term incentives (continued)

In the current financial year, following a recommendation by the Remuneration Committee, the directors did not grant any options under the Scheme.

The recommendation was on the basis of the uncertain taxation implications which may have arisen if options had been issued.

Retirement benefits

Retirement benefits for senior executives are provided to the extent required by the law of the country in which they reside. Senior executives 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 and each of the five named executives of the Company and the Consolidated Entity receiving the highest remuneration for the financial year ended 30 June 2010 is set out in the table on pages 39 and 40.

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)							
2010	465,083	-	144,167	-	27,000	-	636,250
2009	458,359	30,000	138,344	-	29,700	-	656,403
T Moufarrige (i)							
2010	392,325	-	13,724	-	34,328	-	440,377
2009	356,596	70,000	7,517	-	37,800	-	471,913
B Corlett (ii)							
2010	129,307	-	-	-	11,638	-	140,945
2009	121,000	-	-	-	10,890	-	131,890
R Holliday-Smith (ii) (vi)							
2010	76,284	-	-	-	6,866	-	83,150
2009	70,000	-	-	33,333	6,300	-	109,633
J King (ii)							
2010	73,950	-	-	-	4,200	-	78,150
2009	70,000	-	-	-	6,300	-	76,300
Aggregate							
2010	1,136,949	-	157,891	-	84,032	-	1,378,872
2009	1,075,955	100,000	145,861	33,333	90,990	-	1,446,139

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. The short term bonus relates to performance targets for the current financial year, payable in the following financial year. The bonus is contingent upon attainment of performance targets, as detailed on page 35 of this report. Some discretion may be applied before bonus amounts paid are finalised. 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 0% (2009: 29%)

T Moufarrige 0% (2009: 50%)

v. The salary and fees of A G Moufarrige include a component paid in Yen. The increase in the 2010 year reflects the change in foreign currency exchange rate, not an increase in salary in base currency terms.

vi. An entity associated with R Holliday-Smith received consulting fees in respect of services performed for Office Squared. These consulting fees ceased effective February 2009. These fees are disclosed under Other in short term employee benefits.

Key management personnel and highly remunerated senior executive remuneration

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees $	Bonus (v) $	Non - monetary $	Other $	Super $	Equity options (vi) $	
M Moufarrige CIO (i) (ii)							
2010	394,087	15,000	13,724	-	35,678	-	458,489
2009	354,476	-	7,517	-	31,500	-	393,493
S Martin GM Aust & NZ (i)							
2010	205,667	-	-	-	18,000	13,487	237,154
2009	201,952	20,000	-	-	19,800	20,772	262,524
O Vlietstra GM Japan (i) (ii)							
2010	346,251	-	52,147	-	-	13,487	411,885
2009	323,915	77,160	34,626	-	-	20,772	456,473
J Goodwyn GM USA (i) (ii) (iii)							
2010	351,989	-	-	-	-	-	351,989
B Barakat GM Saudi Arabia (i) (ii) (iii)							
2010	246,693	80,000	-	-	4,128	-	330,821
W Wu GM Hong Kong (i)							
2010	192,041	-	-	-	-	10,115	202,156
2009	190,660	10,000	-	-	-	15,579	216,239
L Lahdo GM UAE & Bahrain (i)							
2010	202,901	65,000	8,009	26,947	-	-	302,857
2009	201,376	98,283	6,494	22,558	-	-	328,711
T Wallace CFO (i) (ii)							
2010	270,302	-	-	-	23,798	10,115	304,215
2009	224,971	96,000	-	-	29,865	15,579	366,415

Key management personnel and highly remunerated senior executive remuneration (continued)

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees $	Bonus (v) $	Non - monetary $	Other $	Super $	Equity options (vi) $	
N Billet							
GM Sales (iv)							
2009	190,572	28,000	-	-	19,620	-	238,192
L Gorman							
Intl Training & Dev Mgr (iv)							
2009	167,829	17,000	-	-	16,830	-	201,659
Aggregate							
2010	2,209,931	160,000	73,879	26,947	81,604	47,205	2,599,567
2009	1,855,751	346,443	48,637	22,558	117,615	72,702	2,463,706

Notes:

i. Key management personnel other than directors.

ii. Five relevant group executives who received the highest remuneration other than directors.

iii. J Goodwyn and B Barakat were key management personnel from 1 July 2009.

iv. L Gorman and N Billett were not key management personnel during the 2010 year.

v. The short term bonus relates to performance targets for the current financial year, payable in the following financial year. The bonus is contingent upon attainment of performance targets, as detailed on pages 35 and 36 of this report. Some discretion may be applied before bonus amounts to be paid are finalised. 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	0% (2009: 0%)
S Martin	0% (2009: 13%)
O Vlietstra	0% (2009: 36%)
J Goodwyn	n/a
B Barakat	n/a
W Wu	0% (2009: 8%)
L Lahdo	0% (2009: 68%)
T Wallace	0% (2009: 108%)
N Billett	n/a (2009: 39%)
L Gorman	n/a (2009: 33%)

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

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

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. Options issued on 22 September 2008 did not vest as a result of the EPS performance of the Consolidated Entity for the 2009 financial year not meeting minimum EPS performance hurdles. All 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 2010 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, Ms J King, Mr B Pashby and Mr T Moufarrige 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.

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.

Corporate governance

A statement of the Board's governance practices is set out on pages 16 to 25 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, 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 42 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 26th day of August 2010.

Auditor's independence statement

Deloitte.

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

26 August 2010

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 2010, 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

Member of
Deloitte Touche Tohmatsu

2010
Financial report

Statement of comprehensive income

Servcorp Limited and its controlled entities
for the financial year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue	2	161,573	219,394
Other revenue and income	2	7,264	9,252
		168,837	228,646
Service expenses		(51,573)	(58,886)
Marketing expenses		(11,454)	(12,342)
Occupancy expenses		(82,590)	(92,361)
Administrative expenses		(19,021)	(17,597)
Borrowing expenses		(167)	(185)
Other expenses		(1,157)	-
Total expenses		(165,962)	(181,371)
Profit before income tax expense		2,875	47,275
Income tax expense	5	(869)	(13,178)
Profit for the year		2,006	34,097
Other comprehensive income			
Deferred exchange differences arising from monetary items considered part of the investment in foreign operations (net of tax)		316	3,495
Exchange differences arising on translation of foreign operations (net of tax)		(313)	2,913
Other comprehensive income for the period (net of tax)		3	6,408
Total comprehensive income for the period		2,009	40,505
Earnings per share			
Basic earnings per share	8	$0.022	$0.427
Diluted earnings per share	8	$0.022	$0.427

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 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current assets			
Cash and cash equivalents	9	131,948	83,958
Trade and other receivables	10	17,160	16,916
Other financial assets	12	1,008	1,555
Current tax assets	5	2,695	193
Other	11	8,347	6,528
Total current assets		161,158	109,150
Non-current assets			
Other financial assets	12	31,105	26,021
Property, plant and equipment	13	56,639	47,261
Deferred tax assets	5	14,544	10,741
Goodwill	14	14,805	15,962
Total non-current assets		117,093	99,985
Total assets		278,251	209,135
Current liabilities			
Trade and other payables	15	29,742	24,454
Other financial liabilities	16	20,015	19,466
Current tax liabilities	5	1,588	3,889
Provisions	18	5,883	5,894
Total current liabilities		57,228	53,703
Non-current liabilities			
Trade and other payables	15	6,904	7,708
Other financial liabilities	16	169	843
Provisions	18	869	796
Deferred tax liabilities	5	471	794
Total non-current liabilities		8,413	10,141
Total liabilities		65,641	63,844
Net assets		212,610	145,291
Equity			
Issued capital	19	154,149	76,118
Reserves		(8,417)	(8,467)
Retained earnings		66,878	77,640
Equity attributable to equity holders of the parent		212,610	145,291
Total equity		212,610	145,291

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 2010

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Employee equity settled benefits reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	80,948	(14,973)	29	61,648	127,652
Profit for the period	-	-	-	34,097	34,097
Deferred exchange differences arising from monetary items considered part of the investment in foreign operations (net of tax)	-	3,495	-	-	3,495
Translation of foreign operations (net of tax)	-	2,913	-	-	2,913
Total comprehensive income for the period	-	6,408	-	34,097	40,505
Share based payment	-	-	69	-	69
Share buy-back	(4,830)	-	-	-	(4,830)
Payment of dividends	-	-	-	(18,105)	(18,105)
Balance at 30 June 2009	76,118	(8,565)	98	77,640	145,291
Balance at 1 July 2009	76,118	(8,565)	98	77,640	145,291
Profit for the period	-	-	-	2,006	2,006
Deferred exchange differences arising from monetary items considered part of the investment in foreign operations (net of tax)	-	316	-	-	316
Translation of foreign operations (net of tax)	-	(313)	-	-	(313)
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

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 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Receipts from customers		173,441	227,304
Payments to suppliers and employees		(159,700)	(175,004)
Dividends and royalties received		658	661
Income tax paid		(9,140)	(12,987)
Interest and other items of similar nature received		3,710	3,233
Interest and other costs of finance paid		(171)	(183)
Net operating cash flows	25(b)	8,798	43,024
Cash flows from investing activities			
Payments for property, plant and equipment		(25,200)	(7,883)
Payments for lease deposits		(6,467)	(2,125)
Payments for licence fee		-	(1,068)
Proceeds from sale of property, plant and equipment		46	152
Proceeds from refund of lease deposits		3,405	2,925
Net investing cash flows		(28,216)	(7,999)
Cash flows from financing activities			
Proceeds from issue of equity securities of the parent		79,894	-
Payments for share buy-back		-	(4,830)
Payments for share issue costs		(2,662)	-
Proceeds from borrowings		-	122
Repayment of borrowings		(119)	(807)
Dividends paid		(12,769)	(18,105)
Net financing cash flows		64,344	(23,620)
Net increase in cash and cash equivalents		44,926	11,405
Cash and cash equivalents at the beginning of the financial year		83,726	73,449
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		2,679	(1,128)
Cash and cash equivalents at the end of the financial year	25(a)	131,331	83,726

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 2010

Contents of the notes to the Consolidated financial report

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 comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26 August 2010.

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

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the 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 on issue but not yet effective:

- AASB9 'Financial Instruments' AASB2009-11 Amendments to Australian Accounting Standards arising from AASB9. Effective for annual reporting periods beginning 1 January 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 2010

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). 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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

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.

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. An impairment loss is recognised in the Statement of comprehensive income immediately, unless the relevant assets are carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

d. Revenue recognition

Sales revenue

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

e. Other income / expense

Interest income

Interest revenue 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 passes 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 the 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.

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.

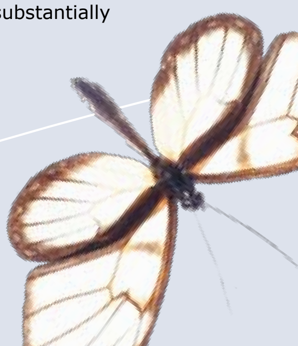
Deferred tax

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 Statement of comprehensive income.

1. Significant accounting policies (continued)

k. Share based payments

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, investments in subsidiaries are measured at cost.

Investments are recognised and derecognised on trade date where the purchase or sale of the investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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:

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is part of an identified portfolio of financial investments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- is a derivative that is not designated and effective as a hedging instrument.

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, other than those at fair value through profit or loss, 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. Further details are disclosed in Note 14.

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.

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 or, in respect of internally constructed assets, from the time an asset is completed and held 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.

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.

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.

Executive share option scheme

Servcorp Limited has granted options to certain executives under the Executive Share Option Scheme. Further information is set out in Note 21 to the financial statements.

Defined contribution superannuation fund

The Company and other controlled entities contribute to defined contribution superannuation plans. Contributions are charged to the Statement of comprehensive income as they are made. 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.

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 three 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.

2. Profit from operations

	Consolidated 2010 $'000	2009 $'000
a. Revenue		
Revenue from continuing operations consisted of the following:		
Revenue from the rendering of services	161,573	219,394
b. Other revenue and income		
Interest income - bank deposits	4,502	3,199
Franchise fees	658	607
Net foreign exchange gains (realised and unrealised)	486	3,870
Other income	1,618	1,576
Total other income	7,264	9,252
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	167	185
Depreciation of leasehold improvements	8,329	7,468
Depreciation of property, plant and equipment	5,044	5,202
Amortisation of licence fee	112	-
Loss on disposal of property, plant and equipment	874	1,566
Change in fair value of financial assets classified as fair value through the profit and loss	1	(642)
Impairment of trade receivables arising from:		
Third parties	658	782
Operating lease rental expense:		
Minimum lease payments	67,865	76,237
Employee benefit expense:		
Equity-settled share based payments	47	69

Notes to consolidated financial report

for the financial year ended 30 June 2010

3. Significant transactions

	Consolidated	
	2010 **$'000**	**2009** **$'000**
Individually significant transactions included in profit from ordinary activities before income tax expense:		
Impairment of goodwill - France	1,157	-
Floor closure costs	1,977	4,617
	3,134	4,617

4. Remuneration of auditors

		Consolidated	
		2010 **$**	**2009** **$**
a.	**Auditor of the parent entity**		
	(Deloitte Touche Tohmatsu Australia (DTT))		
	Audit and review of financial reports	451,653	368,560
	Other services - tax	163,000	177,600
	Other services	56,825	22,223
		671,478	568,383
b.	**Other auditors**		
	(DTT International Associates)		
	Audit and review of financial reports	536,032	548,437
	Other services - tax	93,577	210,822
	Other services	33,206	32,656
		662,815	791,915
		1,334,293	1,360,298

The auditor of Servcorp Limited is Deloitte Touche Tohmatsu.

5. Income taxes

	Consolidated 2010 $'000	Consolidated 2009 $'000
a. Income tax recognised in the profit and loss		
Tax expense comprises:		
Current tax expense	4,551	11,728
(Over)/under provision in prior years - current tax	(136)	712
Under provision in prior years - deferred tax	35	1,324
Deferred tax income relating to the origination and reversal of temporary differences and previously unrecognised tax losses	(3,581)	(586)
Income tax expense	869	13,178
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	2,875	47,275
Income tax expense calculated at 30%	863	14,183
Deductible local taxes	(182)	(149)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,638)	(5,308)
Other non-deductible items	679	1,179
Tax losses of controlled entities recovered	(40)	(130)
Adjustment in deferred tax assets resulting from a change in accounting estimates	-	1,321
Income tax (over)/under provision in prior years	(101)	715
Unused tax losses and tax offsets not recognised as deferred tax assets	1,288	1,367
Income tax expense	869	13,178

The tax rate used in the above reconciliation is the Australian corporate tax rate of 30% (2009: 30%).

	2010 $'000	2009 $'000
b. Current tax assets and liabilities		
Current tax assets		
Tax refunds receivable	2,695	193
Current tax payables/(receivables)		
Income tax attributable to:		
Parent entity	(2,303)	2,376
Subsidiaries	3,891	1,513
	1,588	3,889

5. Income taxes (continued)

		Consolidated	
		2010 $'000	2009 $'000
c.	**Deferred tax balances**		
	Deferred tax assets comprise:		
	Tax losses - revenue	5,025	2,626
	Temporary differences	9,519	8,115
		14,544	10,741
	Deferred tax liabilities comprise:		
	Temporary differences	471	794
	Net deferred tax assets	14,073	9,947
	The gross movement of the deferred tax accounts are as follows:		
	Balance at the beginning of the financial year	9,947	9,212
	Movements in foreign exchange rates	(210)	1,472
	Statement of comprehensive income credit/(charge)	4,336	(737)
	Balance at the end of the financial year	14,073	9,947
	Deferred tax assets		
	Movements in temporary differences:		
	Accruals not currently deductible	1,305	(291)
	Doubtful debts	61	80
	Depreciable and amortisable assets	414	1,350
	Tax losses	2,399	(398)
	Foreign exchange	158	(1,285)
	Other	(318)	169
	Deferred tax assets	4,019	(375)
	Balance at the beginning of the financial year	10,741	9,685
	Movements in foreign exchange rates	(216)	1,431
	Statement of comprehensive income credit/(charge)	4,019	(375)
	Balance at the end of the financial year	14,544	10,741
	Deferred tax liabilities		
	Movements in temporary differences:		
	Depreciable and amortisable assets	(95)	178
	Accruals and provisions not currently deductible	6	-
	Other	(228)	102
	Deferred tax liabilities	(317)	280
	Balance at the beginning of the financial year	794	473
	Movements in foreign exchange	(6)	41
	Statement of comprehensive income (credit)/charge	(317)	280
	Balance at the end of the financial year	471	794

5. Income taxes (continued)

		Consolidated	
		2010 $'000	2009 $'000
d.	**Unrecognised deferred tax balances**		
	The following deferred tax assets have not been brought to account as assets:		
	Temporary differences	15	-
	Tax losses - capital	2,086	2,086
	Tax losses - revenue	3,611	2,394
		5,712	4,480

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 $5,024,890 (2009: $2,625,512) in respect to losses that can be carried forward against future taxable income.

6. Segment information

The Group has adopted AASB 8 *Operating Segments* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 8* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of the Group's reportable segments.

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

In prior years, segment information reported externally was analysed on the basis of a primary and secondary segments. The primary segment was the geographic location of assets and the secondary segment was the provision of executive serviced and virtual offices and associated communications and secretarial services.

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 and the United States of America which reflected the segment requirements under AASB 8.

The Group's reportable operating segments under AASB 8 are presented below. Amounts reported for the prior period have been restated to conform with the requirements of AASB 8. The accounting policies of the new reportable operating segments are the same as the Group's accounting policies.

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

	Revenue		Segment Profit/(Loss)	
	30 June 2010 $'000	30 June 2009 $'000	30 June 2010 $'000	30 June 2009 $'000
Continuing operations				
Australia and New Zealand	46,578	51,913	10,143	11,843
Greater China	16,202	31,715	(2,434)	5,070
Southeast Asia	14,654	23,725	4,265	8,845
Japan	56,218	72,727	3,166	9,622
Europe	13,190	18,901	(4,279)	1,680
Middle East	14,770	21,195	(427)	8,666
USA	30	-	(2,045)	-
Other	912	617	(1,873)	(4,192)
	162,554	220,793	6,516	41,534
Finance costs	-	-	(167)	(185)
Interest revenue	4,502	3,199	4,502	3,199
Foreign exchange gains and losses	486	3,870	486	3,870
Unrecovered management fees	-	-	(7,679)	(1,064)
Franchise fees	658	607	658	607
Unallocated	637	177	(1,441)	(686)
Profit before tax			2,875	47,275
Income tax expense			(869)	(13,178)
Consolidated segment revenue and profit for the period	168,837	228,646	2,006	34,097

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 2010, the Group's Virtual Office revenue and Serviced Office revenue were $40,145,000 and $121,428,000, respectively (2009: $40,710,000 and $178,684,000, respectively).

AASB 8 was amended in May 2009 by AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'. The effect of this amendment is that the entities applying the revised standard are not required to disclose information regarding segment assets and liabilities where that information is not required to the chief operating decision maker. The directors resolved to early adopt the amendment in accordance with s.334(5) of the Corporations Act 2001.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

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						
2009						
Final	Fully paid ordinary shares	7.50	6,035	2 Oct 2008	30%	100%
Special	Fully paid ordinary shares	5.00	4,023	10 Dec 2008	30%	100%
Interim	Fully paid ordinary shares	10.00	8,047	2 Apr 2009	30%	100%
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%

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	6 Oct 2010	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.

	2010 $'000	2009 $'000
Dividend franking account		
30% franking credits available	4,284	8,465
Impact on franking account balance of dividends not recognised	2,109	3,363

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 2010 $'000	2009 $'000
Earnings reconciliation:		
Net profit	2,006	34,097
Earnings used in the calculation of basic and diluted EPS	2,006	34,097
	No.	**No.**
Weighted average number of ordinary shares used in the calculation of basic EPS	91,918,843	79,870,050
Weighted average number of ordinary shares used in the calculation of diluted EPS	91,918,843	79,870,050
Basic earnings per share	$0.022	$0.427
Diluted earnings per share	$0.022	$0.427

Options outstanding as at 30 June 2010 and 30 June 2009 were anti-dilutive.

9. Cash and cash equivalents

	Note	Consolidated 2010 $'000	2009 $'000
Cash (i)	20	16,955	18,952
Bank short term deposits (ii)		114,993	65,006
		131,948	83,958

Notes:

i. Australia and France have $3,454,000 and $7,513,000, respectively, in cash which is encumbered.

ii. Bank short term deposits mature within an average of 176 days (2009: 87 days). These deposits and the interest earning portion of the cash balance earn interest at a weighted average rate of 5.85% (2009: 3.38%).

10. Trade and other receivables

	Consolidated 2010 $'000	2009 $'000
Current		
At amortised cost		
Trade receivables (i)	16,115	16,618
Less: allowance for doubtful debts held for trading	(575)	(697)
Other debtors	1,620	995
	17,160	16,916

Notes:

i. The average credit period 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	14,346	15,067
31 - 60 days	1,013	853
60 + days	756	698
Total	16,115	16,618

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.

11. Other assets

	Consolidated	
	2010 $'000	2009 $'000
Current		
Prepayments	6,733	5,676
Other	1,614	852
	8,347	6,528

12. Other financial assets

Current		
At amortised cost		
Lease deposits	1,008	1,555
	1,008	1,555
Non-current		
At amortised cost		
Lease deposits	29,898	24,881
Licence fees	1,131	1,067
Other	76	73
	31,105	26,021

13. Property, plant and equipment

	Consolidated								
	Land and buildings at cost $'000	Leasehold improvements owned at cost $'000	Leasehold improvements at cost $'000	Office furniture & fittings owned at cost $'000	Office furniture & fittings leased at cost $'000	Office equipment owned at cost $'000	Office equipment leased at cost $'000	Motor vehicles owned at cost $'000	Total $'000
Gross carrying amounts									
Balance at 30 June 2009	5,314	62,800	2,603	12,180	583	19,561	2,135	690	105,866
Additions	-	18,704	-	2,425	-	4,019	-	52	25,200
Disposals	-	(2,565)	(1,368)	(595)	-	(870)	-	(57)	(5,455)
Transfers	-	-	-	12	(12)	-	-	-	-
Net foreign currency differences on translation of self-sustaining operations	334	(2,365)	38	(331)	4	(275)	60	(14)	(2,549)
Balance at 30 June 2010	5,648	76,574	1,273	13,691	575	22,435	2,195	671	123,062
Accumulated depreciation									
Balance at 30 June 2009	200	33,226	2,554	6,157	583	15,088	586	211	58,605
Depreciation expense	126	8,329	-	1,493	-	2,800	524	101	13,373
Disposals	-	(1,643)	(1,368)	(370)	-	(672)	-	(40)	(4,093)
Transfers	-	-	-	12	(12)	-	-	-	-
Net foreign currency differences on translation of self-sustaining operations	2	(988)	39	(259)	4	(275)	24	(9)	(1,462)
Balance at 30 June 2010	328	38,924	1,225	7,033	575	16,941	1,134	263	66,423
Net book value									
Balance at 30 June 2010	5,320	37,650	48	6,658	-	5,494	1,061	408	56,639
Balance at 30 June 2009	5,114	29,574	49	6,023	-	4,473	1,549	479	47,261

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

14. Goodwill

	Consolidated 2010 $'000	2009 $'000
Gross carrying amount and net book value		
Balance at the beginning of the financial year	15,962	15,962
Impairment of goodwill - France	(1,157)	-
Balance at the end of the financial year	14,805	15,962

At the reporting date, 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 seventeen countries are cash generating units:
Japan, Australia, New Zealand, China, Hong Kong, Malaysia, Singapore, Thailand, Belgium, United Arab Emirates, Bahrain, Qatar, Saudi Arabia, 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 2010 was as follows:

	Consolidated 2010 $'000	2009 $'000
Japan	9,161	9,161
France	1,030	2,187
Australia	2,636	2,636
New Zealand	785	785
Singapore	706	706
Thailand	326	326
China	161	161
	14,805	15,962

The recoverable amount of goodwill relating to each cash generating unit was determined based on value-in-use calculations, which uses cash flow projections based on financial forecasts approved by management, covering a five year period and terminal value. No growth factors were applied beyond year five of the forecast period. For the year ended 30 June 2010 the discount rate applied to the above countries, inclusive of country risk premium was as follows: Japan 16.4%, France 15.5%, Australia 15.5%, New Zealand 15.5%, Singapore 15.5%, Thailand 17.9% and China 16.9% (2009: Japan 15.9%, France 14.1%, Australia 14.1%, New Zealand 14.1%, Singapore 14.1%, Thailand 17.1% and China 16.2%).

Management have applied assumptions to the future forecast cash flows based on historic performance and historic growth. The assumptions did not include any acquisitions or capital expansions, but do include amounts relating to sustaining capital expenditure.

15. Trade and other payables

	Note	Consolidated 2010 $'000	2009 $'000
Current			
At amortised cost			
Trade creditors		5,498	3,743
Deferred income		12,188	12,135
Deferred lease incentive		6,466	2,195
Other creditors and accruals		5,590	6,381
		29,742	24,454
Non-current			
At amortised cost			
Deferred lease incentive		6,904	7,708
		6,904	7,708

16. Other financial liabilities

	Note	2010 $'000	2009 $'000
Current			
At amortised cost			
Bank loans - secured (i)		121	117
Bank overdraft (ii)		496	-
Security deposits		17,925	18,533
Finance lease	20	1,373	702
At fair value through profit or loss			
Forward foreign currency exchange contracts		100	114
		20,015	19,466
Non-current			
At amortised cost			
Bank loans - secured (i)		-	115
Finance lease	20	156	728
At fair value through profit or loss			
Forward foreign currency exchange contract		13	-
		169	843

Notes:

i. The bank loan is denominated in JPY and is secured by a mortgage over property, the current market value of which exceeds the value of the bank loan. The interest rate on the loan is 1.79% (2009: 2.09%).

ii. The bank overdraft in France is denominated in AUD and is secured. Interest at a rate of 4.70% is applicable to the outstanding balance.

17. Financing arrangements

	Consolidated 2010 $'000	Consolidated 2009 $'000
The Consolidated Entity has access to the following lines of credit:		
Total facilities available:		
Bank guarantees (i)	21,612	14,276
Bank overdrafts and loans (iii)	3,434	1,109
Bill acceptance / payroll / other facilities (ii)	4,125	3,975
	29,171	19,360
Facilities utilised at balance sheet date:		
Bank guarantees (i)	14,890	14,075
Bank overdrafts and loans (iii)	645	262
	15,535	14,337
Facilities not utilised at balance sheet date:		
Bank guarantees (i)	6,722	201
Bank overdrafts and loans (iii)	2,789	847
Bill acceptance / payroll / other facilities (ii)	4,125	3,975
	13,636	5,023

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.

18. Provisions

	Consolidated	
	2010 $'000	2009 $'000
Current		
Employee benefits (i)	5,211	5,234
Other	672	660
	5,883	5,894
Non-current		
Employee benefits	428	367
Other	441	429
	869	796

Notes:

i. The current provision for employee benefits includes $3,800,000 of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2009: $3,314,000).

19. Issued capital

	Consolidated	
	2010 $'000	2009 $'000
Fully paid ordinary shares 98,440,807 (2009: 78,467,310)	154,149	76,118
Movements in issued capital		
Balance at the beginning of the financial year	76,118	80,948
Share buy-back (i)	-	(4,830)
Issue of shares (ii)	79,894	-
Cost of capital raising	(2,662)	-
Tax effect of capital raising	799	-
Balance at the end of the financial year	154,149	76,118

Notes:

i. Share buy-back

On 20 April 2009, Servcorp Limited completed the on market buy-back of 2,000,000 ordinary shares, representing approximately 2.5% of ordinary shares on issue at that date. These shares were subsequently cancelled.

ii. 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.

The components of the capital raising were as follows:

Institutional component - during October 2009 $75,390,324 was raised from institutional investors following completion of the institutional offer including $51,360,420 under the institutional placement and $24,029,904 under the institutional entitlement offer.

Retail component - during November 2009 $4,503,664 was raised under the retail entitlement offer.

20. Financial instruments

Servcorp'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 Servcorp Board. 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 2009. 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Pre-tax gain/(loss)				
AUD/USD (i) +10% (2009: +10%)	525	353	(80)	(82)
AUD/USD (i) -10% (2009: -10%)	(559)	(433)	97	101
AUD/JPY +10% (2009: +11%)	(23)	(9)	(1,126)	(1,136)
AUD/JPY -10% (2009: -11%)	(57)	6	1,368	1,417
AUD/EUR +8% (2009: +5%)	(3)	(264)	26	5
AUD/EUR -8% (2009: -5%)	4	292	(31)	(5)
AUD/RMB +7% (2009: +7%)	(139)	(449)	-	-
AUD/RMB -7% (2009: -7%)	159	519	-	-

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 2010. These are level 2 fair value measurements derived from quoted prices in active markets.

	Average exchange rate		Foreign currency		Fair value	
	2010	2009	2010 million	2009 million	2010 $'000	2009 $'000
Outstanding contracts						
Consolidated						
Sell JPY						
Not later than one year	74.29	76.89	200	500	(84)	(114)
Later than one year and not later than five years	66.46	-	50	-	(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. Risk is managed by maintaining an appropriate mix between fixed and floating rate for secured and unsecured debt.

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	
	2010 $'000	2009 $'000
Pre tax gain/(loss)		
AUD balances		
125 basis point increase	1,484	820
125 basis point decrease	(1,437)	(810)
Other balances		
250 basis point increase	92	51
250 basis point decrease	(62)	(40)

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							
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	
2009							
Non-interest bearing							
Cash and cash equivalents	18,952	-	-	-	-	18,952	
Receivables	16,916	-	-	-	-	16,916	
Lease deposits	1,109	4,189	9,115	9,610	2,295	26,318	
Forward foreign currency exchange contracts	-	-	6,503	-	-	6,503	
Interest bearing							
Cash and cash equivalents (i)	17,252	47,560	533	-	-	65,345	3.38%
	54,229	51,749	16,151	9,610	2,295	134,034	

Notes:

i. Fixed interest rate instruments.

Notes to consolidated financial report

for the financial year ended 30 June 2010

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							
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	
2009							
Non-interest bearing							
Payables	5	12,039	-	-	-	12,044	
Security deposits (i)	-	-	18,411	-	-	18,411	
Forward foreign currency exchange contracts	-	-	6,617	-	-	6,617	
Interest bearing							
Finance lease	116	33	454	756	-	1,359	5.84%
Bank overdrafts and loans (ii)	29	1	91	120	-	241	2.17%
	150	12,073	25,573	876	-	38,672	

Notes:

i. Fixed interest rate instruments.

ii. Variable interest rate instruments.

20. Financial instruments (continued)

d. Credit risk

The maximum credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the Statement of financial position, is the carrying amount, net of any allowances for losses.

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.

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 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).

f. I-City Malaysia - Incorporated JV

Under the joint venture agreement, a subsidiary has a 'call option' giving it the right but not the obligation to require the minority holder to sell to it all of its subscription capital for the exercise price (as defined) and the minority holder has a 'put option' giving it the right but not the obligation to sell to a subsidiary its subscription capital for the exercise price.

The exercise price cannot be less than $1 and is calculated as USD350,000 less the aggregate amount of dividends paid by the subsidiary to the minority holder prior to the commencement of the option exercise period. The option exercise period is defined as being between the period 1 July 2012 to 31 December 2012, provided USD350,000 in dividends has not been paid to the minority holder prior to the commencement of the option period (as the option ceases to exist once dividends to this value have been paid).

Further, a subsidiary has provided a bank guarantee to the minority holder with a face value of USD350,000 as security for the exercising of the put option noted above.

The consolidated entity has guaranteed the subscription capital paid by the minority shareholder and therefore has recorded a liability of USD350,000 as at 30 June 2010 in relation to the put option and guarantee. As such, no separate fair value has been attributed to the put option.

As the venture commenced in August 2007 and is an investment in a private company which is a start-up in nature, the fair value of the call option cannot be reliably measured as at 30 June 2010.

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 2010 are as follows:

	Consolidated	
	2010 $'000	2009 $'000
Employer contributions	1,653	1,982

As at 30 June 2010, there were no outstanding employer contributions payable to other funds.

Options granted to employees

Share option scheme

	Consolidated	
	2010 No.	2009 No.
Balance at the beginning of the financial year	140,000	160,000
Forfeited during the financial year	-	(260,000)
Granted during the financial year	-	240,000
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.

21. Employee benefits (continued)

Options granted to employees (continued)

Executive share options issued by Servcorp Limited

	Balance at 1/7/09 No.	Granted No.	Forfeited No.	Exercised No.	Balance at 30/06/10 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 2010.

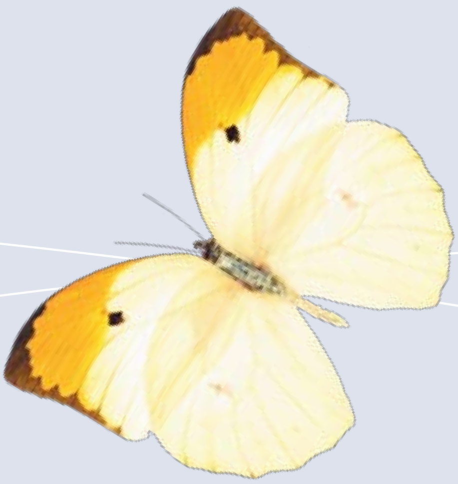
Options issued under the Executive Share Option Scheme carry no rights to dividends and have no voting rights.

Options exercised during the financial year

Nil (2009: Nil) options were exercised into ordinary shares in Servcorp Limited during the financial year ended 30 June 2010.

Options lapsed during the financial year

Nil (2009: 260,000) options were forfeited under the Executive Share Option Scheme during the financial year ended 30 June 2010.



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 2010	Number of options outstanding 2009
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 2010 $'000	2009 $'000
Capital expenditure commitments - property, plant and equipment		
Contracted but not provided for and payable:		
Not later than one year	16,251	1,096
Later than one year but not later than five years	-	-
Later than five years	-	-
	16,251	1,096
Non-cancellable operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	78,396	50,713
Later than one year but not later than five years	194,570	108,398
Later than five years	68,350	28,715
	341,316	187,826

The Consolidated Entity leases property under operating leases expiring from one to 14 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.

Finance lease liabilities

During the financial year ended 30 June 2009, the Group acquired $2,241,000 of equipment under a finance lease. This acquisition is reflected in the cash flow statement over the term of the finance lease via lease repayments.

22. Commitments for expenditure (continued)

	Minimum future lease payments Consolidated		Present value of minimum future lease payments Consolidated	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not later than one year	1,380	735	1,380	699
Later than one year and not later than five years	149	760	149	731
Later than five years	-	-	-	-
Minimum lease payments (i)	1,529	1,495	1,529	1,430
Less future finance charges	(67)	(65)	-	-
Present value of minimum lease payments	1,462	1,430	1,529	1,430
Included in the financial statements as Note 16:				
Current borrowings			1,373	702
Non current borrowings			156	728
			1,529	1,430

Notes:

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

23. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
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 (iii)	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	-
Servcorp Sydney 22 Pty Ltd	Australia	100	-
Servcorp Hobart Pty Ltd	Australia	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	-

23. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
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 Jeddah Pte Ltd (v)	Singapore	-	100
Servcorp Square Pte Ltd	Singapore	100	100
Servcorp SR Pte Ltd	Singapore	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	65	65
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 (iv)	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	-
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	-
Servcorp BFH WLL	Bahrain	100	100
Servcorp Qatar LLC (ii)	Qatar	49	49
Servcorp Aswad Company WLL (ii)	Kuwait	49	-
Servcorp Phoenicia SAL	Lebanon	100	-
Servcorp US Holdings, Inc.	United States	100	100

23. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest 2010 %	2009 %
Controlled entities (continued)			
Servcorp America LLC	United States	100	-
Servcorp Atlanta LLC	United States	100	-
Servcorp Boston LLC	United States	100	-
Servcorp New York LLC	United States	100	-
Servcorp Washington LLC	United States	100	-
Servcorp Philadelphia LLC	United States	100	-
Servcorp Dallas LLC	United States	100	-
Servcorp Houston LLC	United States	100	-
Servcorp Los Angeles LLC	United States	100	-
Servcorp Denver LLC	United States	100	-
Servcorp Miami LLC	United States	100	-
Servcorp San Francisco LLC	United States	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 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.

iii. Servcorp Parramatta Pty Ltd changed its name from Servcorp Melbourne 36 Pty Ltd on 18 December 2009.

iv. Servcorp Marunouchi KK changed its name from Management International KK on 29 September 2009.

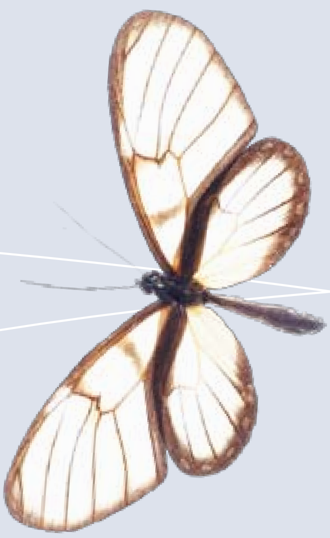
v. Servcorp Jeddah Pte Ltd was incorporated on 24 September 2008 and subsequently deregistered on 7 August 2009.

24. Formation/deregistration of controlled entities

	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 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



24. Formation/deregistration of controlled entities (continued)

	Consideration $'000	The Consolidated Entity's interest %
Formation		
2009		
Servcorp Edouard VII SARL The entity was formed on 2 July 2008	-	100
Servcorp North Sydney 32 Pty Ltd The entity was formed on 9 July 2008	-	100
Office Squared Network Technology Services (Hangzhou) Co. Ltd The entity was formed on 28 August 2008	-	100
Servcorp Jeddah Pte Ltd The entity was formed on 24 September 2008	-	100
Servcorp Square Pte Ltd The entity was formed on 9 October 2008	-	100
Servcorp Administration Services WLL The entity was formed on 28 October 2008	-	49
Servcorp US Holdings, Inc. The entity was formed on 14 May 2009	-	100
Servcorp HK Central Limited The entity was formed on 16 June 2009	-	100

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

25. Notes to statement of cash flows

	Consolidated 2010 $'000	Consolidated 2009 $'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	16,955	18,952
Short term deposits	114,993	65,006
Bank overdraft and bank loans	(617)	(232)
	131,331	83,726
b. Reconciliation of profit for the period to net cash flows from operating activities		
Profit after income tax	2,006	34,097
Add/(less) non-cash items:		
Movements in provisions	232	(736)
Depreciation of non-current assets	12,625	13,018
Amortisation of licence fees	112	-
Goodwill impairment	1,157	-
Loss on disposal of non-current assets	874	1,566
(Decrease)/increase in current tax liability	(4,723)	129
(Decrease)/increase in deferred tax balances	(6,435)	541
Unrealised foreign exchange loss	874	60
Equity-settled share based payment	47	69
Changes in net assets and liabilities during the financial period:		
Increase in prepayments and receivables	(1,308)	(1,427)
Decrease in trade debtors	214	2,204
(Increase)/decrease in current assets	(1,801)	1,162
Increase/(decrease) in deferred income	190	(2,393)
(Decrease) in client security deposits	(137)	(1,823)
Increase/(decrease) in accounts payable	4,871	(3,443)
Net cash provided from operating activities	8,798	43,024

c. Non-cash financing and investing activities

During the financial year ended 30 June 2009, the Group acquired $2,241,000 of equipment under a finance lease. This acquisition will be reflected in the cash flow statement over the term of the finance lease via lease repayments.

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 01/07/09 No.	Received on exercise of options No.	Net change No.	Balance at 30/06/10 No.
Specified directors				
B Corlett	413,474	-	-	413,474
R Holliday-Smith	250,000	-	-	250,000
J King	96,400	-	8,765	105,165
A G Moufarrige (i)	48,502,935	-	1,287,161	49,790,096
T Moufarrige (i)	1,859,992	-	5,454	1,865,446
Specified executives				
M Moufarrige (i)	1,928,842	-	-	1,928,842
S Martin	27,000	-	-	27,000
O Vlietstra	30,000	-	-	30,000
L Lahdo	5,000	-	-	5,000
T Wallace	10,000	-	(10,000)	-
L Gorman	11,000	-	-	11,000
	53,134,643	-	1,291,380	54,426,023

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 2010 $'000	2009 $'000
Salary and fees, bonus and non-monetary benefits	3,766	3,629
Post employment benefits - superannuation	166	209
Share based payment - equity options and shares	47	73

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
2010	31,995	(32,000)	5	-	1
2009	34,739	(5,448)	2,704	31,995	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. 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.

Aegis Partners Pty Ltd provided consulting services to Office Squared Pty Ltd. Consulting fees of Nil (2009: $33,336) were paid on arms length terms. A director of the Company, Mr R Holliday-Smith has an interest in and is a director of Aegis Partners Pty Ltd.

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.

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**	**2010 $'000**	**2009 $'000**
A G Moufarrige	Tekfon Pty Ltd	Premises rental	68	66
A G Moufarrige	Enideb Pty Ltd	Franchisee	677	966
A G Moufarrige	Rumble Australia Pty Limited	Consulting	21	15
A G Moufarrige, T Moufarrige	Sovori Pty Ltd	Reimbursements	76	24
A G Moufarrige	MRC Biotech Pty Ltd	Reimbursements	202	370
R Holliday-Smith	Aegis Partners Pty Ltd	Consulting	-	33

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

	2010 $'000	2009 $'000
Current receivable		
Enideb Pty Ltd	66	83
Current payable		
Enideb Pty Ltd	11	-
Tekfon Pty Ltd	6	-

27. Parent entity disclosures

Financial Position

	The Company	
	2010 **$'000**	**2009** **$'000**
Assets		
Current assets	165,321	80,712
Non-current assets	19,817	29,590
	185,138	110,302
Liabilities		
Current liabilities	13,898	18,347
	13,898	18,347
Equity		
Issued capital	154,147	76,118
Retained earnings	16,947	15,739
Reserves		
Equity settled employee benefits	146	98
	171,240	91,955
Financial performance		
Profit for the year	13,980	21,747
Total comprehensive income	13,980	21,747

As at 30 June 2010:

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 2010 the fair value of the these committments was Nil (2009: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 Entity in future financial years.

Office Squared contract termination

On 17 August 2010 a company in the Office Squared group issued a contract termination notice as a result of a fundamental breach. As at the date of signing this report, negotiations are under way to settle approximately $1 million due to Office Squared. Management are confident that this amount will be recovered.

Dividend

On 26 August 2010 the directors declared a fully franked final dividend of 5.00 cents per share, payable on 6 October 2010.

The financial effect of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2010.

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 26th day of August 2010.

Deloitte.

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 2010, 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 44 to 99.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, comply with International Financial Reporting Standards.

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. These Auditing 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 and fair presentation of the financial report 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.

Member of
Deloitte Touche Tohmatsu

Deloitte.

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

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

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 40 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Servcorp Limited for the year ended 30th June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S C Gustafson
Partner
Chartered Accountants
Sydney, 26 August 2010

Shareholder information

As at 7 September 2010

The shareholder information set out below is provided in accordance with the Listing Rules and was applicable as at 7 September 2010.

Class of shares and voting rights

Ordinary shares
There were 2,657 holders of the ordinary shares of the Company.

At a general meeting:

- On a show of hands, every member present has one vote;
- On a poll, every member present has one vote for each fully paid share held.

Options
There were 4 holders of options over 140,000 unissued ordinary shares granted to employees under the Executive Share Option Scheme.

There are no voting rights attached to the options. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The options are unquoted.

On-market buy-back

There is no current on-market buy-back.

Distribution of shareholders and optionholders

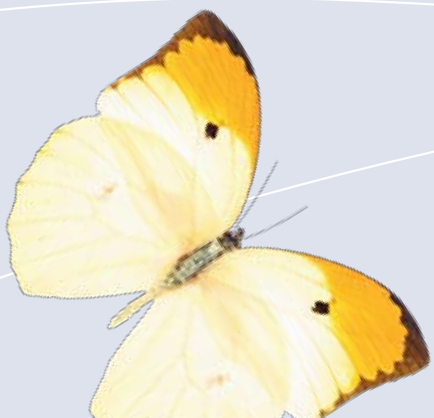
	Ordinary shares			Options		
Size of holding	Number of holders	Number of shares	% of shares	Number of holders	Number of options	% of options
1 - 1,000	704	417,340	0.42%	-	-	-
1,001 - 5,000	1,348	3,539,264	3.60%	-	-	-
5,001 - 10,000	328	2,435,195	2.47%	-	-	-
10,001 - 100,000	246	6,068,772	6.17%	4	140,000	100%
100,001 and over	31	85,980,236	87.34%	-	-	-
Totals	**2,657**	**98,440,807**	**100%**	**4**	**140,000**	**100%**

There were 84 holders of ordinary shares holding less than a marketable parcel, based on the closing market price at the specified date.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to Servcorp:

Name	Number of shares	% of voting power advised
Sovori Pty Ltd	49,812,927	51.19%
Perpetual Limited	12,632,961	12.83%
Acorn Capital Limited	6,906,378	7.02%
Orbis Investment Management (Australia) Pty Ltd	5,108,203	5.19%



Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
AMP Life Limited	1,695,921	1.72%
ANZ Nominees Limited (Cash Income Account)	325,157	0.33%
Brazil Farming Pty Ltd	273,575	0.28%
Citicorp Nominees Pty Limited	2,226,498	2.26%
Citicorp Nominees Pty Limited (Commonwealth Bank Off Super Account)	626,170	0.64%
Cogent Nominees Pty Limited (SMP Accounts)	909,150	0.92%
Cogent Nominees Pty Limited	779,438	0.79%
Elmslie K	417,500	0.42%
Eniat Pty Ltd	1,800,000	1.83%
HSBC Custody Nominees (Australia) Limited	2,593,971	2.64%
JP Morgan Nominees Australia Limited	10,071,854	10.23%
MFLE Pty Ltd	1,800,000	1.83%
Moufarrige A G	540,890	0.55%
National Nominees Limited	9,842,933	10.00%
Queensland Investment Corporation	304,609	0.31%
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled Account)	3,296,987	3.35%
RBC Dexia Investor Services Australia Nominees Pty Limited (Piselect Account)	297,346	0.30%
Sovori Pty Limited	45,563,859	46.29%
UBS Wealth Management Australia Nominees Pty Limited	1,035,531	1.05%
Uvira Superannuation Pty Limited (Uvira Holdings Employees Super Fund Account)	413,474	0.42%
Totals for Top 20	**84,814,863**	**86.16%**

Options

Category	Number on issue	Number of holders
Options expiring 22 February 2013 (SRVAI)	140,000	4

Corporate information

Directors

Bruce Corlett	Chairman & non-executive director
Alf Moufarrige	CEO & Managing director
Rick Holliday-Smith	Non-executive director
Julia King	Non-executive director
Taine Moufarrige	Executive director

Company secretary

Greg Pearce

Registered office and principal office

Level 12, MLC Centre
19 Martin Place
Sydney NSW 2000

Telephone:	+ 61 (2) 9231 7500
Facsimile:	+ 61 (2) 9231 7665

Auditors

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Grosvenor Place
225 George Street
Sydney NSW 2000

Share registry

Registries Limited
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Sydney NSW 2001

Telephone:	+ 61 (2) 9290 9600
	1300 737 760
Facsimile:	+ 61 (2) 9279 0664
	1300 653 459
Email:	registries@registries.com.au

Stock exchange

Servcorp Limited shares are quoted on the Australian Securities Exchange under the code **SRV.** The Home Exchange is Sydney.

Annual general meeting

The annual general meeting of Servcorp Limited will be held at The Grace Hotel, 77 York Street, Sydney at 5pm on Wednesday 17 November 2010.