SERVCORP LIMITED
ABN 97 089 222 506

APPENDIX 4E

Preliminary Final Report
for the financial year ended
30 June 2008

The information in this document should be read in conjunction with the 2008 Financial Report and any public announcements made during the period in accordance with continuous disclosure obligations arising under Corporations Act 2001 and ASX Listing Rules.

Results for announcement to the market

				$A'000
Revenue and other income from ordinary activities	up	14%	to	190,142
Profit from ordinary activities after tax attributable to members	up	29%	to	33,834
Net profit for the period attributable to members	up	29%	to	33,834

Dividends	Total amount $'000	Amount per security	Franked amount per security
Current period			
Final dividend declared	6,035	7.50c	7.50c
Interim dividend paid	6,035	7.50c	7.50c
Special dividend paid	4,023	5.00c	5.00c
Previous corresponding period			
Final dividend paid	5,633	7.00c	7.00c
Interim dividend paid	4,826	6.00c	6.00c
Special dividend paid	8,043	10.00c	10.00c

Record date for determining entitlements to the dividend	1st September 2008

	30 June 2008 $	30 June 2007 $
Net tangible asset backing		
Net tangible asset backing per ordinary security	$1.39	$1.18

Control over entities

Control was not gained or lost over any entity during the financial year ended 30 June 2008 that had a material effect on the profit for the period.

Material interest in entities

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

Details of associates and Joint Venture entities

On 1 August 2007, a Joint Venture agreement was entered into between Office Squared Malaysia Sdn Bhd (incorporated on 27 July 2007) and I-Berhad, a publicly listed Malaysian company. Office^2 and I-Berhad have invested USD650,000 and USD350,000 respectively into the share capital of the Joint Venture. Profits of the Joint Venture will be shared in proportion to the shareholding. The Joint Venture agreement requires Office^2 to issue a bank guarantee to I-Berhad in the amount of USD350,000. In the event that I-Berhad calls the bank guarantee their 35% shareholding will revert to Office^2.

Management Discussion & Analysis

SERVCORP ANNOUNCES RECORD FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2008

PROFIT GROWTH OF 5% NPBT FORECAST FOR 2009

- Net Profit After Tax up 29% to $33,834,000.
- Net Profit Before Tax up 31% to $44,578,000.
- Total revenue up 14% to $190,142,000.
- Net Profit Before Tax on mature floors up 23% to $52,782,000.
- Cash from operating activities up 28% to $51,192,000.
- Final dividend of 7.5 cps, fully franked.

OPERATING SUMMARY

As set out in the Annual Report for the year ended 30 June 2007, the company has undertaken a strong expansion program in the twelve months ended 30 June 2008 to increase floor capacity by 9%. As expected these immature floors have impacted the Net Profit BeforeTax result as occupancy expenses exceeded revenue generated through the build up period.

Net Profit Before Tax attributable to mature floors for the twelve months ended 30 June 2008 increased by 23% to $52,782,000 (twelve months ended 30 June 2007: $42,870,000).

The Net Loss Before Tax on immature floors for the twelve months ended 30 June 2008 was $5,184,000 (twelve months ended 30 June 2007: $7,394,000).

As at 30 June 2008 Servcorp operated 71 floors in 22 cities in 13 countries. Average mature floor occupancy for the twelve month period was 84% (twelve months ended 30 June 2007: 85%).

Nine new floors were opened during the period. These were as follows:

- Level 14, Commercialbank Plaza, Qatar
- Level 15, Commercialbank Plaza, Qatar
- Level 5, Nexus Building at Norwest Business Park, Sydney
- Level 24, China Central Place, Beijing
- Level 18, The Office Tower Shangri-La Centre, Chengdu
- Level 2, Haussmann, Paris
- Level 56, MLC Centre, Sydney
- Level 16, Vodafone on the Quay, Wellington
- Level 41, Bahrain Financial Harbour, Bahrain

Management Discussion & Analysis cont.

Operating Summary (Cont.)

As at 30 June 2008, all of the above new floors were immature.

Two floors were closed during the year.

Australia & New Zealand

Mature floors
The performance of the Australia and New Zealand mature floors during the period was exceptional. This region's results are a reflection of its strong property market and maturing management. Results were particularly strong in the resource fuelled economies of Brisbane, Perth and Adelaide. We expect these markets to continue to perform strongly in 2008/2009.

Mature floor revenue from ordinary activities increased by 12% to $52.64M when compared to the prior period. Mature floor Net Profit Before Tax increased by 36% to $18.32M. A floor in Sydney was closed during the year.

Immature floors
Two new floors were opened in Sydney during the year and a floor was also opened in Wellington. The immature floor Net Loss Before Tax for the twelve months ended 30 June 2008 was $0.65M compared to a loss of $0.33M for the twelve months ended 30 June 2007. The new floors are performing to expectations.

Japan & Asia

Mature floors
The performance of the mature floors in Japan and Asia was very pleasing in spite of a strong currency headwind. Revenue from ordinary activities increased by 12% to $98.42M. Net Profit Before Tax increased by 20% to $26.08M for the twelve months ended 30 June 2008. The growth in revenue and profits was largely attributable to new floors opened in 2006 and 2007 that became mature in 2007 and 2008.

All locations in China and Hong Kong performed very well during the period reflecting the strong growth that is currently being experienced in the Greater China region.

South East Asia's performance was solid, however, political tensions in Thailand slowed business activity temporarily. Tensions have now eased and trading conditions are back to normal in Bangkok.

Japan continues to produce consistently solid results.

Immature floors
One floor opened in Beijing and a floor also opened in a new market, (Chengdu) during this period.

The Net Loss Before Tax on immature floors was $1.43M (twelve months ended 30 June 2007: $5.23M) which is slightly ahead of expectations.

Europe & Middle East

Mature floors
The performance of the mature locations in the European and Middle East segment were solid during the period. Mature floor revenue from ordinary activities increased by 22% to $26.18M. Net Profit BeforeTax on mature floors increased by 5% to $8.39M when compared to the twelve months ended 30 June 2007.

The European floors continued to be challenging. One floor and the conference centre were closed in Paris during the year. The conference centre in Paris was the last "non core activity" conference centre in operation in Servcorp. We expect stronger results from Europe in the coming year.

Management Discussion & Analysis cont.

Europe & Middle East (Cont.)

The Dubai and Bahraini locations continue to perform above expectations.

Immature floors
A floor was opened in Paris during the period. Two floors were opened in a new market, (Qatar) during the period and an additional floor was also opened in Bahrain. The Net Loss Before Tax generated by immature floors was $3.10M. This result is in line with forecast.

India

Two floors were opened by our franchisee in India during the year. The franchise model is now generating revenue and this revenue base will increase in line with new floor openings in India.

The Indian franchisee has plans to open an additional two floors in 2009 and four floors in 2010.

Office^2

Norwest Business Park

The Nexus Project at Norwest Business Park in Sydney is meeting expectations with a high percentage take up of tenants of Office^2 services. Further sales opportunities exist as tenants continue to take up space.

I – City Malaysia

I-City Malaysia is gathering momentum, with the first tenants expected in September 2008. The I-City marketing team has been very active. The granting of Multimedia Super Corridor (MSC) status to the development significantly enhances its prospects, making it a tax effective place to do business. Office^2 solutions are being well received by prospective tenants and sales are expected to accelerate in the last quarter of this calendar year in line with occupancy.

Office^2 currently has a number of significant enquiries in relation to the Office^2 business solution, utilising Cisco Systems products.

The loss for Office^2 for the period was $3,020,000 (twelve months ended 30 June 2007: $1,352,000). These losses are in line with expectations.

FINANCIAL SUMMARY

Revenue for the twelve months ended 30 June 2008 was $190.14M, up 14% from the previous corresponding period. In constant currency terms, when 2008 revenues are translated at 2007 rates, revenue increased by 18%.

Total expenses increased by 9% for the year ended 30 June 2008 when compared to the comparative prior period. In constant currency terms total expenses increased by 14%.

Service expenses including telecommunication and other service expenses have increased in line with increases in revenue. The increase in marketing and administration expenses during the period is in line with the increase in the number of clients during the period.

Management Discussion & Analysis cont.

FINANCIAL SUMMARY (Cont.)

Occupancy expenses increased by 7% when compared to the comparative prior period. The key driver behind the increase was the immature floor growth during the year.

Net Profit Before Tax for Servcorp as a whole increased by 31% when compared to the Net Profit Before Tax for the financial year ended 30 June 2007. In constant currency terms Net Profit Before Tax actually increased by 36% for the period.

Servcorp generated strong operating cash flows during the period of $51.19M up 28% from the prior comparative period. Significant cash outflows during the period included $25.36M in new floor expansion and the payment of $15.69M in dividends.

Cash and short term investment balances were $73.72M as at 30 June 2008, compared with $64.67M as at 30 June 2007. Total interest-bearing debt was minimal at $0.27M as at 30 June 2008.

During the year the AUD appreciated on average by 7% against the JPY, 15% against the USD and by 2% against the EUR. Servcorp results maybe impacted by AUD movements against the cocktail of currencies to which we are exposed.

DIVIDEND

The Directors of Servcorp Limited have declared a fully franked final dividend of 7.50 cents per share, increasing the total dividends for the period to a fully franked 20.00 cents per share.

OUTLOOK

Notwithstanding the extremely challenging economic climate we are forecasting Net Profit Before Tax growth of 5% for the twelve months ending 30 June 2009, subject to market and economic conditions being stable.

Servcorp had a strong 2008 financial year and although now well positioned, Servcorp expects the 2009 financial year to be challenging in certain markets. We expect to maintain our status as the world leader in our industry.

Servcorp will continue to increase serviced office capacity in 2009 although at a slower pace than in recent years. It is anticipated that serviced office floors will open in Adelaide, Sydney and Fukuoka in 2009. Servcorp will also continue to expand in the Middle East in 2009 by opening floors in Doha, Abu Dhabi and Jeddah.

Given the current levels of uncertainty that exist in the global economy and market place many opportunities will present themselves. Servcorp will continue to assess and evaluate opportunities as they arise to maximise shareholder value.

The normal dividend in relation to 2009 will be 15.00 cps fully franked, 7.50 cps per half. We will also pay a special dividend of 5.00 cps fully franked, prior to Christmas.

Contents

Corporate governance

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

The Board is committed to the principles underpinning the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 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.

Details of Servcorp's compliance are set out below, and in the ASX principles compliance statement on pages 5 to 9 of this annual report. Compliance has been measured against the revised ASX principles.

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 Stock 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 page 10 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 below.

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

Director	First appointed	Non-executive	Independent	Retiring at 2008 AGM	Seeking re-election at 2008 AGM
B Corlett	19 October 1999	Yes	Yes	Yes	Yes
R Holliday-Smith	19 October 1999	Yes	Yes	No	No
J King	24 August 1999	Yes	Yes	No	No
A G Moufarrige	24 August 1999	No	No	No	No
T Moufarrige	25 November 2004	No	No	Yes	Yes

Directors' independence

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

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

None of the non-executive directors have ever been employed by Servcorp. 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 sits 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 28 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.

Communication with stakeholders

Servcorp is committed to increasing the transparency and quality of its communication so that we are regarded as outstanding corporate citizens. At present, information is communicated to shareholders and financial markets through the distribution of the annual report, the release of the half-year and full-year results, and market announcements to the ASX when required. The Company's annual report, result releases and market announcements are placed on its website.

Servcorp encourages effective participation at general meetings. The Chief Executive Officer provides a detailed report and is available to answer questions at the Company's annual general meeting. The Company's auditors are invited to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted and the independence of the auditor in relation to the conduct of the audit.

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, Mr P G Forrester, will be due for rotation following completion of the audit for the year ending 30 June 2008.

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 Stock 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)
- 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 twice 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 descripton of the manner in which Servcorp complies with the ASX Corporate Governance Principles and Recommendations, or where applicable, an explanation of any departures from the Principles. Compliance has been measured against the revised ASX Principles effective after 1 January 2008.

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.
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 15 to 20 of this annual report.
Recommendation 1.3	Provide the information indicated in the Guide to reporting on Principle 1.
Servcorp Board Response	All relevant information is included in the corporate governance section on pages 2 to 9 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. Any director appointed by the Board must retire from office at the next annual general meeting and seek re-election by shareholders.

ASX principles compliance statement (cont)

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 Board as a whole evaluates 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 Board as a whole.
Recommendation 2.6	Provide the information indicated in the Guide to reporting on Principle 2.
Servcorp Board Response	All relevant information is included in the corporate governance section on pages 2 to 9 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 Stock 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 3 of this annual report.
Recommendation 3.3	Provide the information indicated in the Guide to reporting on Principle 3.
Servcorp Board Response	The information is made publicly available by inclusion of the main provisions in the annual report. Complete versions are not available on the Company's website as they form part of manuals which are proprietary and confidential.

ASX principles compliance statement (cont)

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.
Recommendation 4.4	Provide the information indicated in the Guide to reporting on Principle 4. • the names and qualifications of those appointed to the audit committee, and their attendance at meetings of the committee; • the number of meetings of the audit committee.
Servcorp Board Response	This information is provided on pages 4, 10 and 11 of this annual report.
Recommendation 4.4 (cont)	• 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 (DTT), under the scrutiny of the Audit and Risk Committee, presently conducts the statutory audits in return for reasonable fees. DTT 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. DTT 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.

ASX principles compliance statement (cont)

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 effective 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.
Recommendation 6.2	Provide the information indicated in the Guide to reporting on Principle 6.
Servcorp Board Response	The infomation 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	The company has not previously had formal written policies on risk oversight and management. 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. 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.

ASX principles compliance statement (cont)

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. 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.
Recommendation 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
Servcorp Board Response	The Chief Executive Officer and Chief Financial Officer provide such assurance.
Recommendation 7.4	Provide the information indicated in the Guide to reporting on Principle 7.
Servcorp Board Response	This information is provided above.
Principle 8	Remunerate fairly and responsibly *Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.*
Recommendation 8.1	The board should establish a remuneration committee.
Servcorp Board Response	The Board has established a Remuneration Committee.
Recommendation 8.2	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 15 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 4 and 11 of this annual report.
Recommendation 8.3 (cont)	• the existence and terms of any schemes for retirement benefits, other than statutory 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 2008.

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. His current directorships include Stockland Trust Group and Trust Company Limited (Chair).

Directorships of listed entities in the last three years:

- Adsteam Marine Limited from March 1997 to May 2007 (Chair);
- Stockland Trust Group since October 1996;
- Tooth and Co. Limited since September 1999;
- Trust Company Limited since October 2000.

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 HongKongBank Limited, a wholly owned merchant banking subsidiary of HSBC Bank.

Rick is currently a director of ASX Limited, Cochlear Limited and St George Bank Limited. 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;
- DCA Group Limited from October 2004 to December 2006;
- Exco Resources NL from June 1998 to November 2005 (Chair);
- SFE Corporation Limited from April 2002 to July 2006 (Chair);
- St George Bank Limited since February 2007.

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 is currently a non-executive director of Fairfax Media Limited and Opera Australia. 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 since July 1995;
- Retail Cube Limited from January 2006 to October 2006.

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 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 new franchise venture.

Directorships of listed entities in the last three years:

None.

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 table on page 11.

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' attendances at meetings

Director	Board meetings	Audit & Risk committee	Remuneration committee
Number of meetings held:	12	3	2
Number of meetings attended:			
B Corlett	12	3	2
R Holliday-Smith	12	3	
J King	12	3	2
A G Moufarrige	11		
T Moufarrige	11		2

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

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 $33.83 million (2007: $26.33 million). Operating revenue was $181.62 million (2007: $162.75 million). Basic and diluted earnings per share was 42.0 cents (2007: 32.7 cents).

Dividends

Dividends totalling $16.09 million have been paid or declared by the Company in relation to the financial year ended 30 June 2008 (2007: $18.50 million).

The following table includes 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.

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: 2007					
Special - ordinary shares	10.00	8,043	30 November 2006	100%	30%
Interim - ordinary shares	6.00	4,826	4 April 2007	100%	30%
Final - ordinary shares	7.00	5,633	4 October 2007	100%	30%
In respect of the current financial year: 2008					
Special - ordinary shares	5.00	4,023	20 December 2007	100%	30%
Interim - ordinary shares	7.50	6,035	3 April 2008	100%	30%
Final - ordinary shares	7.50	6,035	2 October 2008	100%	30%

Review of operations

Revenue from ordinary activities for the twelve months ended 30 June 2008 was $181.62 million, up 12% from the twelve months ended 30 June 2007. In constant currency terms, when 2008 revenues are translated at 2007 rates, revenue increased by 18%.

Total expenses increased by 9% for the year ended 30 June 2008 when compared to the prior year. In constant currency terms total expenses increased by 14%.

Service expenses including telecommunication and other service expenses have increased in line with increases in revenue. The increase in marketing and administration expenses during the year is in line with the increase in the number of clients during the year.

Occupancy expenses increased by 7% when compared to the prior year. The key driver behind the increase was the immature floor growth during the year.

Net profit before tax for Servcorp as a whole increased by 31% when compared to the net profit before tax for the financial year ended 30 June 2007. In constant currency terms net profit before tax actually increased by 36% for the year.

The Consolidated Entity generated strong operating cash flows during the year of $51.19 million up 28% from the prior year. Significant cash outflows during the year included $25.36 million in new floor expansion and the payment of $15.69 million in dividends.

During the year the Australian dollar appreciated on average by 7% against the Japanese yen, 15% against the US dollar and by 2% against the Euro. Servcorp's results may be impacted by Australian dollar movements against the cocktail of currencies to which it is exposed.

At the end of the financial year, Servcorp operated 71 floors, in 56 locations, spanning 22 cities in 13 countries. The Consolidated Entity operates in Australia, New Zealand, Japan, South-East Asia, Greater China, France, United Arab Emirates, Belgium, Bahrain and Qatar.

The Franchise in India operated 2 floors in 2 cities.

During the year 6 new locations (9 floors) have been established and 2 floors closed, giving rise to a net increase of 9% in capacity.

The number of office suites operated by the Consolidated Entity increased to 2,948 with an average mature floor occupancy of 84%. Expansion plans underway at present include new locations in Sydney, Adelaide, Fukuoka, Jeddah, Doha and Abu Dhabi.

Currently the Consolidated Entity has cash and short term investment balances in excess of $73 million and is well placed to take advantage of expansion opportunities when the timing is considered favourable.

Australia & New Zealand

Mature floors
The performance of the Australian and New Zealand mature floors during the year was exceptional.

This region's results are a reflection of its strong property market and maturing management, in particular the resource fuelled economies of Brisbane, Perth and Adelaide. We expect these markets to continue to perform strongly in 2009.

Mature floor revenue from ordinary activities increased by 12% to $52.64 million when compared to the prior year. Mature floor net profit before tax increased by 36% to $18.32 million.

A floor in Sydney was closed during the year.

Immature floors
Two new floors were opened in Sydney during the year and one floor in Wellington. The immature floor net loss before tax for the twelve months ended 30 June 2008 was $0.65 million, compared to a loss of $0.33 million for the twelve months ended 30 June 2007. The new floors are performing to expectation.

Japan & Asia

Mature floors
The performance of the mature floors in Japan and Asia was very pleasing in spite of a strong currency headwind.

Revenue from ordinary activities increased by 12% to $98.42 million. Net profit before tax increased by 20% to $26.08 million for the twelve months ended 30 June 2008.

The growth in revenue and profits was largely attributable to new floors opened in 2006 and 2007 that became mature in 2007 and 2008.

Immature floors
One floor was opened in Beijing during the year and one floor opened in a new market, Chengdu.

The net loss before tax on immature floors was $1.43 million (twelve months ended 30 June 2007 $5.23 million), which is slightly ahead of expectation.

Europe & Middle East

Mature floors
The performance of the mature locations in the European and Middle East segment were solid during the year. Mature floor revenue from ordinary activities increased by 22% to $26.18 million. Net profit before tax on mature floors increased by 5% to $8.39 million when compared to the twelve months ended 30 June 2007.

The European floors continue to be challenging. One floor and the conference centre were closed in Paris during the year. The conference centre in Paris was the last "non-core activity" conference centre in operation in Servcorp. We expect stronger results from Europe in the coming year.

The Dubai and Bahrain locations continue to perform above expectations.

Immature floors
A floor was opened in Paris during the year. Two floors were opened in a new market, Qatar, during the year and a floor was also opened in Bahrain. The net loss before tax generated by immature floors was $3.10 million. This result is in line with forecast.

Review of operations (cont)

India

Two floors were opened by our franchisee in India during the year. The franchise model is now generating revenue and this revenue base will increase in line with new floor openings in India.

The Indian franchisee has plans to open an additional two floors in 2009 and four floors in 2010.

Office[2]

Norwest Business Park
The Nexus Project at Norwest Business Park in Sydney is meeting expectations with a high percentage take up of tenants of Office[2] services. Further sales opportunities exist as tenants continue to take up space.

I-City Malaysia
I-City Malaysia is gathering momentum, with the first tenants expected in September 2008. The I-City marketing team has been very active. The granting of Multimedia Super Corridor (MSC) status to the development significantly enhances its prospects, making it a tax effective place to do business.

Office[2] solutions are being well received by prospective tenants and sales are expected to accelerate in the last quarter of the 2008 calendar year in line with occupancy.

Office[2] currently has a number of significant enquiries in relation to the Office[2] business solution, utilising Cisco Systems products.

The loss incurred for the twelve months was $3.02 million, which was in line with our expectations.

New locations

City	Location	Offices	Opened
Chengdu	Level 18 The Office Tower Shangri-La Centre	48	September 2007
Paris	Level 2 Haussmann	64	January 2008
Sydney	Level 56 MLC Centre	59	January 2008
Wellington	Level 16 Vodafone on the Quay	37	February 2008
Bahrain	Level 41 Bahrain Financial Harbour	34	March 2008
Doha	Levels 14 and 15 Commercialbank Plaza	58	June 2008
Sydney	Level 5 Nexus Building Norwest Business Park	42	June 2008
Beijing	Level 24 China Central Place	46	June 2008

Events subsequent to balance date

Dividend
On 20 August 2008 the directors declared a fully franked final dividend of 7.50 cents per share, payable on 2 October 2008.

The financial effect of the above transaction has not been brought to account in the financial statements for the year ended 30 June 2008.

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.

Options

Options on issue

At the date of this report unissued ordinary shares of the Company under option are:

- Date option granted - 22 February 2008
- Number of shares - 160,000
- Exercise price - $4.60
- Expiry date - 22 February 2013

The options may be exercised two years from date of issue and 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

During the year or since the end of the financial year, the Company granted options over unissued ordinary shares of the Company as follows:

- Expiry date - 22 February 2013
- Exercise price - $4.60
- Number of shares - 160,000

All options were granted during the financial year. No options have been granted since the end of the financial year.

Options granted to directors or the five most highly remunerated officers of the Company as part of their remuneration are detailed in the Remuneration report on page 20.

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 options over unissued shares.

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

Servcorp Limited

Director	Ordinary shares		Options over ordinary shares
	Direct	Indirect	
B Corlett	43,785	369,689	-
R Holliday-Smith	250,000	-	-
J King	-	96,400	-
A G Moufarrige (i)	540,890	47,908,255	-
T Moufarrige (i)	59,992	1,800,000	-

Notes:

(i) T Moufarrige has advised the Company that he has a relevant interest in 1.8 million shares. The shares are registered in the name of Sovori Pty Ltd and are also included in the indirect interest of A G Moufarrige. The Company lodged an Appendix 3Y with the ASX on 22 August 2007.

Remuneration report

Principles used to determine the nature and amount of remuneration

The Board recognises that the Company'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 Company'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 Company:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- encourages a strong and long term commitment to the Company;
- builds a structure for long term growth and succession planning;
- structures remuneration at a level that reflects the executives 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 15 to 20. 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 appoved 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 remained at this level for the entire 2008 financial year as follows:

- Chair - $110,000 per annum plus superannuation;
- Non-executive - $60,000 per annum plus superannuation.

Effective 1 July 2008, non-executive directors' fees have been set as:

- Chair - $121,000 per annum plus superannuation;
- Non-executive - $70,000 per annum plus superannuation.

Since 2004 non-executive directors' fees have increased by 35%. Over the same period dividends have increased by 167% and EPS by 256%.

Additional fees are not paid for membership or chairmanship of board committees. An entity associated with Mr Holliday-Smith receives consulting fees in respect of services performed for Office[2].

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 2008 is set out on page 18.

Senior executives

The 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 Company's remuneration practices. A policy is in place for the 2008 and future financial years 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 the review, the Remuneration Committee identified 8 key management personnel.

The continued steady increase in the Company'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. In the current year, and over the previous four financial years, net profit after tax has increased from $9.44 million in 2004 to $33.83 million in 2008.

Shareholder wealth has similarly increased. Dividends paid have increased from 7.5 cents per share in 2004 to 20.0 cents per share in this financial year. The Consolidated Entity's strong performance and healthy cash flow and balance sheet has been reflected in its ability to pay 'special' dividends in November 2006 and December 2007. Earning per share has increased from 11.8 cents per share in 2004 to 42.0 cents per share in 2008.

Servcorp has undertaken significant expansion in 2007 and 2008 and the successful management of this expansion by Servcorp's executive team is likely to give rise to further increases in shareholder wealth in future years.

Remuneration report (cont)

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

Senior executives (cont)

Fixed remuneration

This is targeted to be reasonable and fair, taking into account the Company's legal and industrial obligations, labour market conditions and the scale of the Company. 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 Servcorp and the individual executive.

Executives do not have a fixed proportion of their total remuneration that is performance related. 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 2008, the short term incentive component of remuneration of the key management personnel was 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 calculated as follows:

Consolidated Entity NPBT on mature floors $m	Short term incentive - % of base salary
>$46 to <$48	Range from 20% to 25%
>$48 to <$50	Range from 25% to 30%
>$50 to <$54	Range from 30% to 35%
>$54	Range from 35% to 40%

- Key management personnel who had responsibility for a region were O Vlietstra, S Martin, W Wu and S McArthur. Short term incentive components for these personnel were calculated as follows:

Attainment of performance target (PT)	Short term incentive - % of base salary
PT less $1m	20%
PT attained	25%
PT plus $1m	30%
PT plus $2m	35%

If the Consolidated Entity and all specified regions attained their performance targets for the financial year ended 30 June 2008, the total value of short term incentives payable to key management personnel was $553,242. The range attainable was a minimum of $405,775 and a maximum of $830,550.

The short term incentive target is reviewed annually. For the 2009 financial year short term incentive targets will be both monetary and non-monetary, including targets related to client churn and team retention.

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 Company 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.

The Scheme was first approved by shareholders on 19 October 1999. Amendments were approved by shareholders in November 2000 and May 2001. In light of the age of the Scheme documentation, this year 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 to the Scheme were approved by directors on 20 February 2008 and subsequently approved by shareholders on 26 May 2008.

A number of the amendments were to reflect changes in the legislation and regulations surrounding schemes of this kind. The only substantive amendment 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 Company meets specified earnings per share hurdles. The options will vest in increasing proportions, depending on the level of growth in the Company's earnings per share. No options will vest unless the Company achieves earnings per share growth of at least 10%.

Pursuant to the terms and conditions of the Scheme, any person who is employed on a full or part time basis by the Company 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.

In the current financial year, following a recommendation by the Remuneration Committee, the Board granted a maximum of 160,000 options under the Scheme to five key management personnel. The number of options that vest (and hence will be capable of being exercised) is contingent upon the overall performance of the Company during the 2008 year.

Remuneration report (cont)

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

Senior executives (cont)

The allocation of the number of options as between each of these five key management personnel is reflective of each executive's perceived relative contribution to the success of the Company.

The options are the equity component of the overall remuneration package of the key management personnel. The equity component is considered important to further align the interests of the key management personnel with the long term interests of the Company's shareholders. Details of the options granted are as follows:

- Number issued - 160,000 options to subscribe for 160,000 shares in the Company;
- Date granted – 22 February 2008;
- Issue price - nil cash consideration;
- Exercise price - $4.60;
- Pursuant to the terms and conditions of the Scheme, the options will lapse unless they vest. The options vest in accordance with the earnings per share growth of the Company for the 2008 financial year (measured relative to the 2007 financial year).;
- The earnings per share performance will be calculated as follows:
  P = (2008 EPS – 2007 EPS) ÷ 2007 EPS x 100
  "P" means earnings per share performance
  "EPS" means earnings per share of the Company
- The options will vest in the proportions detailed in the following table:

2008 EPS performance	Percentage of options that will vest
<10%	0%
>10% to <15%	50% to 100% determined on pro-rata basis
>15%	100%

- Options that do not vest will immediately lapse;
- Only vested options may be exercised and options can only be exercised at least two years after they are issued (except in the event of a takeover or change in control – in either of these situations any vested options can be exercised, including those issued less than two years prior to such event);
- Options which have vested will ultimately expire on the earlier of:
  (a) the fifth anniversary of their date of issue; and
  (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 the 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 carry the right to participate in any new issues of shares without the prior exercise of the options, except as required in accordance with the ASX Listing Rules;

Effective 1 July 2008, options granted can only be exercised at least three years after they are issued.

The Company will expense the value of the options granted in its profit and loss account in accordance with applicable accounting standards.

The EPS performance for 2008 was 28.5% and accordingly options vested 100%.

The Company has received an independent valuation of the options. The valuer adopted the "binomial tree" valuation methodology as it provides (in the valuer's opinion) an appropriate amount of flexibility with respect to the particular performance and vesting conditions of the options.

Some of the key assumptions used in valuing the options were:

Expiry date	22 February 2013
Share price on the date the options were granted	$4.60
Exercise price	$4.60
Volatility of the market price of shares	25%
Risk free interest rate	6.66%
Dividend yield	2.6%

In the opinion of the valuer, the options are valued at $1.04 per option.

No options were granted to directors.

Options granted to the key management personnel and five most highly remunerated officers of the Company are detailed in the table on page 20

It was proposed that options also be granted to T Moufarrige and M Moufarrige, both key management personnel. These proposals were withdrawn at the general meeting of the Company held on 26 May 2008. Cash bonuses were paid in lieu of the issues of options. These bonuses are disclosed in their remuneration in the tables on pages 18 and 19.

Retirement benefits

Retirement benefits for Australian executives are delivered under the Servcorp Superannuation Fund. This fund provides accumulation benefits based on contributions and fund earnings. Executives may nominate for contributions to be made to another fund of their choice.

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 2008 is set out in the table on pages 19 and 20.

Remuneration report (cont)

Directors' remuneration

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees	Bonus (v)	Non - monetary	Other	Super	Equity options & shares	
	$	$	$	$	$	$	
A G Moufarrige (i)							
2008	399,266	90,000	63,765	-	33,075	-	586,106
2007	212,827	-	220,928	-	18,900	-	452,655
T Moufarrige (i)							
2008	298,379	209,500	7,631	-	45,405	-	560,915
2007	216,295	68,000	36,700	-	25,320	-	346,315
B Corlett (ii)							
2008	110,000	-	-	-	9,900	-	119,900
2007	105,000	-	-	-	9,450	-	114,450
R Holliday-Smith (ii)							
2008	60,000	-	-	50,000	5,400	-	115,400
2007	58,750	-	-	-	5,288	-	64,038
J King (ii)							
2008	60,000	-	-	-	5,400	-	65,400
2007	58,750	-	-	-	5,288	-	64,038
Aggregate							
2008	927,645	299,500	71,396	50,000	99,180	-	1,447,721
2007	651,622	68,000	257,628	-	64,246	-	1,041,496

Note:

(i) Executive directors and key management personnel.

(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.

(v) The short term bonus relates to performance targets for the current financial year, payable in the following financial year. The bonus vests upon attainment of performance targets, as detailed on page 16 of this report. Some discretionary bonuses may also be paid. The percentage of the maximum attainable bonus which vested in respect of targets for the 2008 financial year was as follows. The balance of the bonus was forfeited.

A G Moufarrige	86%
T Moufarrige	91%

Remuneration report (cont)

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 & shares (vi)	
	$	$	$	$	$	$	
M Moufarrige							
CIO (i) (ii)							
2008	298,722	209,500	7,631	-	45,405	-	561,258
2007	217,870	68,000	7,299	-	25,320	-	318,489
O Vlietstra							
GM Japan (i) (ii)							
2008	258,408	108,932	-	-	-	7,341	374,681
2007	213,713	57,307	-	-	-	45,600	316,620
T Wallace							
CFO (i) (ii)							
2008	215,502	96,551	-	-	27,755	5,506	345,314
2007	181,324	73,000	-	-	22,774	-	277,098
S Martin							
GM Aust & NZ (i) (ii)							
2008	182,243	90,000	-	-	24,382	7,341	303,966
2007	167,457	20,000	-	-	16,650	31,920	236,027
W Wu							
GM Greater China (i) (iii)							
2008	117,773	72,113	-	-	-	5,506	195,392
S McArthur							
Snr Mgr Singapore & KL (i) (iii)							
2008	122,237	27,468	-	-	4,758	3,671	158,134
N Billett							
GM Sales (ii)							
2008	165,283	64,500	-	-	16,200	-	245,983

Remuneration report (cont)

Key management personnel and highly remunerated senior executive rehhmuneration

Name	Short term employee benefits				Post employment	Share based payments	Total
	Salary & fees $	Bonus (v) $	Non - monetary $	Other $	Super $	Equity options & shares (vi) $	
R Baldwin							
GM ITS (ii) (iv)							
2007	438,365	-	-	-	16,048	-	454,413
Aggregate							
2008	1,360,168	669,064	7,631	-	118,500	29,365	2,184,728
2007	1,218,729	218,307	7,299	-	80,792	77,520	1,602,647

Notes:

(i) Key management personnel other than directors.

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

(iii) W Wu and S McArthur were key management personnel from 1 July 2007.

(iv) R Baldwin retired on 30 June 2007.

(v) The short term bonus relates to performance targets for the current financial year, payable in the following financial year. The bonus vests upon attainment of performance targets, as detailed on page 16 of this report. Some discretionary bonuses may also be paid. The percentage of the maximum attainable bonus, excluding discretionary bonuses, which vested in respect of targets for the 2008 financial year was as follows. The balance of the bonus was forfeited.

M Moufarrige	91%
O Vlietstra	75%
T Wallace	86%
S Martin	100%
W Wu	100%
S McArthur	0%
N Billett	75%

(vi) The amounts disclosed under "Share based payment" in the 2008 year relate to options issued on 22 February 2008. The calculation of the percentage of the options that will vest in the person is detailed on page 17 of this report. Based on the EPS performance of the Company for the 2008 financial year the options have vested 100%. No options were forfeited.
The amounts disclosed in the 2007 year relate to shares issued on 20 July 2007. These were disclosed under "Short term employee benefits - bonus" in the 2007 report. The shares fully vested in the person in the 2008 financial year. No percentage was forfeited.

Options granted to key management personnel and highly remunerated senior executives

Name	Number of options granted	Exercise price	Value of options granted
T Wallace	30,000	$4.60	$31,200
S Martin	40,000	$4.60	$41,600
O Vlietstra	40,000	$4.60	$41,600
W Wu	30,000	$4.60	$31,200
S McArthur	20,000	$4.60	$20,800

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 2 to 9 of this 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 Professional Statement F1 Professional Independence, 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 22 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.

Taine Moufarrige
Executive Director
Dated at Sydney this 20th day of August 2008.

Deloitte.

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

20 August 2008

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 2008, 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

P G Forrester
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

SERVCORP LIMITED
ABN 97 089 222 506

FINANCIAL REPORT

For the financial year ended 30 June 2008

Contents

Income statement

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Revenue	2	181,617	162,754	-	-
Other revenue and income	2	8,525	4,764	18,718	15,466
		190,142	167,518	18,718	15,466
Service expenses		(47,545)	(42,854)	-	-
Marketing expenses		(9,752)	(8,536)	-	-
Occupancy expenses		(70,713)	(66,198)	(61)	(40)
Administrative expenses		(17,466)	(15,707)	(886)	(887)
Borrowing expenses	2	(88)	(99)	-	-
Total expenses		(145,564)	(133,394)	(947)	(927)
Profit before income tax expense		44,578	34,124	17,771	14,539
Income tax expense	5	(10,744)	(7,792)	(389)	(2,819)
Profit for the year	21	33,834	26,332	17,382	11,720
Earnings per share					
Basic earnings per share	8	$0.420	$0.327	-	-
Diluted earnings per share	8	$0.420	$0.327	-	-

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

Balance sheet

Servcorp Limited and its controlled entities

as at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current assets					
Cash and cash equivalents	9	73,716	55,401	60	13
Trade and other receivables	10	17,541	15,462	67,164	58,747
Other financial assets	12	528	9,266	528	-
Current tax assets	5	89	207	-	71
Other	11	5,929	6,020	47	32
Total current assets		97,803	86,356	67,799	58,863
Non-current assets					
Other financial assets	12	21,530	19,820	29,487	40,557
Property, plant and equipment	13	45,515	31,888	-	-
Deferred tax assets	5	9,685	8,087	18	26
Goodwill	14	15,962	15,962	-	-
Total non-current assets		92,692	75,757	29,505	40,583
Total assets		190,495	162,113	97,304	99,446
Current liabilities					
Trade and other payables	15	26,652	21,984	2,526	6,027
Other financial liabilities	16	17,689	16,377	-	-
Current tax liabilities	5	3,837	3,799	1,704	2,057
Provisions	18	5,783	3,038	-	186
Total current liabilities		53,961	45,198	4,230	8,270
Non-current liabilities					
Trade and other payables	15	7,682	5,212	-	-
Other financial liabilities	16	177	-	-	-
Provisions	18	550	286	-	-
Deferred tax liabilities	5	473	265	-	-
Total non-current liabilities		8,882	5,763	-	-
Total liabilities		62,843	50,961	4,230	8,270
Net assets		127,652	111,152	93,074	91,176
Equity					
Issued capital	19	80,948	80,754	80,948	80,754
Reserves	20	(14,944)	(13,107)	29	16
Retained earnings	21	61,648	43,505	12,097	10,406
Equity attributable to equity holders of the parent		127,652	111,152	93,074	91,176
Total equity		127,652	111,152	93,074	91,176

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

Statement of recognised income and expense

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2008

		Consolidated		The Company	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Translation of foreign operations:					
Exchange differences taken to equity	20	(1,850)	(4,806)	-	-
Net expense recognised directly in equity		(1,850)	(4,806)	-	-
Profit for the financial year	21	33,834	26,332	17,382	11,720
Total recognised income and expense for the period		31,984	21,526	17,382	11,720
Attributable to:					
Equity holders of the parent		31,984	21,526	17,382	11,720
		31,984	21,526	17,382	11,720

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

Cash flow statement

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Cash flows from operating activities					
Receipts from customers		191,726	168,250	-	-
Payments to suppliers and employees		(131,825)	(118,875)	(346)	(963)
Dividends and royalties received		-	-	-	-
Income tax paid		(11,850)	(12,132)	(8,687)	(10,714)
Interest and other items of similar nature received		3,187	2,840	1,712	1,433
Interest and other costs of finance paid		(46)	(99)	-	-
Net operating cash flows	27(c)	51,192	39,984	(7,321)	(10,244)
Cash flows from investing activities					
Payments for property, plant and equipment		(23,831)	(14,547)	-	-
Payments for financial assets		-	(6,061)	-	-
Payments for acquisition of business	27(b)	-	(1,416)	-	-
Payments for lease deposits		(1,524)	(4,206)	-	-
Proceeds from sale of investments		9,338	1,900	-	-
Proceeds from sale of property, plant and equipment		196	712	-	-
Proceeds from refund of lease deposits		-	1,238	-	-
Repayment of related party loans		-	-	(3,578)	(9,702)
Proceeds from repayment of related party loans		-	-	26,637	37,575
Net investing cash flows		(15,821)	(22,380)	23,059	27,873
Cash flows from financing activities					
Proceeds from issue of equity securities		-	60	-	60
Proceeds from borrowings		-	751	-	-
Repayment of borrowings		-	(13)	-	-
Dividends paid		(15,691)	(17,695)	(15,691)	(17,695)
Net financing cash flows		(15,691)	(16,897)	(15,691)	(17,635)
Net increase/(decrease) in cash and cash equivalents		19,680	707	47	(6)
Cash and cash equivalents at the beginning of the financial year		54,114	56,365	13	19
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(345)	(2,958)	-	-
Cash and cash equivalents at the end of the financial year	27(a)	73,449	54,114	60	13

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

Notes to the financial statements

for the financial year ended 30 June 2008

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 includes the separate financial statements of the Company and 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 Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 20 August 2008.

Basis of preparation
The financial report has been prepared on the basis of historical cost, except for the revaluation of 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. The Group has also adopted the following standards which only impacted on the Group's financial statements with respect to disclosure:

- AASB7 'Financial Instruments: Disclosures'
- AASB101 'Presentation of Financial Statements' (revised October 2006)

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

- AASB8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009.
- AASB101 'Presentation of Financial Statements' (revised September 2007). Effective for annual reporting periods beginning on or after 1 January 2009.

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standards has not yet been determined:

- AASB3 'Business Combinations': Effective for annual reporting periods beginning on or after 1 July 2009.
- AASB127 'Consolidated and Separate Financial Statements'. Effective for annual reporting periods beginning on or after 1 July 2008.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Consolidated Entity or the Company.

The application of AASB101 (revised) and AASB8 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Consolidated Entity's and the Company's financial statements and segment information.

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 are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries, as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 25 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 Income statement 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 Income statement 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.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

(d) Impairment of assets (other than financial assets)

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets (other than those at fair value through profit or loss), 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.

Goodwill and 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. An impairment of goodwill is not subsequently reversed.

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 Income statement 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 Income statement 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.

1 Significant accounting policies (continued)

(e) 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.

(f) 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.

(g) 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 Income statement 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 Income statement on disposal of the net investment.

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 Income statement 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.

(h) 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 Income statement as incurred.

1 Significant accounting policies (continued)

(i) 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.

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 Income statement, 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.

1 Significant accounting policies (continued)

(i) Taxation (continued)

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 Balance sheet.

Cash flows are included in the Cash flow statement 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.

(j) 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.

(k) 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 22 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 Income statement.

(l) 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 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 23.

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.

(m) 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, net of 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.

Investments in fixed rate bonds and reset preference securities held for trading are classified as financial assets and are carried at fair value with any resultant gain or loss recognised through the Income statement.

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.

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.

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)

(n) 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.

(o) 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 Income statement.

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 Income statement 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)

(p) Payables

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

(q) Borrowings

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 Income statement over the life of the borrowings using the effective interest rate method.

(r) 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.

(s) 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 and employee share option schemes

Servcorp Limited has granted options to certain executives and employees under Executive and Employee Share Option Schemes. Further information is set out in Notes 23 to the financial statements.

Defined contribution superannuation fund

The Company and other controlled entities contribute to a defined contribution superannuation plan. Contributions are charged to the Income statement as they are made. Further information is set out in Note 23. Contributions to defined contribution superannuation plans are expensed as incurred.

1 Significant accounting policies (continued)

(t) 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.

(u) 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.

(v) 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.

(w) 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.

Useful lives of property, plant and equipment

As described in Note 1(n), 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. Details of the provision are provided in Note 18.

Royalties

Servcorp applied a new transfer pricing methodology for the determination of the royalty fees charged by Servcorp Limited to its subsidiaries for the year ended 30 June 2007, which also included a refund to an overseas jurisdiction in relation to the year ended 30 June 2006. The financial impact of these changes in royalty methodology for all locations for the year ended 30 June 2007 was an overall drop in the royalty income recorded by Servcorp Limited of $155,000.

Share Options

As described in Note 23, management uses their judgement 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.

Notes to the financial statements

for the financial year ended 30 June 2008

		Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
2	**Profit from operations**				
(a)	**Revenue**				
	Revenue from continuing operations consisted of the following:				
	Revenue from the rendering of services	181,617	162,754	-	-
(b)	**Other revenue and income**				
	Interest income:				
	Related parties	-	8	1,695	1,319
	Bank deposits	3,224	2,581	17	1
	Other	-	3	-	1
	Royalties:				
	Related parties	-	-	-	8,384
	Franchise fees:				
	Other	329	216	-	-
	Dividends received from:				
	Related parties	-	-	16,000	5,000
	Net foreign exchange gains	3,214	-	1,000	113
	Gains from disposal of assets:				
	Related parties	-	-	-	648
	Other	-	155	-	-
	Other	1,758	1,801	6	-
	Total other income	8,525	4,764	18,718	15,466
(c)	**Profit before income tax**				
	Profit before income tax was arrived at after charging/(crediting) the following from/(to) continuing operations:				
	Net foreign exchange losses	-	2,855	-	-
	Borrowing expenses:				
	Interest on bank overdrafts and loans	88	98	-	-
	Other interest expense	-	1	-	-
		88	99	-	-
	Depreciation of leasehold improvements	5,068	4,872	-	-
	Depreciation of property, plant and equipment	4,287	4,351	-	-
	Loss on disposal of property, plant and equipment	461	101	-	-
	Loss on disposal of financial assets	118	-	-	-
	Change in fair value of financial assets classified as fair value through the profit or loss	528	14	528	-
	Impairment of trade receivables arising from:				
	Third parties	662	507	-	-
	Related party interest reversal	-	-	-	547
	Operating lease rental expense:				
	Minimum lease payments	60,260	55,300	-	-
	Employee benefit expense:				
	Equity-settled share based payments	29	-	29	-

3 Significant transactions

There were no individually significant transactions included in profit from ordinary activities before income tax expense.

	Consolidated		The Company	
	2008 $	2007 $	2008 $	2007 $
4 Remuneration of auditors				
(a) Auditor of the parent entity				
(Deloitte Touche Tohmatsu Australia (DTT)				
Audit and review of financial reports	351,000	313,468	180,600	173,068
Other services - tax	186,000	136,955	71,800	136,555
Other services - other	133,200	10,000	27,200	-
	670,200	460,423	279,600	309,623
(b) Other auditors				
(DTT International Associates)				
Audit and review of financial reports	513,290	370,792	-	-
Other services - tax	130,914	122,646	-	-
Other services - statutory accounts review	28,055	47,421	-	-
	672,259	540,859	-	-
	1,342,459	1,001,282	279,600	309,623

The auditor of Servcorp Limited is Deloitte Touche Tohmatsu.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000

5 Income taxes

(a) Income tax recognised in the Income statement

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Tax expense comprises:				
Current tax expense	12,193	9,468	507	2,689
Under/(over) provision in prior years - current tax	(186)	212	(126)	131
Under/(over) provision in prior years - deferred tax	521	32	7	(53)
Deferred tax (income)/expense relating to the origination and reversal of temporary differences and previously unrecognised tax losses	(1,784)	(1,920)	1	52
Income tax expense	10,744	7,792	389	2,819
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	44,578	34,124	17,771	14,539
Income tax expense calculated at 30%	13,373	10,237	5,331	4,361
Deductible local taxes	(282)	(213)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,443)	(1,886)	-	-
Other non-deductible/(non-assessable) items	1,671	19	(4,823)	(1,620)
Tax impact of 2006 royalty fee adjustment	-	(655)	-	-
Tax losses of controlled entities recovered	1	-	-	-
Income tax under/(over) provision in prior years	335	244	(119)	78
Unused tax losses and tax offsets not recognised as deferred tax assets	(1,911)	46	-	-
Income tax expense	10,744	7,792	389	2,819

The tax rate used in the above reconciliation is the Australian corporate tax rate of 30% (2007: 30%).

(b) Current tax assets and liabilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current tax assets:				
Tax refunds receivable	89	207	-	71
Current tax payables:				
Income tax attributable to				
Parent entity	1,704	2,057	1,704	2,057
Subsidiaries	2,133	1,742	-	-
	3,837	3,799	1,704	2,057

		Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
5	**Income taxes** (continued)				
(c)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Tax losses - revenue	3,057	2,406	-	-
	Temporary differences	6,628	5,681	18	26
		9,685	8,087	18	26
	Deferred tax liabilities comprise:				
	Temporary differences	473	265	-	-
	Net deferred tax assets	9,212	7,822	18	26
	The gross movement of the deferred tax accounts are as follows:				
	Balance at the beginning of the financial year	7,822	6,688	26	25
	Movements in foreign exchange rates	127	(754)	-	-
	Income statement credit/(charge)	1,263	1,888	(8)	1
	Balance at the end of the financial year	9,212	7,822	18	26
	Deferred tax assets				
	Movements in temporary differences:				
	Accruals not currently deductible	343	366	(8)	1
	Doubtful debts	58	(100)	-	-
	Depreciable and amortisable assets	67	(361)	-	-
	Tax losses	655	934	-	-
	Foreign exchange	(88)	586	-	-
	Other	445	279	-	-
	Deferred tax assets	1,480	1,704	(8)	1
	Balance at the beginning of the financial year	8,087	7,149	26	25
	Movements in foreign exchange rates	118	(766)	-	-
	Income statement credit/(charge)	1,480	1,704	(8)	1
	Balance at the end of the financial year	9,685	8,087	18	26
	Deferred tax liabilities				
	Movements in temporary differences:				
	Depreciable and amortisable assets	109	73	-	-
	Other	108	(257)	-	-
	Deferred tax liabilities	217	(184)	-	-
	Balance at the beginning of the financial year	265	461	-	-
	Movements in foreign exchange	(9)	(12)	-	-
	Income statement credit	217	(184)	-	-
	Balance at the end of the financial year	473	265	-	-

		Consolidated		The Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
5	**Income taxes** (continued)				
(d)	**Unrecognised deferred tax balances**				
	The following deferred tax assets have not been brought to account as assets:				
	Temporary differences	34	238	-	-
	Tax losses - capital	2,086	-	-	-
	Tax losses - revenue	676	2,343	-	-
		2,796	2,581	-	-

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 $3,057,385 (2007: $2,406,337) in respect to losses that can be carried forward against future taxable income.

6 Segment information

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

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

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

Business segments
The Consolidated Entity comprises only one business segment which is the provision of executive serviced and virtual offices and associated communications and secretarial services. The directors consider this business segment to be the secondary segment.

Geographical segments	Australia & New Zealand $'000	Japan & Asia $'000	Europe & Middle East $'000	Eliminated $'000	Consolidated $'000
2008					
Revenue					
Segment revenue	54,795	100,400	28,077	-	183,272
Other unallocated revenue and other income					6,870
Total revenue and other income					190,142
Result					
Segment result	15,065	24,242	5,289	-	44,596
Unallocated corporate profit					(18)
Profit before income tax expense					44,578
Income tax expense					(10,744)
Net profit					33,834
Depreciation of segment assets	3,066	5,137	1,330	(178)	9,355
Non-cash items other than depreciation	656	410	266	1,471	2,803
Assets					
Segment assets	56,530	85,251	34,658	-	176,439
Unallocated corporate assets					14,056
Consolidated total assets					190,495
Acquisitions of non-current assets	13,299	3,686	6,846	-	23,831
Liabilities					
Segment liabilities	41,695	55,376	20,686	-	117,757
Unallocated corporate liabilities					(54,914)
Consolidated total liabilities					62,843

6 Segment information (continued)

Geographical segments	Australia & New Zealand $'000	Japan & Asia $'000	Europe & Middle East $'000	Eliminated $'000	Consolidated $'000
2007					
Revenue					
Segment revenue	47,978	92,959	22,188	-	163,125
Other unallocated revenue and other income					4,393
Total revenue and other income					167,518
Result					
Segment result	11,767	16,472	6,175	-	34,414
Unallocated corporate profit					(290)
Profit before income tax expense					34,124
Income tax expense					(7,792)
Net profit					26,332
Depreciation of segment assets	3,045	5,351	1,005	(178)	9,223
Non-cash items other than depreciation	580	269	853	-	1,702
Assets					
Segment assets	51,147	85,494	19,980	-	156,621
Unallocated corporate assets					5,492
Consolidated total assets					162,113
Acquisitions of non-current assets	3,918	8,792	2,105	-	14,815
Liabilities					
Segment liabilities	29,697	47,658	13,466	-	90,821
Unallocated corporate liabilities					(39,860)
Consolidated total liabilities					50,961

Notes to the financial statements

for the financial year ended 30 June 2008

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					
2007					
Special - fully paid ordinary shares	10.00	8,043	30 Nov 2006	30%	100%
Interim - fully paid ordinary shares	6.00	4,826	4 April 2007	30%	100%
2008					
Final - fully paid ordinary shares	7.00	5,633	4 Oct 2007	30%	100%
Special - fully paid ordinary shares	5.00	4,023	20 Dec 2007	30%	100%
Interim - fully paid ordinary shares	7.50	6,035	3 April 2008	30%	100%

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

Final - fully paid ordinary shares	7.50	6,035	2 Oct 2008	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.

	The Company 2008 $'000	The Company 2007 $'000
Dividend franking account		
30% franking credits available	9,311	9,518
Impact on franking account balance of dividends not recognised	2,586	2,414

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.

	Consolidated 2008 $'000	Consolidated 2007 $'000
8 Earnings per share		
Earnings reconciliation:		
Net profit	33,834	26,332
Earnings used in the calculation of basic and diluted EPS	33,834	26,332
	No.	**No.**
Weighted average number of ordinary shares used in the calculation of basic EPS	80,465,280	80,428,310
Shares deemed to be issued in respect of:		
Employee options (i)	-	-
Weighted average number of ordinary shares used in calculation of diluted EPS	80,465,280	80,428,310
Basic earnings per share	$0.420	$0.327
Diluted earnings per share	$0.420	$0.327

Note:
(i) These employee share options issued during the financial year ended 30 June 2008 were anti-dilutive.

Notes to the financial statements

for the financial year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
9 Cash and cash equivalents					
Cash		24,374	17,905	60	13
Bank short term deposits		49,342	37,496	-	-
		73,716	55,401	60	13

Bank short term deposits mature within an average of 67 days (2007: 71 days). These deposits and the interest earning portion of the cash balance earn interest at a weighted average rate of 6.06% (2007: 5.24%).

10 Trade and other receivables

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current					
At amortised cost					
Trade receivables (i)		16,832	15,152	-	-
Less: allowance for doubtful debts held for trading		(551)	(269)	-	-
Other debtors		1,260	579	35	74
Amounts receivable from controlled entities (ii)	28	-	-	67,129	58,673
		17,541	15,462	67,164	58,747

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. We assess receivables for impairment at each reporting date and where there is an indication of impairment, we provide accordingly.

(ii) The weighted average interest rate for the year ended 30 June 2008 on outstanding loan balances was 12.45% for unsecured loans (2007: 3.99% for secured loans and 11.74% for unsecured loans). The Company's trade receivables have been fully reviewed and are not considered past due.

Aging of past due but not impaired	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
30 days	14,607	13,468	-	-
60 days	873	682	-	-
90 days and over	385	330	-	-
Total	15,865	14,480	-	-
Movement in the allowance of doubtful debts				
Balance at the beginning of the year	269	346	-	-
Impaired losses recognised on receivables	551	269	-	-
Amounts written off as uncollectable	(269)	(346)	-	-
Balance at the end of the year	551	269	-	-

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		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Prepayments	4,553	4,053	33	32
Other	1,376	1,967	14	-
	5,929	6,020	47	32

12 Other financial assets

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
At fair value through profit or loss				
Investment in fixed rate bonds - held for trading	-	1,020	-	-
Investment in reset preference securities - held for trading	-	8,246	-	-
Forward foreign currency exchange contracts	528	-	528	-
	528	9,266	528	-
Non-current				
Investments carried at cost				
Shares in controlled entities	-	-	19,076	19,076
Investment - Equity loans to controlled entities (i)	-	-	10,411	21,481
At amortised cost				
Lease deposits	21,474	19,765	-	-
Other	56	55	-	-
	21,530	19,820	29,487	40,557

Notes:
(i) These loans rank equally with shareholders.

13 Property, plant and equipment

	Consolidated								
	Land and buildings at cost $000	Leasehold improve-ments owned at cost $000	Leasehold improve-ments leased at cost $000	Office furniture & fittings owned at cost $000	Office furniture & fittings leased at cost $000	Office equip-ment owned at cost $000	Office equip-ment leased at cost $000	Motor vehicles owned at cost $000	Total $000
Gross carrying amounts									
Balance at 30 June 2007	725	39,534	5,428	10,273	1,128	17,280	673	200	75,241
Additions	4,338	14,378	-	1,565	-	3,070	-	480	23,831
Disposals	-	(2,019)	(1,368)	(849)	(471)	(1,983)	(255)	(59)	(7,004)
Transfers	-	-	-	53	(43)	(10)	-	-	-
Net foreign currency differences on translation of self-sustaining operations	20	(392)	51	(271)	4	(409)	8	(2)	(991)
Balance at 30 June 2008	5,083	51,501	4,111	10,771	618	17,948	426	619	91,077
Accumulated depreciation									
Balance at 30 June 2007	21	20,289	5,296	4,390	1,092	11,503	673	89	43,353
Depreciation expense	45	4,981	88	1,239	34	2,925	-	43	9,355
Disposals	-	(1,655)	(1,368)	(697)	(471)	(1,843)	(255)	(27)	(6,316)
Transfers	-	-	-	46	(43)	(3)	-	-	-
Net foreign currency differences on translation of self-sustaining operations	1	(373)	48	(132)	2	(384)	8	-	(830)
Balance at 30 June 2008	67	23,242	4,064	4,846	614	12,198	426	105	45,562
Net book value									
Balance at 30 June 2008	5,016	28,259	47	5,925	4	5,750	-	514	45,515
Balance at 30 June 2007	704	19,245	132	5,883	36	5,777	-	111	31,888

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

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
14 Goodwill				
Gross carrying amount and net book value				
Balance at the beginning of the financial year	15,962	15,440	-	-
Additions (i)	-	522	-	-
Balance at the end of the financial year	15,962	15,962	-	-

Notes:

(i) On 20 July 2006, Servcorp WA Pty Ltd acquired the business trading as Level 18, Central Park, Perth, Western Australia. Goodwill on acquisition was $522,000. Refer to Note 29 for further details.

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

Allocation of goodwill to cash generating units

There are thirteen geographical groups of cash generating units as follows:
Japan, Australia, New Zealand, China, Hong Kong, Malaysia, Singapore, Thailand, Belgium, United Arab Emirates, Bahrain, Qatar and France.

Goodwill was allocated to the regions in which goodwill arose.

The carrying amount of goodwill relating to cash generating units as at 30 June 2008 were as follows:

	Consolidated	
	2008 $'000	2007 $'000
Japan	9,161	9,161
France	2,187	2,187
Australia	2,636	2,636
New Zealand	785	785
Singapore	706	706
Thailand	326	326
China	161	161
	15,962	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. The discount rate applied was 12.55% p.a. (2007: 13.19% p.a.).

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

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
15 Trade and other payables					
Current					
At amortised cost					
Trade creditors		5,203	5,252	29	82
Deferred income		12,409	11,113	-	-
Deferred lease incentive		1,932	1,168	-	-
Other creditors and accruals		7,108	4,451	130	-
Amounts payable to controlled entities (i)	28	-	-	2,367	5,945
		26,652	21,984	2,526	6,027
Non-current					
At amortised cost					
Deferred lease incentive		7,682	5,212	-	-
		7,682	5,212	-	-

Notes:

(i) The unsecured loans from controlled entities bear interest at a floating rate. The weighted average rate for the year ended 30 June 2008 on outstanding unsecured loan balances was 12.45% (2007: 11.74%).

16 Other financial liabilities

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
Current				
At amortised cost				
Bank overdraft (i)	-	943	-	-
Bank loans - secured (ii)	90	344	-	-
Security deposits	17,599	15,090	-	-
	17,689	16,377	-	-
Non-current				
At amortised cost				
Bank Loans - secured (ii)	177	-	-	-
	177	-	-	-

Notes:

(i) Interest at a rate of 5.67% and 2.18% is applicable to the year ended 30 June 2007 for the Renminbi and Yen overdraft respectively.

(ii) 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 2.17% (2007: 1.95%).

	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
17 Financing arrangements				
The Consolidated Entity and the Company have access to the following lines of credit:				
Total facilities available:				
Bank guarantees (i)	12,828	10,760	12,828	10,760
Bank overdrafts (iii)	1,443	7,763	1,000	1,030
Bill acceptance / payroll / other facilities (ii)	2,746	2,648	2,746	2,648
	17,017	21,171	16,574	14,438
Facilities utilised at balance sheet date:				
Bank guarantees (i)	12,497	9,808	12,498	9,808
Bank overdrafts and credit cards (iii)	267	1,316	-	30
	12,764	11,124	12,498	9,838
Facilities not utilised at balance sheet date:				
Bank guarantees (i)	330	952	330	952
Bank overdrafts (iii)	1,177	6,447	1,000	1,000
Bill acceptance / payroll / other facilities (ii)	2,746	2,648	2,746	2,648
	4,253	10,047	4,076	4,600

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. The guarantees are secured by a cross guarantee and indemnity between Servcorp Limited and its Australian and New Zealand controlled entities.

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.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
18 Provisions				
Current				
Employee benefits (i)	5,628	2,908	-	186
Other	155	130	-	-
	5,783	3,038	-	186
Non-current				
Employee benefits	272	286	-	-
Other	278	-	-	-
	550	286	-	-

	Consolidated	
	Make good costs $'000	Other $'000
Current		
Balance at the beginning of the financial year	-	130
Increase resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	25
Balance at the end of the financial year	-	155
Non-current		
Balance at the beginning of the financial year	-	-
Provision for contribution	-	278
Balance at the end of the financial year	-	278

Notes:

(i) The current provision for employee benefits includes $2,482,000 (Company: Nil) of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2007: $1,607,000 and Nil for the Consolidated Entity and the Company respectively).

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
19 Issued capital				
Fully paid ordinary shares 80,467,310 (2007: 80,428,310)	80,948	80,754	80,948	80,754
Movements in issued capital				
Balance at the beginning of the financial year	80,754	80,694	80,754	80,694
39,000 shares issued (2007:Nil)	178	-	178	-
Nil (2007: 30,000) from the exercise of options under the Share Option Schemes	-	60	-	60
Transfer from equity-settled employee benefits reserve	16	-	16	-
Balance at the end of the financial year	80,948	80,754	80,948	80,754

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Options
Ordinary shares were issued pursuant to the exercise of options as follows:
Nil shares were issued in the current year (2007: 30,000). Further details of the Executive and Employee Share Option Schemes are detailed in Note 23 to the financial statements.

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

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

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
20	**Reserves**					
	Employee equity-settled benefits reserve		29	16	29	16
	Foreign currency translation reserve		(14,973)	(13,123)	-	-
			(14,944)	(13,107)	29	16
	Movements during the financial year					
	Foreign currency translation reserve					
	Balance at the beginning of the financial year		(13,123)	(8,317)	-	-
	Deferred exchange differences arising from monetary items considered part of the investment in self-sustaining foreign operations		922	(3,890)	-	-
	Translation of foreign operations		(2,772)	(916)	-	-
	Balance at the end of the financial year		(14,973)	(13,123)	-	-
	The foreign currency translation reserve records the foreign currency movements arising from the translation of foreign operations and the translation of monetary items forming part of the net investment in foreign operations.					
	Employee equity-settled benefits reserve					
	Balance at the beginning of the financial year		16	16	16	16
	Transfer to share capital		(16)	-	(16)	-
	Share based payment		29	-	29	-
	Balance at the end of the financial year		29	16	29	16
21	**Retained earnings**					
	Retained earnings at the beginning of the financial year		43,505	34,868	10,406	16,381
	Net profit for the period		33,834	26,332	17,382	11,720
			77,339	61,200	27,788	28,101
	Dividends paid	7	(15,691)	(17,695)	(15,691)	(17,695)
	Retained earnings at the end of the financial year		61,648	43,505	12,097	10,406

22 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 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 2007. The capital structure of Servcorp consists of equity attributable to equity holders of the parent, company issued capital, reserves and retained earnings as disclosed in Notes 19, 20 and 21 respectively.

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 fair value movement reflected in 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 Income statement as exchange gains or losses.

22 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		The Company		Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Pre-tax gain/(loss)								
AUD/USD* +8%	699	519	26	79	(66)	(332)	-	-
AUD/USD* -8%	(795)	(547)	(2)	(93)	66	332	-	-
AUD/JPY +7%	(300)	(683)	(191)	-	(782)	(986)	-	-
AUD/JPY -7%	366	781	14	-	782	986	-	-
AUD/EUR +4%	(331)	(111)	(36)	-	82	(222)	-	-
AUD/EUR -4%	360	120	2	-	(82)	222	-	-
AUD/RMB +5%	(263)	(116)	(33)	-	-	(41)	-	-
AUD/RMB -5%	291	128	2	-	-	41	-	-

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

22 Financial instruments (continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table sets out the details of forward foreign currency exchange contracts in place as at 30 June 2008.

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008 JPY million	2007 JPY million	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Outstanding contracts								
Consolidated								
Sell Japanese JPY Not later than one year	86.50	-	500	-	5,780	-	528	-

(ii) Interest rate risk

Interest rate risk is the risk that the Consolidated Entity's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt. 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 Consolidated Entity and the Company's exposure to interest rate risk, categorised by the earlier of contractual maturity dates is set out in the liquidity and risk table in Note 22 (c) (iii).

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		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Pre tax gain/(loss)				
AUD Deposits				
125 basis point increase	486	423	-	-
125 basis point decrease	(480)	(417)	-	-
Other Deposits				
250 basis point increase	343	425	-	-
250 basis point decrease	(162)	(401)	-	-

(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 Consolidated Entity continually monitors forecast and actual cash flows and matches maturity profiles of financial assets and liabilities.

22 Financial instruments (continued)

(c) Market risk (continued)
(iii) Liquidity risk (continued)

The following tables detail the Consolidated Entity and the Company's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned.

Consolidated	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 %
2008							
Non-interest bearing							
Cash and cash equivalents	24,374	-	-	-	-	24,374	-
Receivables	17,541	-	-	-	-	17,541	-
Lease deposits	-	861	4,204	14,336	2,154	21,555	-
Forward foreign currency exchange contracts	-	-	5,780	-	-	5,780	-
Interest bearing							
Cash and cash equivalents (i)	24,102	22,748	3,085	-	-	49,935	6.06
	66,017	**23,609**	**13,069**	**14,336**	**2,154**	**119,185**	
2007							
Non-interest bearing							
Cash and cash equivalents	17,905	-	-	-	-	17,905	-
Receivables	15,462	-	-	-	-	15,462	-
Lease deposits	-	1,618	5,025	11,560	1,962	20,165	-
Interest bearing							
Cash and cash equivalents (i)	23,259	11,796	3,604	-	-	38,659	5.31
Investments (i)	-	8,898	1,025	-	-	9,923	6.92
	56,626	**22,312**	**9,654**	**11,560**	**1,962**	**102,114**	

The Company							
2008							
Non-interest bearing							
Cash and cash equivalents	60	-	-	-	-	60	-
Receivables	53,681	-	-	-	-	53,681	-
Investments	10,411	-	-	-	-	10,411	-
Forward foreign currency exchange contracts	-	-	5,780	-	-	5,780	-
Interest bearing							
Receivables (iii)	-	-	-	13,483	-	13,483	12.45
	64,152	**-**	**5,780**	**13,483**	**-**	**83,415**	
2007							
Non-interest bearing							
Cash and cash equivalents	13	-	-	-	-	13	-
Receivables	37,367	-	-	-	-	37,367	-
Investments	21,481	-	-	-	-	21,481	-
Interest bearing							
Receivables (iii)	-	-	-	21,380	-	21,380	7.70
	58,861	**-**	**-**	**21,380**	**-**	**80,241**	

22 Financial instruments (continued)

(iii) Liquidity risk (continued)

The following tables detail the Consolidated Entity and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables are based on the earliest date on which undiscounted cash flows of financial liabilities is expected to be paid. The table includes both principal and interest cash flows.

Consolidated	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 %
2008							
Non-interest bearing							
Payables	5	12,797	-	-	-	12,802	-
Security deposits	-	-	18,147	-	-	18,147	-
Forward foreign currency exchange contracts	-	-	4,905	-	-	4,905	-
Interest bearing							
Bank overdrafts and loans (iii)	24	1	73	285	-	383	2.17
	29	**12,798**	**23,125**	**285**	**-**	**36,237**	
2007							
Non-interest bearing							
Payables	5	9,172	-	-	-	9,177	-
Security deposits (ii)	-	-	15,692	-	-	15,692	-
Interest bearing							
Bank overdrafts and loans (iii)	25	471	569	362	-	1,427	3.38
	30	**9,643**	**16,261**	**362**	**-**	**26,296**	
The Company							
2008							
Non-interest bearing							
Payables	2,525	-	-	-	-	2,525	-
Forward foreign currency exchange contracts	-	-	4,905	-	-	4,905	-
	2,525	**-**	**4,905**	**-**	**-**	**7,430**	**-**
2007							
Non-interest bearing							
Payables	6,026	-	-	-	-	6,026	-
	6,026	**-**	**-**	**-**	**-**	**6,026**	**-**

Notes:

(i) Fixed interest rate instruments.

(ii) The undiscounted security deposits reflect average contractual terms of between 3 months to one year.

(iii) Variable interest rate instruments.

22 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 Balance sheet, 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 and the Company. 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 recorded in the financial statements approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities traded on active liquid markets with standard terms and conditions are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments, included in hedged assets and liabilities, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

(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 AUD278,000 as at 30 June 2008 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 2008.

23 Employee benefits

Defined contribution fund

Controlled entities in the Consolidated Entity contribute to a superannuation fund established for the benefit of employees. The Servcorp Superannuation Fund provides benefits which reflect accumulated contributions and plan earnings. Contributions by the Company's controlled entities are based on a percentage of salaries. The Company's controlled entities are legally obliged to contribute to the fund, unless an employee nominates a fund of their choice, or until the employee ceases to be employed by the Consolidated Entity.

The directors, based on the advice of the trustees of the fund, are not aware of any changes in circumstances since the date of the most recent financial statements of the fund which would have a material impact on the overall financial position of the fund.

Details of contributions to funds during the year and contributions payable as at 30 June 2008 are as follows:

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Employer contributions to the fund	1,209	1,222	-	-
Employer contributions to other funds	361	184	21	20
Employer contributions payable to other funds	-	10	-	-

Options granted to employees

Share option schemes

	The Company	
	2008 No.	2007 No.
Balance at the beginning of the financial year	-	30,000
Exercised during the financial year	-	(30,000)
Granted during the financial year	160,000	-
Balance at the end of the financial year	160,000	-

The Consolidated Entity has an ownership based remuneration scheme for key management personnel (including directors) of the Company.

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. Options may be exercised at any time from the date of vesting to the date of expiry.

Executive share options issued by Servcorp Limited

	Balance at 1/7/07 No.	Granted No.	Exercised No.	Balance at 30/6/08 No.	Vested and exercisable No.	Net vested No.
T Wallace	-	30,000	-	30,000	-	-
O Vlietstra	-	40,000	-	40,000	-	-
S Martin	-	40,000	-	40,000	-	-
W Wu	-	30,000	-	30,000	-	-
S McArthur	-	20,000	-	20,000	-	-
	-	160,000	-	160,000	-	-

Granted during the financial year

160,000 options were issued under the Executive Share Option Scheme on 22 February 2008 with an exercise price of $4.60 and an expiry date of 22 February 2013. No amount was payable by the recipient on receipt of the options. The options can be exercised any time after the expiration of two years from the issue of the options and prior to the expiry of the options. The options expire on the earlier of five years from the date of issue or the date which the option holder ceases to be a director or employee of the Company or any of its controlled entities.

Options issued under Executive and Employee Share Option Schemes carry no rights to dividends and have no voting rights.

23 Employee benefits (continued)

Options granted to employees (continued)
Exercised during the financial year

No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price	No. of shares issued	Fair value at grant date	Fair value of shares at exercise date
2008							
-	-	-	-	-	-	-	-
-					-	-	-
2007							
30,000	21/5/2004	3/7/2006	21/5/2009	$2.00	30,000	$60,000	$172,000
30,000					30,000	$60,000	$172,000

Lapsed during the financial year
Nil (2007: Nil) options expired under the Executive and Employee Share Option Scheme during the financial year ended 30 June 2008.

Balance at the end of the financial year

Grant date	Expiry date	Vested	Exercise price	Number of options outstanding		
				2008	2007	2006
21 May 2004	21 May 2009	Yes	$2.00	-	-	30,000
22 February 2008	22 February 2013	No	$4.60	160,000	-	-
				160,000	-	30,000

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

The fair value of the share options granted during the financial year was $1.04 (2007:Nil). 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 model

Award type	*Options*
Expiry date	22 February 2013
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%

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

EPS performance 2008	Percentage of options that will vest
<10%	0%
>10% to <15%	50% to 100% determined on pro-rata basis
>15%	100%

Issue of shares
An issue of 39,000 shares was made to seven general and senior managers in settlement of their short term incentive remuneration subsequent to the 2007 year end. The shares were allotted on 20 July 2007.

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
24 Commitments for expenditure				
Capital expenditure commitments - property, plant and equipment				
Contracted but not provided for and payable:				
Not later than one year	6,326	7,355	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	6,326	7,355	-	-
Non-cancellable operating lease commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	56,118	62,999	-	-
Later than one year but not later than five years	117,330	114,877	-	-
Later than five years	50,497	40,315	-	-
	223,945	218,191	-	-

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

25 Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2008 %	Ownership interest 2007 %
Parent entity			
Servcorp Limited (iii)	Australia		
Controlled entities			
Servcorp Australian Holdings Pty Ltd	Australia	100	100
Servcorp Offshore Holdings Pty Ltd (ii)	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 (ii)	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 Melbourne 36 Pty Ltd (iv)	Australia	100	100
Servcorp Sydney 56 Pty Ltd	Australia	100	-
Servcorp Norwest Pty Ltd	Australia	100	-
Servcorp Level 12 Pty Ltd	Australia	100	-
Servcorp Western Australia Pty Ltd	Australia	100	-
Office Squared (Nexus) Pty Ltd	Australia	100	-
Servcorp SA 30 Pty Ltd	Australia	100	-
Servcorp Gold Coast 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 Serviced Offices Pte Ltd	Singapore	100	100
Servcorp Battery Road Pte Ltd	Singapore	100	100
Servcorp Marina Pte Ltd	Singapore	100	100

25 **Subsidiaries** (continued)

Name of entity	Country of incorporation	Ownership interest 2008 %	2007 %
Controlled entities (continued)			
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 Hong Kong Limited	Hong Kong	100	100
Servcorp Communications 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	-
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Office Squared Malaysia Sdn Bhd	Malaysia	100	-
I-Office² Sdn Bhd	Malaysia	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
Management International KK	Japan	100	100
Servcorp Ginza KK	Japan	100	100
Servcorp Shinagawa KK	Japan	100	100
Servcorp Nagoya KK	Japan	100	100
Servcorp Aichi KK	Japan	100	-
Servcorp Paris SARL	France	100	100
Servcorp Brussels SPRL	Belgium	100	100
Servcorp LLC (i)	UAE	49	49
Servcorp UK Limited	United Kingdom	100	100
Servcorp BFH WLL	Bahrain	100	100
Servcorp Qatar LLC (i)	Qatar	49	-

Notes:

(i) A Company in the Consolidated Entity exercises control over both Servcorp LLC and Servcorp Qatar LLC 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.

(ii) Servcorp Holdings Pty Ltd and Servcorp Offshore Holdings Pty Ltd have each entered into a deed of guarantee and indemnity with Servcorp Limited in relation to loans owing from their respective subsidiaries. Servcorp Holdings Pty Ltd and Servcorp Offshore Holdings Pty Ltd have each entered into a deed of cross guarantee.

(iii) Servcorp Limited is the head entity within the tax consolidated group.

(iv) Servcorp Parramatta Pty Ltd changed its name to Servcorp Melbourne 36 Pty Ltd on 11 April 2008.

26 Acquisition / disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year. The operating results of each entity have been included in the consolidated operating profit from the date of the acquisition and up to the date of disposal:

	Consideration $'000	The Consolidated Entity's interest %
Acquisitions 2008		
Office Squared Malaysia Sdn Bhd *The entity was formed on 27 July 2007*	-	100
Servcorp Sydney 56 Pty Ltd *The entity was formed on 3 August 2007*	-	100
Servcorp Norwest Pty Ltd *The entity was formed on 27 August 2007*	-	100
Servcorp Aichi KK *The entity was formed on 4 September 2007*	-	100
I-Office² Sdn Bhd *The entity was acquired on 5 September 2007*	-	65
Servcorp Level 12 Pty Ltd *The entity was formed on 7 November 2007*	-	100
Servcorp Western Australia Pty Ltd *The entity was formed on 23 November 2007*	-	100
Office Squared (Nexus) Pty Ltd *The entity was formed on 6 December 2007*	-	100
Servcorp Qatar LLC *The entity was formed 30 January 2008*	-	49
Servcorp SA 30 Pty Ltd *The entity was formed on 10 April 2008*	-	100
Servcorp Gold Coast Pty Ltd *The entity was formed on 14 April 2008*	-	100
Servcorp Business Service (Sihui) Co. Ltd *The entity was formed on 15 April 2008*	-	100
Acquisitions 2007		
Servcorp Parramatta Pty Ltd *The entity was formed on 31 January 2007*	-	100
Servcorp BFH WLL *The entity was formed on 7 March 2007*	-	100
Servcorp Business Service (Chengdu) Co. Ltd *The entity was formed on 21 June 2007*	-	100
Office Squared Pte Ltd *The entity was formed on 8 May 2007*	-	100
Servcorp Hottdesk Singapore Pte Ltd *The entity was acquired on 22 May 2007*	-	100

	Country of incorporation
Disposals 2008 Nil	
Disposals 2007 Nil	

		Consolidated 2008 $'000	Consolidated 2007 $'000	The Company 2008 $'000	The Company 2007 $'000
27	**Notes to the cash flow statement**				
(a)	**Reconciliation of cash and cash equivalents**				
	For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash flow statement are reconciled to the related items in the Balance sheet as follows:				
	Cash	24,374	17,905	60	13
	Short term deposits	49,342	37,496	-	-
	Bank overdraft	(267)	(1,287)	-	-
		73,449	54,114	60	13
(b)	**Net cash outflow on acquisition of business (refer to Note 29)**				
	Cash and cash equivalents consideration	-	1,416	-	-
	Less cash and cash equivalents balances acquired	-	-	-	-
		-	1,416	-	-
(c)	**Reconciliation of profit for the period to net cash flows from operating activities**				
	Profit after income tax	33,834	26,332	17,382	11,720
	Add/(less) non-cash items:				
	Movements in provisions	3,009	1,040	(186)	186
	Depreciation of non-current assets	9,355	9,223	-	-
	(Profit)/loss on disposal of non-current assets	579	(155)	-	-
	(Decrease)/increase in current tax liability	156	(2,531)	(282)	(3,819)
	(Increase)/decrease in deferred tax balances	(1,390)	(1,134)	8	(1)
	Unrealised foreign exchange loss	(2,039)	3,561	(350)	-
	Movement in intercompany to reflect the effect of tax consolidation on tax balances	-	-	(8,023)	(4,075)
	Equity-settled share based payment	29	-	29	-
	Other	-	-	-	-
	Change in assets and liabilities adjusted for the effect of the acquisition of a business during the financial period:				
	(Increase)/decrease in prepayments and receivables	(500)	(415)	(15,975)	(13,998)
	(Increase)/decrease in trade debtors	(2,079)	(911)	-	-
	(Increase)/decrease in current assets	591	(361)	-	-
	Increase in deferred income	1,296	1,012	-	-
	Increase in client security deposits	2,509	942	-	-
	(Decrease)/increase in accounts payable	5,842	3,381	76	(257)
	Net cash provided from operating activities	51,192	39,984	(7,321)	(10,244)

(d) Financing facilities

Refer to Note 17.

28 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 1/7/07 No.	Received on exercise of options No.	Net change No.	Balance at 30/6/08 No.
Specified directors				
B Corlett	383,474	-	30,000	413,474
R Holliday-Smith	250,000	-	-	250,000
A G Moufarrige	48,323,245	-	125,900	48,449,145
J King	92,500	-	3,900	96,400
T Moufarrige	1,859,992	-	-	1,859,992
Specified executives				
M Moufarrige	1,928,842	-	-	1,928,842
O Vlietstra	10,000	-	20,000	30,000
T Wallace	20,000	-	(10,000)	10,000
S Martin	20,000	-	7,000	27,000
S McArthur	2,100	-	5,000	7,100
W Wu	-	-	5,000	5,000
	52,890,153	-	186,800	53,076,953

Notes:
(i) T Moufarrige and M Moufarrige have a relevant interest in 1.8 million shares each in the Company. The shares are registered in the name of Sovori Pty Ltd and the total of 3.6 million shares is also included in the indirect interest of A G Moufarrige.

The aggregate compensation of the key management personnel of the Consolidated Entity and the Company, are as follows:

Short-term employee benefits:

	Consolidated		The Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Salary and fees, bonus and non-monetary benefits	1,807,080	1,444,335	1,349	978
Post employment benefits - superannuation	102,300	80,792	99	64
Share based payment - equity options	29,365	77,520	-	-

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

Loans to key management personnel	Balance at beginning $	Interest charged/paid $	Balance at end $	Number in group
2008	32,174	2,565*	34,739	1
2007	-	2,819	32,174	1

* Interest on the loan made to a key management personnel was provided for at 30 June 2008 and received on 4 August 2008.

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.

28 Related party disclosures (continued)

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

Other transactions with the Company or its controlled entities
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 $50,000 (2007:Nil) 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.

The value of the transactions during the year with directors and their director-related entities were as follows:

			Consolidated		The Company	
Director	**Director-related entity**	**Transaction**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
A G Moufarrige	Tekfon Pty Ltd	Premises rental	63	48	-	-
A G Moufarrige	Enideb Pty Ltd	Franchisee	815	419	-	-
A G Moufarrige	Rumble Australia Pty Limited	Consulting	13	13	-	-
A G Moufarrige, T Moufarrige	Sovori Pty Ltd	Reimbursements	51	39	-	-
A G Moufarrige	MRC Biotech Pty Ltd	Reimbursements	190	13	-	-
R Holliday-Smith	Aegis Partners Pty Ltd	Consulting	50	-	-	-

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

Current receivable				
Enideb Pty Ltd	57	13	-	-

	The Company	
	2008 $'000	2007 $'000

28 Related party disclosures (continued)

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.

Wholly-owned group
Details of interests in wholly-owned controlled entities are set out in Note 25. Details of dealings with these entities are set out below.

Loans
Loans between entities in the wholly-owned group are repayable at call. Interest is charged monthly on outstanding balances. The weighted average interest rate for the year ended 30 June 2008 on outstanding loan balances was Nil for secured loans and 12.45% for unsecured loans (2007: 3.99% for secured loans and 11.74% for unsecured loans).

	2008 $'000	2007 $'000
Interest revenue brought to account by the Company in relation to these loans during the year:		
Interest revenue	1,695	1,311
Balances with entities within the wholly-owned group		
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance sheet date and the significant transactions comprising the movement in the balance are:		
Current receivables		
Amounts receivable from controlled entities	67,129	58,673
Current receivables comprise of day to day funding of expenses		
During the financial year, under the tax sharing agreement, Servcorp Limited recognised a net receivable of $1,331,699 (2007: $946,863) from its wholly-owned subsidiaries within the tax consolidated group for the year ended 30 June 2008.		
Current payables		
Amounts payable to controlled entities	2,367	5,945
Current payables comprise of day to day funding of expenses		
Dividends		
Dividends received or due and receivable by the Company from wholly-owned controlled entities	16,000	5,000
Royalties		
Royalties received or due and receivable by the Company from wholly-owned controlled entities	-	8,384

29 Acquisition of businesses

The financial statements for the year ended 30 June 2008 include changes in the composition of the Consolidated Entity as follows:

Business combinations
30 June 2008

There were no business combinations during the financial year ended 30 June 2008.

30 June 2007
Servcorp WA Pty Ltd
Servcorp WA Pty Ltd acquired 100% of a serviced office business trading as Level 18, Central Park, Perth, Australia from a third party on 20 July 2006. The cash consideration paid for the business, assets, liabilities and customer license agreements was $1,416,397. The components of the consideration were:

	Fair value at acquisition $'000	Pre-acquisition net book value $'000
Business combination cost:		
Purchase consideration	1,357	-
Legal fees and stamp duty	59	-
	1,416	-
Tangible assets/ liabilities acquired:		
Property, plant and equipment	268	268
Security deposits	(110)	(110)
Working capital	67	67
Lease premium	669	-
	894	225
Goodwill on acquisition	522	-

The initial accounting for the acquisition was provisionally determined at 31 December 2006. At the date of finalisation of this report, the necessary market valuations and other calculations were finalised. The goodwill on acquisition was initially determined as an intangible asset pertaining to the acquired customer list. However, it has since been reclassified to goodwill as this more accurately reflects the substance of the premium paid on acquisition. Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire the business. In addition, the consideration paid for the combination effectively included amounts in relation to the expected synergies, revenue growth, future market development and the assembled workforce of Parkwater (WA) Pty Limited.

30 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:

Dividends
For dividends declared after 30 June 2008, see note 7.

Directors' declaration

In the opinion of the directors of Servcorp Limited:

(a) the financial statements and notes, set out on pages 37 to 83, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Accounting Standards in Australia; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Taine Moufarrige
Executive Director

Dated at Sydney this 20th day of August 2008.

Deloitte.

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Independent Auditor's Report to the members of Servcorp Limited

Report on Financial Report

We have audited the accompanying financial report of Servcorp Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 25 to 71.

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 financial statements and notes, complies 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 judgment, 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.

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

Deloitte.

Auditor's Independence Declaration

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

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 2008 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 15 to 20 of the directors' report for the year ended 30 June 2008. 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 30 June 2008, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P G Forrester
Partner
Chartered Accountants
Parramatta, 20 August 2008