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The Manager
Company Announcements Office
Australian Stock Exchange Limited
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***Servcorp reports full year Net Profit Before Tax for Mature Floors
of \$42.87 million***

Immature locations on track

Servcorp Limited (SRV) today announced a net profit after tax of \$26.33 million for the twelve months ended 30 June 2007, an increase of 4% on the profit of \$25.38 million for the 12 months ended 30 June 2006.

Net profit before tax attributable to mature floors increased to \$42.87 million, up 12% from last year's \$38.31 million. This result exceeds market guidance of net profit before tax attributable to mature floors of \$41.00 million. Last year's result included a one-off reversal of a closure provision for Brussels in the amount of \$1.30 million. Excluding this write-back, this year's result is an increase of 16% over 2006.

As announced in August 2006, the 2007 fiscal year was a year of expansion. The 12 months to June 2007 has seen 10 new floors opened. The Board and Management are pleased with the performance to date of these immature floors, which despite their impact on short term results will contribute to the growth of the Company in future periods.

- ❑ Revenue for the twelve months was \$167.52 million, up 15% from \$145.94 million in 2006.
- ❑ Earnings per share increased to 32.7cents, up from 31.6 cents in 2006.
- ❑ Net profit before tax was \$34.12 million, down 3% on \$35.21 million in 2006.
- ❑ As previously foreshadowed operating losses on immature floors of \$7.39 million (2006: \$3.10 million) impacted the net profit before tax result.
- ❑ The Directors have declared a fully franked final dividend, payable on 4 October 2007, in the amount of 7.00 cents per share, up 17% on the final dividend paid for the year ended 30 June 2006. The total dividend paid for the 2007 financial year will be 23.00 cents per share. Excluding the special dividend paid of 10.00 cents per share, this represents an increase of 24% on the dividend paid in relation to the 2006 financial year.
- ❑ Cash generated from operating activities increased by 13% to \$39.98 million for the twelve months (2006: \$35.35 million).
- ❑ Cash and investment balances increased to \$64.67 million from \$63.25 million at June 2006. This follows investment in new locations of \$18.75 million and the payment of dividends totalling \$17.70 million during the twelve months, including the special dividend of \$8.04 million.
- ❑ Average mature floor occupancy during the twelve months to June 2007 was 85%, consistent with an average of 85% for the previous year.
- ❑ Floor capacity at 30 June 2007 increased by 15%. 10 new floors were opened and 2 floors closed during the twelve months.



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Over 60 locations worldwide. Australia - New Zealand - Japan - China - SE Asia - Europe - Middle East
Servcorp Limited ABN 97 089 222 506

Franchise

Servcorp signed a franchise agreement during the year with K Raheja Corp, a substantial Indian company. The agreement provides for the use of the Servcorp name and business systems in India and the establishment of 6 locations in India within three years. The first location is scheduled to open in October 2007. The India franchise agreement is likely to be a catalyst for further franchise growth.

Office²

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

Office² entered into an agreement during the year with the owner of a building in Norwest Business Park which will enable Office² to provision 500 potential users. The building is currently under construction with an expected completion date of October 2007. Tenants are expected to be in residence in November 2007.

In August 2007 Office² entered into a joint venture agreement with I-Berhad, a publicly listed Malaysian company. The joint venture vehicle has exclusive rights to provide telephone, internet and provisioning services throughout I-City, a 35,000 user complex in the Multimedia Super Corridor in Selangor province, Malaysia. First tenants are expected to be in residence in June 2008. Office² and I-Berhad have invested US\$650,000 and US\$350,000 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 Office² to issue a bank guarantee to I-Berhad in the amount of US\$350,000. In the event that I-Berhad calls the bank guarantee their 35% shareholding will revert to Office². The I-City joint venture is the first significant transaction that Office² has entered into and represents a major milestone for the project.

Office² has received active assistance from Cisco Systems Head Office in San Jose, in Beijing, in Hong Kong and in their Australian office. This includes marketing and technical support. This new venture leverages Servcorp's capabilities and will involve continued investment for several years to fully develop the opportunity. The loss incurred for the year was \$1.35 million, which was at the low end of our expectations.

Outlook

The start to 2008 has been steady and, at this early stage, Servcorp believes 2008 will be another solid year. Net profit before tax on mature floors in the 2008 year should increase to \$48.00 million. It is noted that net profit before tax will be impacted by losses in new locations as Servcorp continues to grow its core business and increase critical mass in existing markets. There is already commitment to open 6 new floors in fiscal 2008, two in Sydney, Melbourne, Chengdu, Paris, Wellington and Shanghai. Depending on market conditions there will be a further 4 floors opening in the second half, in Qatar, Abu Dhabi and Fukuoka.

At 30 June 2007, Servcorp operated 65 floors in 19 cities in 12 countries and remains the leader in providing serviced offices and superior IT and business solutions. Management will continue to focus on increasing Servcorp's competitive edge by continuing to invest in technology solutions for our clients.

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