

**Servcorp Limited**  
**ABN 97 089 222 506**  
Market Announcement  
Half Year Results

**Results for announcement to the market**

\$A'000			
Revenues from ordinary activities	down	11% to	53,215
Profit from ordinary activities after tax attributable to members	up	39% to	3,225
Net profit for the period attributable to members	up	39% to	3,225
<b>Dividends (distributions)</b>	<b>Total amount</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
	\$'000		
<i>Current period</i>			
Interim dividend declared	2,998	3.75c	3.75c
Final dividend paid	2,998	3.75c	3.75c
<i>Previous corresponding period</i>			
Interim dividend	3,178	3.75c	3.75c
Final dividend paid	3,168	3.75c	3.75c
Record date for determining entitlements to the dividend	9 March 2004		

**31 December 2003**  
\$

**31 December 2002**  
\$

**Net Tangible Asset Backing**

Net tangible asset backing per ordinary security	\$0.74	\$0.88
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**Control over entities**

Control was not gained or lost over any entity during the current period having a material effect on the profit for the period.

**Material interest in entities**

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

**Details of associates and joint venture entities**

There are no associates or joint venture entities.

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**Management Discussion & Analysis**

Servcorp Limited recorded a profit before taxation of \$4,788,000 for the six months ended 31<sup>st</sup> December 2003. The profit attributable to mature floors for the six-month period was \$6,068,000 whereas the operating loss on immature floors was \$(1,280,000). Immature floors during the period were Nihonbashi and Shinagawa in Tokyo, and PWC Tower in Auckland. This result is favourable when compared to the earnings guidelines issued to the market in last year's annual report.

Significant items included in the operating profit for mature floors are as follows:

- \$ 877,000 in costs directly related to the closure and relocation of floors.
- \$ 456,000 in costs related to the closure of 10 & 20 Bridge Street.

### **Operating Summary**

Over the course of the period there was a continued focus on cost cutting and on maintaining a competitive position within the marketplace. Four floors in Australia were closed, with clients relocated to new locations. In Japan one floor was closed with clients relocated to a new location.

Japan and Asia continued to perform strongly, recording 57% of group operating revenue. Performance in Australia and New Zealand was also strong with 33% of group operating revenue. The performance of the Europe and Middle East region has improved slightly, reporting 10% of group revenue. Occupancy levels in the Paris operation improved significantly in the last quarter largely due to a decrease in competitive pressures. Dubai is also performing very strongly.

The Virtual Office product continues to perform very well, with an increase of 11% in memberships over the previous corresponding period. The rollout of the Servcorp Hottdesk<sup>®</sup> product has been completed, and the uptake of the product by existing clients has been significant.

### **Financial Summary**

Operating revenue for the six-months ended 31<sup>st</sup> December 2003 was \$53.2M, down 10.7% from the previous corresponding period. The key reason for the decrease was the strength of the Australian dollar against all major currencies. After adjusting for the currency effect, operating revenue decreased by .5%. Operating costs in the six-month period decreased by 12.9% or \$7.18M in absolute terms. The rise in the value of the Australian dollar is largely responsible for the drop, however when the foreign exchange effect is stripped out, operating expenses have decreased by 3.8% or \$2.07M in real terms.

Cash balances and interest earning financial assets were \$38.2M as at 31<sup>st</sup> December 2003, compared with \$39.2M as at 30<sup>th</sup> June 2003. Cash generated from operating activities before the payment of dividend and income taxes was \$7.695M.

Total interest-bearing debt decreased by \$1.07M to \$2.96M in the six months to 31<sup>st</sup> December 2003.

### **Dividend**

The Directors of Servcorp Limited continue to have confidence in the outlook of the company, and accordingly have declared a fully franked dividend in the amount of 3.75 cents per share.

### **Outlook**

Management are comfortable that the target for the second half of 2004 will be met. The projected net profit before tax for mature floors is between \$6.5M and \$7.0M.