



Servcorp Limited
ABN 97 089 222 506

Level 12 MLC Centre
19-29 Martin Place
Sydney NSW 2000 Australia

T | +61 2 9231 7616
F | +61 2 9231 7665
W | servcorp.com.au

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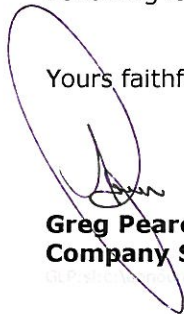
Dear Sir

**Servcorp Limited
Annual General Meeting 2010**

Servcorp Limited (SRV) will today address its Members at its Annual General Meeting to be held at the Pinaroo 5 Room, Level 1, The Grace Hotel, 77 York Street, Sydney, commencing at 5:00 pm.

Following is the Chairman's address to the meeting.

Yours faithfully



**Greg Pearce
Company Secretary**

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CHAIRMANS ADDRESS ANNUAL GENERAL MEETING 2010

Ladies and Gentlemen,

Before turning to the formal business of the meeting, I propose making a few comments.

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

Revenue for the year was \$168.8 million, a decrease of 26% on 2009. Our mature floors contributed \$25.1 million profit before tax, a decrease of 54%, but in line with guidance. Due to our rapid expansion initiatives, immature floor costs were \$20.1 million. As a result, net profit after tax decreased by 94% on 2009, to \$2.0 million. Earnings per share therefore also decreased - down by 95% to 2.2 cents per share.

The Company paid a fully franked final dividend of 5.0 cents per share, bringing total dividends for the year to 10.0 cents per share, a payout of approximately \$9.8 million. All these dividends were fully franked.

I now turn to our global expansion.


2010 was also a year of significant change for Servcorp. We altered the business model to include our new VIP floors and substantially expanded the Servcorp footprint globally, with particular focus on the United States.

When I addressed shareholders at last year's Annual General Meeting, Servcorp had just completed an \$80 million equity capital raising to fund our global expansion program. At that time, Servcorp operated in 13 countries, across 24 cities with 68 floors.

Since the last annual general meeting, Servcorp has expanded its global operations into 7 new countries and 17 new cities. We have opened 33 new floors. A further 23 floors are scheduled to open before 30 June 2011 and these will include a further 7 new cities around the world.

In a landmark for Servcorp, our 100th floor, located in the prestigious Seagram Building at 375 Park Avenue, New York City, will open in approximately 2 weeks.

We will exceed our floor opening target of 35 new locations in the eighteen months to 31 December 2010, and we are on track to reach our target of 100 new locations by 30 June 2013.



Alf will take you through the detail of our global expansion in his presentation. We believe the medium and long term financial prospects are compelling and we continue to be optimistic about the V.I.P. business model.

This takes me to the outlook for the 2011 financial year. This morning we updated the market with a revised guidance for FY 2011.

Trading for the mature Serviced Office business has remained difficult in the first quarter however we are seeing early signs of an improvement in revenues and margins across a number of geographic regions. When we released our 2010 results we forecast that mature floor net profit before tax for the 2011 financial year would increase by 20 per cent on 2010 to approximately \$30 million, \$13 million in the first half and \$17 million in the second half.

Based on unaudited results to date we reaffirm that forecast.

As I have stated, a substantial number of new locations have opened in the past 12 months, and more are scheduled. As advised when we released our 2011 forecast, these new floor openings will continue to have a material adverse impact on net profits during their immature phase. With such a large global rollout of new floors, it was always going to be difficult to accurately forecast immature losses. Against that background immature floor start up losses are now expected to be approximately \$20 million (previously \$15 million) for the 2011 financial year. The higher than forecast start up losses are largely as a result of an accelerated roll out plan that is likely to see an additional 14 floors open this year (including 1 large format floor which was not included in the original immature floor forecast).

These forecasts assume currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

Current unencumbered cash balances remain strong at \$102 million.

I now turn to dividends.

Evidencing our confidence in the future of the business, notwithstanding short term earnings challenges, shareholders can expect to receive fully franked dividends totalling 10 cents per share in respect of the 2011 financial year (subject always to unforeseen circumstances).

Servcorp has undertaken this global expansion program to take advantage of the opportunities created by current market conditions to secure leases on what we believe to be favourable terms. We were forthright with shareholders that in the short term this would create a negative impact on profit. That said we are confident that the medium to long term future will produce significant financial rewards for our shareholders.

On behalf of the Board I thank our CEO, Alf Moufarrige, our leadership group and all the Servcorp team members for their dedication and commitment during the past year, our busiest year to date. We are excited about the challenges and opportunities ahead of us.