SERVICEDOFFICEGROUP

Annual Report and Accounts 2007

ACCOMMODATING BUSINESS & ACCOMMODATING PEOPLE

Serviced Office Group plc ("the Group") is an AIM Listed provider of flexible office space, which now operates from 12 centres providing a total of 1,913 workstations.

Providing solutions for small to medium sized businesses:

- **Fully equipped offices available for immediate occupation offer the ideal answer to anyone in a 'start-up' situation.**
- **Larger organisations requiring flexible solutions to accommodate fluctuations in market trends.**
- **Virtual addresses that raise the profile of companies in out-of-town locations.**
- **Hot-desking – visitors requiring a desk, telephone and IT connection to keep abreast of developments while in the city.**
- **Meeting rooms and conference facilities upon demand.**
- **Telephone and IT solutions tailored to suit individual requirements.**

Chairman's Statement

Against a background of sharply deteriorating economic conditions, I am presenting the results of Serviced Office Group plc ("the Group") for the year to December 2007.

The Group achieved turnover of £6.4 million (2006: £5.3 million) and a pre-tax profit of £100,000 (2006: profit of £808,000), after providing for the initial formation costs of Consort Property Holdings amounting to £96,000, and for £207,000 of increased depreciation on our leasehold properties. Earnings were also impacted by costs of the refurbishment programme referred to in last year's report, and by fit-out costs in new properties which of course take some time to let up and achieve their planned revenue potential. Basic earnings per share were 0.04p, compared to 0.57p in 2006.

It has always been our practice to carry out an external valuation of our properties but in view of the widely recognised uncertainty in property markets your board commissioned a full detailed valuation of the Group's freehold assets. This was carried out as before by Atisreal.

This assessment reveals an overall uplift in the value of our properties by an amount of £624,000 after providing for a write down of £445,300 for some older properties.

Accordingly, our net asset value per share at the year-end was 7.7p, representing a 1.3 per cent increase over the previous year's figure. By contrast, the value of office properties across the country as measured by Investment Property Databank fell by more than 9 per cent during the period. Seen in this context and in the light of steeply reported falls in asset values by listed property companies I think our Group's performance is far from discouraging and justifies the cautious acquisition programme we have pursued.

When your company's asset value is seen against a backdrop of this significant reported fall in office property values concentrated in the final quarter of 2007, I hope shareholders can draw some comfort from the transaction prices we achieved over the past two years when markets were exceptionally strong.

Shareholders will be aware that we completed the formation of Consort Property Holdings Ltd (Consort), our new joint venture (JV) with UBS Investment Bank earlier in the year. We now hold 4 properties within the JV and are carefully screening the market for new opportunities in the current more realistic pricing climate.

During the year, we successfully completed the refurbishment of our properties in Kingston, Harrow, Hayes and the market is proving receptive to our improved facilities.

In the course of the year our new properties at Chiswick and Teddington also completed their fit out and have proved to be attractive locations in the market place adding 320 workstations to our portfolio. These are let at budgeted rates and both are held within the JV.

I am very pleased with the progress made at County House in Beckenham, our new 46,000 square feet office building which is held in the JV. Work continues on the second floor following successfully letting the entire first floor which was completely refurbished. The lettable space in this centre is currently 100% occupied.

On 2nd January 2008, we made a key appointment with the recruitment of Catherine McEwan as Managing Director. I am confident that Catherine will make a valuable contribution to the group team, bringing considerable property management skills and experience. She will enable the company to take full advantage of the current market conditions including further expansion in our serviced office portfolio. Catherine has a formidable track record in successfully managing companies operating in this sector.

CURRENT TRADING AND FUTURE PROSPECTS

Whilst there is clearly uncertainty given the current state of the global and UK economies, it is predicted that the serviced office market will continue to expand due to the relatively short term commitment required by each occupant.

We have been actively managing the risks associated with debt, and I can confirm that we have recently negotiated interest rates below those for 2007. Within Consort, we have sought to reduce our risks further by hedging against interest rate fluctuations for 50% of the borrowings, all of which are secured long term.

As a group, our strategy continues to be one of growth by acquisition. We have seen convincing evidence of an easing in market values of freehold premises and we are confident that current circumstances will provide opportunities to expand our portfolio at sensible prices. Our JV company Consort Property Holdings Ltd provides the Group with exceptional equity resources to take advantage of current market conditions.

I would like to express my thanks to all Serviced Office Group personnel for their hard work during what has been a very exciting but demanding year. In addition I would like to thank all of our professional advisers and particularly our banks, who have assisted us throughout the year as we continue to expand the business.

Michael Kingshott
Chairman

30 May 2008

Managing Director's Update

Since joining the organisation in January it has been a pleasure to meet our customers, to hear how satisfied they are with our service, and to receive many compliments about our centre employees and our offices. This is confirmed by the number of organisations that continue to renew their contracts and who have been with us for several years.

To promote the business and further strengthen our relationships we are holding Open Days. We invite existing and prospective clients, together with commercial agents and brokers. The first one was held at Teddington and the encouraging result led us to plan more over the coming weeks. The events have proved very popular and have provided the opportunity to listen to what customers want from their service and to cement relationships.

We have superb centres providing a high standard of accommodation and service to meet the needs of modern businesses. In our more established locations we are upgrading as opportunities arise and we have an ongoing programme of developing our telephone and IT systems to ensure we continue to offer the right products to clients.

During refurbishment we are carefully considering the selection of fixtures and fittings, sourcing and installing products that will not only provide a saving at the time of purchase but will also result in lower energy consumption when in use. We are experimenting with using low energy ambient lighting in corridors and breakout areas in the fit-out of the second floor at Beckenham. Using the latest technology we are able to create impact, as well as cost savings, through the use of colour and creative positioning of the fitments.

Desk size is taken into consideration whenever furniture becomes due for renewal due to wear and tear. This is very important in locations operating at near maximum occupancy as it creates the opportunity to improve the efficiency of the space and increase the number of workstations.

These activities are laying the foundations that will allow us to be correctly positioned to integrate smoothly all new properties and acquisitions into our current portfolio.

Catherine McEwan
Managing Director

30 May 2008

BECKENHAM
The Beckenham centre has a mixture of conventional leases and serviced office licence agreements. The ground floor hosts the spacious reception area that has been given a new look, more in keeping with our corporate image. Conventional leaseholders occupy most of the 3rd, 4th and 5th floors. The first floor was redeveloped to create 101 workstations providing a superb environment flooded with light through the use of the glass panel walls. The area was released for occupation at the end of 2007 and is now fully occupied. Development of the second floor is in progress which will add a further 57 work stations, and the inclusion of a modern cafe and breakout area will enhance the experience for existing and new customers. Occupancy is currently 100% of developed space.

TEDDINGTON
This property is located in a residential area which provides the perfect catchment for potential customers. A few steps lead you into the welcoming setting of the reception area. Natural daylight is limited on the ground floor where windows are only located on three elevations. The innovative glass wall corridors are used to impressive effect as borrowed light means that we have been able to maximise the layout of the space to provide an inviting working environment for customers. The ground and first floors proved very popular and when occupancy reached 89% at the beginning of the year the second floor was redeveloped. Occupancy with the addition of 39 work stations in the new offices is 63%.

CHISWICK
Our Chiswick centre is located in the heart of a busy thoroughfare and it sits amongst a lively assortment of cafes, restaurants, boutiques and speciality shops. Visitors are greeted and permitted access to the centre through the use of a sophisticated intercom system, and are further welcomed on reaching the reception which is situated on the first floor. The system, which allows viewing and two-way communication, adds an exclusive dimension to the service provided. The best use has been made of the available floor plan and a delightful kitchen, placed adjacent to a comfortable breakout area, is conveniently located near the meeting rooms and reception desk. Offices developed on the four upper floors provide 147 work stations and occupancy has achieved 54% since opening.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES
The Board consider that the ownership and operation of serviced office accommodation has been the Group's primary activity for 2007 and will be for subsequent periods.

BUSINESS REVIEW
A review of the Group's business and an indication of likely developments are contained in the operating and financial review.

KEY PERFORMANCE INDICATORS ("KPIs')
The directors of the Group manage the Group's operations on a centre by centre basis. For an understanding of the development, performance or position of the business, refer to this page and pages 12 and 14.

KPIs include:

- Occupancy – this measures the percentage of workstations for which clients are contracted to pay. Within the serviced office industry, occupancy of 80% by the Group's mature centres is considered satisfactory.
- Sales lead measurement – as serviced office licences are relatively short, being usually less than twelve months, the directors routinely measure the level of enquiries by prospective clients, the subsequent viewings of offices and workstations contracted.

PRINCIPAL RISKS AND UNCERTAINTIES
There are a number of risks and uncertainties which could have an impact on the Group's long term performance. The Group has a risk management structure in place designed to identify, manage and mitigate business risks. Risk assessment and evaluation is an essential part of the annual planning, budgeting and forecasting cycle.

The directors have identified the following principal risks and uncertainties. These do not constitute all of the risk facing the Group.

Economic downturn in its market
The Group operates solely from the UK. An economic downturn in this market could adversely affect the Group's operating revenues thereby reducing operating performance and possibly resulting in operating losses.

The Group has taken a number of actions to mitigate this risk:

- The Group has purposely acquired freehold and long leasehold properties enabling it to realise these assets quickly if they prove to be uneconomic.
- The Group regularly reviews the profile of clients to avoid undue reliance on one particular client or clients operating in a particular market.

Exposure to movements in the property market
There is a risk with a downturn in the UK economy that the value of the Group's properties will fall to such an extent that its bank covenants are breached. The Group's acquisition and development policy aims to secure properties where there is an opportunity to refurbish and build a successful and profitable business. This should result in a significant enhancement in the market value and reduction in Loan to Value.

DIVIDENDS
The directors are not declaring a dividend for the year.

The retained profit for the year in the Group was £36,000 (2006: £504,000),

DIRECTORS AND DIRECTORS' INTERESTS
The directors who held office during the year and up until the date of this report were as follows:

Michael Kingshott
Catherine McEwan (appointed 2nd January 2008)
Stephen Clague (appointed 9th May 2007)
Iqbal Savani (resigned 16th March 2007)
Aileen Pringle
Peter Duffy

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the holding company according to the register of directors' interests:

DIRECTORS' SHAREHOLDINGS

	At 31 December 2006 Number of 5p ordinary shares	At 31 December 2007 Number of 5p ordinary shares	Options over ordinary granted as at 31 December 2006	Options over ordinary granted as at 31 December 2007
Michael Kingshott	21,500,001	21,500,001	-	-
Stephen Clague	-	-	-	1,272,727
Aileen Pringle	-	-	-	-
Peter Duffy	-	-	-	-

None of the other directors who were serving as directors at the end of the year or who were appointed since the end of the year had any beneficial interest in the ordinary shares of the company during the year or since the year end.

As at 30 May 2008 there has been no movement in these shareholdings since the end of the financial year.

EMPLOYEES

The Group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person and continues to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

SUBSTANTIAL SHAREHOLDINGS

As at 30 May 2008 the company had been notified or was aware that the following had direct or indirect interests in 3% or more of the issued share capital.

	No of Ordinary Shares	%
Sir Tom Farmer	21,500,000	24.4
BBHISL Nominees Ltd	10,853,640	12.3
Tickgold Limited	5,342,000	6.1
Peter O'Reilly	4,592,500	5.2
Pershing Nominees Ltd	3,912,500	4.4

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group's policy, concerning the payment of creditors is to pay suppliers within 30 days of date of receipt of the invoice, except where other terms have been agreed in advance or in the case of supplier related problems. The number of days billings from suppliers to the Group outstanding at 31 December 2007 was 40 days.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political contributions or donations to UK charities during the year (2006 £Nil).

DISCLOSURE OF INFORMATION TO AUDITORS

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Group's and Company's auditors in connection with preparing their report) of which the Group's and Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

A resolution to re-appoint Simpson Wreford & Partners as auditors will be put to the members at the forthcoming Annual General Meeting.

By order of the board

S Clague
Secretary

30 May 2008

Fleet House
8-12 New Bridge Street
London
EC4V 6AL

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and Group and of the Group's profit or loss for that period.

In preparing those financial statements, the directors are required to:

- **select suitable accounting policies and then apply them consistently;**
- **make judgements and estimates that are reasonable and prudent;**
- **state that the financial statements comply with IFRSs as adopted by the European Union;**
- **prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.**

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors, Officers and Advisors

DIRECTORS
Michael Kingshott
Chairman

Catherine McEwan
Managing Director

Stephen Clague
Finance Director

Aileen Pringle
Non-executive

Peter Duffy
Non-executive

SECRETARY
Stephen Clague

REGISTERED OFFICE
Fleet House
8-12 New Bridge Street
London EC4V 6AL

NOMINATED ADVISER & BROKER
Evolution Securities Limited
100 Wood Street
London EC2V 7AN

SOLICITORS
Stephenson Harwood
1 St Paul's Churchyard
London EC4M 8SH

Peacock & Co
94 High Street
Wimbledon SW19 5EG

AUDITORS
Simpson Wreford & Partners
Chartered Accountants
and Registered Auditors
Suffolk House, George Street
Croydon CR0 0YN

BANKERS
The Royal Bank of Scotland plc
6-8 George Street
Edinburgh EH2 2SA

REGISTRARS
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate Governance

The Directors support high standards of corporate governance and although not required by the AIM rules, intend to comply with the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 ("The Code") so far as is practicable, given the Company's size.

COMPLIANCE WITH THE COMBINED CODE
The Company has complied with the principal provisions set out in The Code since its admission to AIM except for:

- **Nominations committee**
  The company does not have a separate nominations committee. Nomination decisions are made by the Board.
- **Risk monitoring**
  The Board continues the process of identification, evaluation and management of the Group's significant risks.

THE BOARD AND MAIN COMMITTEES
The Board of Serviced Office Group plc chaired by Michael Kingshott meets monthly. It reviews trading performance, business strategy, investment and divestment opportunities and any other matters of significance to the Group.

NOMINATIONS
Given the current size of the Board and the stage of the Group's development, the Directors do not believe it to be appropriate to establish a nomination committee. The selection process for the appointment of executive directors and non-executive directors to the Board will be carried out by the Board itself. The Company intends to keep this process under review and establish a nominations committee when it is appropriate to do so.

AUDIT COMMITTEE
The Audit committee is chaired by Aileen Pringle and its other member is Peter Duffy. The external auditors, the Group finance director and certain other individuals may be invited to attend all or part of any meeting as and when appropriate. This committee has responsibility, within agreed terms of reference, for, among other things, the planning and reviewing of the Group's annual and interim financial statements, the supervision of its auditors in the review of such financial statements and the review and monitoring of their independence. The audit committee focuses particularly on the Group's compliance with legal requirements, and accounting standards and on ensuring that effective systems for internal financial control and for reporting non financial operating data are maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and interim statements remains with the Board.

REMUNERATION COMMITTEE
The Remuneration committee is chaired by Peter Duffy and its other member is Aileen Pringle. This committee has responsibility for determining, within agreed terms of reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for executive directors, including pension rights and compensation payments. It is also responsible for making recommendations for grants of options under the Group's share schemes.

GOING CONCERN
The directors have reviewed the latest budget and cash flow projections. The directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

INTERNAL CONTROL
The Board is responsible for maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss.

The key elements of the system of internal controls are:

Control environment – There are sufficient segregation of duties and authorisation controls on approval and payment of invoices.

Financial reporting – The Executive committee members have regular meetings to discuss all aspects of the business and review financial performance against budget. Any variances are highlighted immediately and corrective action is taken as necessary to ensure performance targets are still met.

Capital investment – A detailed budget is approved by the Board. Capital expenditure is controlled via approval limits and major items of capital expenditure are approved at Board meetings.

Internal audit – the Board has considered the need for an internal audit function and concluded that cost/benefit considerations do not warrant it. Other monitoring processes are in place to ensure the system of internal control functions as intended.

COMMUNICATIONS WITH SHAREHOLDERS
The Board endeavours to maintain good relationships with its institutional shareholders by holding regular meetings after results with further dialogue as requested.

Shareholders have at least 21 days notice of the Annual General Meeting.

Remuneration Report

The Board has established a Remuneration committee ('the Committee') to advise it on an appropriate remuneration policy. During the financial year the members of the Remuneration committee have been Peter Duffy and Aileen Pringle.

The Committee is responsible for determining and agreeing with the Board the remuneration packages of the executive directors, including basic salary, annual bonuses, the allocation of share options and the terms of any service contracts relating to the exercise of such rights, pension rights, determining their terms and conditions of service, and any compensation payments and to ensure that such remuneration levels are appropriate and acceptable. The Committee also has discussions with the Board in relation to the Board's annual report to shareholders on the Group's policy on the remuneration of executive directors and in particular the directors' remuneration report.

REMUNERATION POLICY

In implementing its policy, the Committee has given full consideration to the Principles of Good Governance set out in the Combined Code with reference to directors' remuneration. It seeks to ensure a competitive and well-balanced package whilst aligning the individual reward and incentives with the performance of the Group and, hence, with the interests of the shareholders.

DIRECTORS' REMUNERATION

The main elements of the executive directors' remuneration and the matters that the Committee takes into account are:

BASIC SALARY

To determine the specific levels of salary and benefit, the Committee draws on a wide range of data, market conditions, as well as Company and individual performance.

SHARE OPTIONS

The Committee aims to ensure that individuals are fairly rewarded for their contribution to the success of the Company and the grant of share options provides an incentive in a highly competitive labour market.

Company policy is to review on a regular on-going basis by reference to other comparable companies the incentive provided to employees throughout the Company by the grant of share options to ensure that employees are retained and incentivised.

PENSION POLICY

Executive directors are eligible to become members of the Group Personal Pension Plan which is a defined contribution scheme.

There are no special arrangements for executive directors.

SERVICE CONTRACTS

The executive directors of Serviced Office Group plc all have service contracts which are subject to 3 to 6 months notice. The committee regards the notice period in these contracts as being appropriate. In the event of termination of an executive director's service contract there are no specific compensation entitlement provisions in the contracts with respect to termination, other than the notice period.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration for non-executive directors consists of fees for their services in connection with Board and committee meetings and where appropriate for devoting additional time and expertise for the benefit of the Company. Non-executive directors do not have contracts of service, are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or other incentive schemes. The remuneration of non-executive directors is determined by the executive directors of the Board.

DIRECTORS' EMOLUMENTS

The following information is reported on by the auditors.

The following table is intended to bring together the value of the various elements of remuneration received by each director during the year.

REMUNERATION OF DIRECTORS

	Basic Salary £000	Taxable Benefits £000	2007 Total £000	2006 Total £000
Executive				
MJ Kingshott	87	6	93	85
S Clague	55	-	55	-
I Savani	14	-	14	68
Non Executive				
L Lipman	-	-	-	15
P Davis	-	-	-	15
A Pringle	15	-	15	15
P Duffy	15	-	15	4
	186	**6**	**192**	**202**

The emoluments, excluding pension contributions, of the directors includes:

Highest paid director	2007 £000	2006 £000
Emoluments	**93**	**85**

DIRECTORS' SHARE OPTIONS

S Clague was granted 1,272,727 options on 16th August 2007.

I Savani was granted 300,000 options on 22nd October 2005 which subsequently lapsed at the date of his resignation (16th March 2007).

Operating and Financial Review

We are satisfied with the results for 2007 with revenues continuing to grow as we increase our portfolio of buildings which are held on a mix of lease and freehold basis. Whilst Group operating profit generated from trading has experienced a decline following the extensive refurbishment programme which slowed revenue growth, we have continued to enjoy success in enhancing the value of the freehold properties, a significant achievement in a very difficult market.

OVERVIEW OF RESULTS FOR THE YEAR

Turnover for the year ended 31 December 2007 was £6.4m and operating profit was £1.3m.

Our growth in the levels of occupancy together with the maximisation of revenues per workstation will ensure that the company achieves satisfactory profitability and be in a strong position to grow both organically and by bolt-on acquisitions.

OPERATING EXPENSES

Operating expenses including depreciation and amortisation but excluding revaluations were equivalent to 89% of sales and with careful cost management enabled management to show a healthy operating margin.

OPERATING PROFIT

Group operating profit was £1.3m which equates to a margin of 21%. Margins are expected to be stable in the forthcoming year with the present management keen to improve revenues but also keeping costs under control with a good internal control environment.

INTEREST

Interest was due on the bullet loans in January 2008, which now includes the Group's share of the facility granted to the JV. The loans have been rolled over for another year at a favourable rate of interest. Interest will be payable in July 2008 and January 2009.

TAXATION

The effective rate of corporation tax is higher than the normal rate of 30% due to trading losses not being recognised as a deferred tax asset, offset by a reduction in the tax rate used for the deferred tax provision.

EARNINGS PER SHARE

Earnings per share is 0.04 pence for the current year. The fully diluted EPS is the same with a minimal dilution because of share options. The company policy is to reward staff with share options to ensure that the best quality staff are recruited and maintained.

DIVIDEND POLICY

No dividend will be payable for this year as the company seeks to achieve sufficient realised reserves in order to be able to pay dividends in the future.

BALANCE SHEET

Debtor days are 5 days and the company is progressively ensuring that debt is monitored and controlled by operational management.

Independent Auditors' Report to the Members of Serviced Office Group plc

We have audited the Group and parent company financial statements (the "financial statements") of Serviced Office Group Plc for the year ended 31st December 2007 which comprise the Group income statement, the Group and parent company balance sheets, the Group and parent company cash flow statements, the Group and parent company statement of changes in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority only in so far as the company has voluntarily complied with the provisions of the code, and we report if it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

OPINION

In our opinion

- The Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31st December 2007 and of its profit and cash flows for the year then ended;
- The parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st December 2007 and of its cash flows; and
- The financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- The information given in the directors' report is consistent with the financial statements.

Simpson Wreford & Partners
Chartered Accountants and Registered Auditors
Suffolk House, George Street, Croydon CR0 0YN

30 May 2008

Consolidated Balance Sheet

	Notes	2007 £000	2006 £000
ASSETS			
Non current assets			
Investment property	7	25,141	22,908
Property, plant & equipment	8	3,297	2,478
Intangible assets	9	1,489	1,482
Investments	11	493	-
		30,420	26,868
Current assets			
Inventories	12	63	63
Trade and other receivables	13	1,121	817
Cash and cash equivalents	14	275	335
		1,459	1,215
Total assets		**31,879**	**28,083**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Called up share capital	15	4,400	4,400
Share premium account	15	4,200	4,194
Profit and loss account		(1,904)	(1,940)
Total equity		**6,696**	**6,654**
LIABILITIES			
Non current liabilities			
Borrowings	16	20,909	18,540
Deferred income tax	17	896	889
		21,805	19,429
Current liabilities			
Trade and other payables	18	3,346	1,977
Borrowings	16	32	23
		3,378	2,000
Total liabilities		**25,183**	**21,429**
Total equity and liabilities		**31,879**	**28,083**

The notes on pages 18 to 36 form an integral part of these financial statements.

These financial statements on pages 12 to 36 were approved by the board of directors on 30 May 2008 and signed on behalf of the Board.

Michael Kingshott
Director

Stephen Clague
Director

Company Balance Sheet

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
ASSETS			
Non current assets			
Investments in subsidiaries	10	3,039	3,039
Investments	11	986	-
		4,025	3,039
Current assets			
Trade and other receivables	13	1,612	1,970
Cash and cash equivalents	14	-	415
		1,612	2,385
Total assets		**5,637**	**5,424**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Called up share capital	15	4,400	4,400
Share premium account	15	4,200	4,194
Profit and loss account		(2,963)	(3,172)
Total equity		**5,637**	**5,422**
LIABILITIES			
Current liabilities			
Trade and other payables	18	-	2
		-	2
Total liabilities		-	2
Total equity and liabilities		**5,637**	**5,424**

The notes on pages 18 to 36 form an integral part of these financial statements.

These financial statements on pages 12 to 36 were approved by the board of directors on 30 May 2008 and signed on behalf of the Board.

Michael Kingshott
Director

Stephen Clague
Director

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £000	2006 £000
Continuing operations			
Sales		6,382	5,273
Cost of Sales		(4,342)	(3,244)
Gross profit		2,040	2,029
Net gain from revaluation of investment properties		624	755
Administrative expenses		(1,347)	(999)
Operating profit		**1,317**	**1,785**
Finance costs	22	(1,248)	(843)
Interest received		31	28
Profit before income tax		100	970
Income tax expense	23	(64)	(304)
Profit for the year from continuing operations		36	666
Loss for the year from discontinued operations	11	-	(162)
Profit for the year		**36**	**504**
Earnings per share:			
Continued operations			
Basic	24	0.04p	0.76p
Diluted	24	0.04p	0.76p
Including discontinued operations			
Basic	24	0.04p	0.57p
Diluted	24	0.04p	0.57p

The notes on pages 18 to 36 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the company			
	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Group				
Balance at 1 January 2006	4,400	4,190	(2,444)	6,146
Profit for the year	-	-	504	504
Grant of employee share options	-	4	-	4
Balance at 31 December 2006	**4,400**	**4,194**	**(1,940)**	**6,654**
Balance at 1 January 2007	4,400	4,194	(1,940)	6,654
Profit for the year	-	-	36	36
Grant of employee share options	-	6	-	6
Balance at 31 December 2007	**4,400**	**4,200**	**(1,904)**	**6,696**

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Company				
Balance at 1 January 2006	4,400	4,190	(2,987)	5,603
Loss for the year	-	-	(185)	(185)
Grant of employee share options	-	4	-	4
Balance at 31 December 2006	**4,400**	**4,194**	**(3,172)**	**5,422**
Balance at 1 January 2007	4,400	4,194	(3,172)	5,422
Profit for the year	-	-	209	209
Grant of employee share options	-	6	-	6
Balance at 31 December 2007	**4,400**	**4,200**	**(2,963)**	**5,637**

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £000	2006 £000
Profit from operations	1,317	1,785
Adjustment for:		
Depreciation of plant and equipment	437	230
Revaluation of investment properties	(624)	(755)
Expense arising from grant of share options	6	4
Operating cash flow before movement in working capital	**1,136**	**1,264**
Decrease in receivables	160	119
(Increase) in other current assets	(492)	(116)
(Decrease) / Increase in payables	777	349
Cash generated from operations	1,581	1,616
Interest Paid	(657)	(1,219)
Net cash from operating activities	**924**	**397**
Cash flows from investing activities		
Interest received	4	28
Purchase of investment property	(5,909)	(5,209)
Proceeds from sale of investment property	4,300	-
Purchases of plant and equipment	(1,928)	(1,349)
Proceeds from sale of plant and equipment	672	-
Loans to JV	(493)	-
Acquisition of subsidiaries, net of cash acquired	(7)	-
	(3,361)	(6,530)
Proceeds received from available-for-sale investments (discontinued operations)	-	212
Net cash (used in) investment activities	(3,361)	(6,318)
Cash flows from financing activities		
Proceeds from shareholder loans	1,480	-
Repayment of long-term borrowings	(5,250)	-
Proceeds from long-term borrowings	6,147	4,500
Net (decrease) in cash and cash equivalents	(60)	(1,427)
Cash and cash equivalents at the beginning of the year	335	1,762
Cash and cash equivalents	**275**	**335**
Bank balances and cash	**275**	**335**

Company Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £000	2006 £000
Profit (Loss) from operations	209	(49)
Adjustment for:		
Expense arising from grant of share options	6	4
Operating cash flow before movement in working capital	**215**	**(45)**
Decrease / (Increase) in other current assets	358	(1,019)
(Decrease) in payables	(2)	(35)
Net cash used in operating activities	**571**	**(1,099)**
Cash flows from investing activities		
Interest received	-	26
Loans to JV	(986)	212
Net cash (used in) / received from investment activities	**(986)**	**238**
Net (decrease) in cash and cash equivalents	(415)	(861)
Cash and cash equivalents at the beginning of the year	415	1,276
Cash and cash equivalents	**-**	**1,276**
Bank balances and cash	**-**	**415**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

1. GENERAL INFORMATION

The Serviced Office Group plc ('the Company') and its subsidiaries (together 'the Group') are in the business of ownership and operation of serviced office accommodation.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Fleet House, 8-12 New Bridge Street, London, EC4V 6AL.

The Company has its listing on the Alternative Investment Market.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 May 2008.

The registered company number is 04031883

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Serviced Office Group plc have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

IFRSs not yet applied

The following standards and interpretations, which are in issue at the balance sheet date but not yet effective, have not been applied in these financial statements:

	Effective for periods commencing on or after
IAS 1 Revised – Presentation of financial statements	1 January 2009
IFRS 8 Operating Segments	1 January 2009
IFRIC 10 Interim financial reporting and impairment	1 November 2006
IFRIC 11 IFRS 2: Group and Treasury Share Transactions	1 March 2007
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IAS 23 Revised – Borrowing costs	1 January 2009

It is considered that the above standards and interpretations will not have a significant effect on the results or net assets of the Group. IAS 1 Revised will have no impact on the results or net assets of the Group but will increase the level of disclosure to be made in the financial statements.

In addition the following amendments to standards are currently in exposure draft:

IAS 24 Amendment – Related party disclosures
Proposed IFRS for small and medium sized entities
IFRS 1 Amendment – Cost of an investment in a subsidiary
IAS 32 and IAS 1 Amendment – Financial instruments puttable at fair value and obligations arising on liquidations
IFRS 2 Amendment – Share based payment: Vesting conditions and cancellations
IFRS 3 and IAS 27 Amendment – Business combinations and Consolidated and separate financial statements
IAS 37 Amendment – Provisions, contingent liabilities and contingent assets

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the JVs' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of the assets by the Group to the JV that it is attributable to the other JVs. The Group does not recognise its share of profits or losses from the JV that result from the Group's purchase of assets from the JV until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the current assets, or an impairment loss.

2.3 Investment property

Property that is held for long term rental yields or for capital appreciation or both and that is not occupied by the companies in the consolidated Group is classified as investment property.

Investment properties comprise freehold and long leasehold land and buildings.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices adjusted, if necessary for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land and buildings classified as investment property,

Subsequent expenditure is charged to the assets carrying amount only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair value are recorded in the income statement.

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its costs for accounting purposes. Property that is being constructed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

2.4 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Computer equipment 33%

– Office equipment 10% - 17%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.6 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'other (losses)/gains – net', in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'selling and marketing costs'.

2.8 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Share capital

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.12 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

2.13 Employee benefits

(a) Pension obligations

The Group operates a defined contribution scheme and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.14 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time, value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Assets held under finance leases are recognised as assets of the Group at their fair value at the date of the acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the UK and is not exposed to foreign exchange risk arising from foreign various currency exposure.

(ii) Price risk

The Group is no longer exposed to equity securities price risk as all such investments have been disposed of or written off in full. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from three bullet loans the interest rates of which are fixed every year. Within the JV in which the Group has a 50% interest, interest rate risk arises from two bullet loans the interest rates of which are fixed every six months. For a minimum of 50% of current bank borrowings, the Group has hedged against interest rate fluctuation for a period of three years.

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

An increase in 100 basis points in interest yields would result in a decrease in the post-tax profit for the period of £114,000. A decrease in 100 basis points in interest yields would result in an increase in post-tax profit for the period of £114,000.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

4.1 Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. Making its judgement, the Group considers information from a variety of sources including:

a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4.2 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5 As the Group is the sole cash-generating unit, the test was based on the bid price of 8.625 pence per share as at the year end. This valued the Group at £7.591m. With costs associated with any sale considered to be negligible, this value exceeds the net asset value of £6.696m by £0.895m. Therefore there was no impairment to the value of goodwill.

4.3 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

5 PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 230 of the Companies Act 1985, the Holding Company's income statement has not been included in these financial statements. The profit for the year ended 31st December 2007 is £209,000 (2006: Loss: £185,000)

6 SEGMENTAL REPORTING

Primary reporting format – business segments

At 31 December 2007, all of the activities of the Group fall into one class of business, namely the ownership and management of business centres and this is the sole reportable segment.

Secondary reporting format – geographical segments

All activities of the Group originated in the South East of the United Kingdom.

6 SEGMENTAL REPORTING (CONTINUED)

6a Auditors' remuneration

	2007 £000	2006 £000
Fees payable for audit of parent company, consolidated accounts and JV investment	31	38

7 INVESTMENT PROPERTY

	2007 £000	2006 £000
Group:		
Fair Value		
At 1 January 2007	22,908	16,944
Disposals to the JV	(4,300)	-
Arising on acquisition of investment properties	5,909	5,209
Net gain from fair value adjustments of investment properties	624	755
At 31 December 2007	**25,141**	**22,908**

The Group's investment properties were revalued at 31 December 2007 by independent professionally qualified valuers (Atisreal). Valuations were based on current prices in an active market.

8 PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment £000
Group:	
Cost	
At 1 January 2007	3,501
Additions	1,928
Disposals to the JV	(672)
At 31 December 2007	4,757
Accumulated Depreciation	
At 1 January 2007	1,023
Charge for the year	437
At 31 December 2007	1,460
Carrying Amount	
At 31 December 2007	3,297
At 31 December 2006	2,478

The net book value of assets held under finance leases at 31st December 2007 was £62,000 (2006: £63,000)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

9 INTANGIBLE ASSETS – GOODWILL

	2007 £000	2006 £000
Opening net book value	1,482	1,482
Arising on acquisition of subsidiaries	7	-
	1,489	**1,482**

10 INVESTMENTS

	2007 £000	2006 £000
Company:		
Subsidiary undertakings:		
Cost		
Beginning of year	3,039	3,039
Additions	-	-
Disposals	-	-
	3,039	**3,039**
Amounts written off		
Beginning of year	-	-
Amounts written off in year	-	-
Disposals	-	-
	-	-
Carrying Amount		
At 31 December	**3,039**	**3,039**

The principal undertakings in which the Group's interest at the year end is more that 20% are as follows:

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Subsidiary undertakings			
KBC Holdings Limited	England	Holding company	100%
KBC Harrow Limited	England	Serviced office provider(*)	100%
KBC Hayes Limited	England	Serviced office provider(*)	100%
KBC Kingston Limited	England	Serviced office provider(*)	100%
KBC Bournemouth Limited	England	Serviced office provider(*)	100%
KBC Willowbank Limited	England	Serviced office provider(*)	100%
KASP Limited	England	Development company	100%

Companies marked with a (*) are held indirectly by the Company

10 INVESTMENTS (CONTINUED)

Joint ventures

The Group had the following significant interests in JVs.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
Consort Property Holdings Limited	England	Holding company	50%
KBC Teddington Limited	England	Serviced office provider(**)	50%
KBC Chiswick Limited	England	Serviced office provider(**)	50%
KBC Beckenham Limited	England	Serviced office provider(**)	50%
KBC Crawley Holdings Limited	England	Holding company(**)	50%
KBC Crawley	England	Serviced office provider(**)	50%

Companies marked with a (**) are held indirectly by the Company through the JV, Consort Property Holdings Limited

11 INVESTMENTS

	2007 £000	2006 £000
Group:		
Shareholder loans	493	-
Company:		
Shareholder loans	986	-

The loans by the Group to the JV, Consort Property Holdings Limited, are unsecured.

Interest in joint venture

The Group has a 50% interest in a JV, Consort Property Holdings Limited, which owns and operates serviced office accommodation. The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the JV. They are included in the balance sheet and income statement:

	2007 £000
Assets:	
Non-current assets	9,088
Current assets	324
	9,412
Liabilities:	
Non-current liabilities	8,472
Current liabilities	644
	9,116
Net assets	**296**
Income	1,213
Expenses	918
Profit after income tax	295

There are no contingent liabilities relating to the Group's interest in the JVs.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

11 INVESTMENTS (CONTINUED)

Available-for-sale investments and discontinued operations

	2007 £000	2006 £000
Available-for-sale investments and discontinued operations		
Group and Company:		
Beginning of year	-	374
Exchange differences	-	-
Additions	-	-
Investment returned	-	(212)
Loss on sale	-	(162)
	-	**-**

Available-for-sale investments are equity securities registered in Israel which have been fully written off.

Following the acquisition of KBC Holdings Limited and subsidiaries in January 2005 the Group's principal activity became the ownership and operation of serviced office accommodation. It ceased actively investing in Israeli technology companies. With the exception of one investment which has been fully provided, the investments remaining at the start of 2006 had been sold for £212,000 resulting in a loss of £162,000.

12 INVENTORIES

	2007 £000	2006 £000
Land held for resale	63	63
	63	**63**

13 TRADE AND OTHER RECEIVABLES

	2007 £000	2006 £000
Group:		
Trade receivables	128	288
Prepayments	760	451
Other debtors	233	58
Receivable from related parties	-	20
	1,121	**817**
Company:		
Amounts owed by Group companies	1,612	1,968
Other debtors	-	2
	1,612	**1,970**

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers within its buildings.

14 CASH AND CASH EQUIVALENTS

	2007 £000	2006 £000
Group:		
Cash at bank and in hand	275	(80)
Short term bank deposits	-	415
	275	**335**
Company:		
Short term bank deposits	-	**415**

15 SHARE CAPITAL

	Number of Shares	Ordinary Shares £000	Share premium £000	Total £000
At 1 January 2007	88,006,334	4,400	4,194	8,594
Employee share options	-	-	6	6
At 31 December 2007	**88,006,334**	**4,400**	**4,200**	**8,600**

The total number of authorised ordinary shares is 150 million shares (2006: 150 million shares) with a par value of 5 pence (2006: 5 pence per share) All issued shares are fully paid.

Share options:

Share options are granted to directors and selected employees. The exercise price is equal to the market price of the shares on the date of the grant. There is no vesting period, options are exercisable after 3 years service and have a contractual term of 10 years. The Group has no legal or constructive obligation to repurchase or settle options in cash.

Movements in the number of share options and their related weighted average exercise price is as follows:

	2007		2006	
	Average Exercise Price in pence Per share	Options (Thousands)	Average Exercise Price in pence Per share	Options (Thousands)
At 1 January	9.96	595	9.14	2,223
Granted	11.00	2,073	-	-
Exercised	-	-	-	-
Lapsed	-	-	8.84	(1,628)
At 31 December	**10.77**	**2,668**	**9.96**	**595**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

15 SHARE CAPITAL (CONTINUED)

Out of the 2,668,000 outstanding options (2006: 595,000 options), no options were exercisable.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise Price in pence Per share	Options (thousands) 2007	Options (thousands) 2006
2015	11.00	45	45
2015	9.88	550	550
2017	11.00	2,073	-
At 31 December		**2,668**	**595**

The weighted average fair value of share options granted during the period using the Black Scholes valuation model was £0.0225 per share (2006: nil). The significant inputs into the model were share price of 8.6 pence (2006: 10 pence) at the grant date, exercise price shown above, volatility of share price of 10% (2006: 10%), options life as disclosed above and annual risk free interest rate of 5.25% (2006: 5.0%).

16 BORROWINGS

	2007 £000	2006 £000
Group:		
Current		
Finance lease obligations	32	23
Non-current		
Bank borrowings	19,409	18,500
Less: unamortised costs of arrangement	(10)	-
	19,399	18,500
Loans from shareholders of the JV	1,479	-
Finance lease obligations	31	40
	20,909	**18,540**

Bank borrowings are secured by the freehold and long leasehold investment properties.

The borrowings include amounts secured on investment property to the value of £19,409,000. This represents the value of the loans from The Royal Bank of Scotland plc which has been provided to KBC Holdings Limited and the JV, Consort Property Holdings Limited.

The loans to the JV by its shareholders, which are the Company and UBS Investment Bank, are unsecured. Taking into account current market conditions the directors of Consort Property Holdings Limited consider that the most appropriate classification of the loan is in the “more than two years but not more than five years” category.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's non-current liabilities, at 31 December 2007, was as follows:

	2007 £000	2006 £000
In more than one year but not more than two years	26	23
In more than two years but not more than five years	20,883	18,517
	20,909	**18,540**

The effective interest rates at the balance sheet date were as follows:

	2007 %	2006 %
Bank borrowing	7.0	6.9
Loans from shareholders	15.0	-
Finance lease	0.0	0.0

17 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2007 £000	2006 £000
Deferred tax liabilities	1,160	1,107
Deferred tax assets	(264)	(218)
Net position at 31 December 2007	**896**	**889**

The gross movement for the year on the Group's net deferred income tax account is as follows:

	2007 £000	2006 £000
At 1 January 2007	889	575
Disposal of subsidiary	(57)	-
Charged to the income statement	64	314
At 31 December 2007	**896**	**889**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

17 DEFERRED INCOME TAX (CONTINUED)

The movement for the year in deferred tax liabilities and assets recognised by the Group is as follows:

	Accelerated tax depreciation £000	Property Revaluations £000	Total £000
Deferred tax liabilities:			
At 1 January 2007	179	928	1,107
Disposal of subsidiary	-	(57)	(57)
Charged to the income statement	(56)	166	110
At 31 December 2007	**123**	**1,037**	**1,160**

	Tax losses £000	Property Revaluations £000	Total £000
Deferred tax assets:			
At 1 January 2007	(70)	(148)	(218)
Charged to the income statement	4	(50)	(46)
At 31 December 2007	**(66)**	**(198)**	**(264)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets in respect of losses amounting to £705,000 (2006: £726,000) that can be carried forward against future taxable income.

18 TRADE AND OTHER PAYABLES

	2007 £000	2006 £000
Group:		
Trade payables	896	171
Social security and other taxes	83	170
Customer deposits	946	855
Accruals	1,421	781
	3,346	**1,977**
Company:		
Trade payables	-	-
Accruals	-	2
	-	**2**

19 FINANCIAL INSTRUMENTS

In accordance with IAS 39, "Financial Instruments: Recognition and Measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were identified from this review.

There are no outstanding financial instruments that are designated as hedges at the balance sheet date.

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The fair value of current borrowings approximate to book value.

	Book value 2007 £000	Fair value 2007 £000
Group:		
Fair value of financial assets and financial liabilities		
Cash at bank (note 14)	275	275
Receivables (note 13)	1,121	1,121
Trade and other payables (note 18)	3,346	3,346
Current borrowings (note 16)	32	32
Non-current borrowings (note 16)	20,877	20,877

20 EXPENSES BY NATURE

	2007 £000	2006 £000
Rent, rates and establishment costs	2,744	1,803
Other overheads	1,378	1,265
Depreciation, amortisation and impairment charges	437	230
Employee benefit expense	1,130	945
	5,689	**4,243**
Number of employees	39	36

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

21 EMPLOYEE BENEFIT EXPENSE

	2007 £000	2006 £000
Wages and salaries	1,019	858
Social security costs	103	79
Share options granted to employees and directors	6	4
Pension costs - defined contribution plans	2	4
	1,130	**945**

22 FINANCE COSTS

	2007 £000	2006 £000
Interest expense:		
- On bank borrowings	1,164	843
- On shareholder loans	84	-
	1,248	**843**

23 INCOME TAX EXPENSE

	2007 £000	2006 £000
Current tax	-	(10)
Deferred tax (Note 17)	64	314
	64	**304**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the UK companies as follows:

	2007 £000	2006 £000
Profit/(loss) before tax	**100**	**808**
Tax calculated at domestic rates applicable to profits in the UK	30	242
Losses not recognised as a deferred tax asset	82	-
Expenses not deductible for tax purposes	9	56
Income not taxed	(4)	-
Change in tax rate used for deferred tax provision	(58)	13
Under provision for prior year tax	5	(7)
Tax charge	**64**	**304**

The applicable tax rate was 30% (2006: 30%).

24 EARNINGS PER SHARE

	2007	2006
Weighted average number of shares in issue (thousands)	88,006	88,006
Profit attributable to equity holders of the company	36	504
Basic earnings per share (pence)	**0.04**	**0.57**

There is no difference between the basic and diluted earnings per share.

25 DISPOSAL OF SUBSIDIARIES

On 5th July 2007 the Group disposed of the entire share capital of KBC Beckenham Limited, KBC Chiswick Limited, KBC Crawley Holdings Limited and KBC Teddington Limited for a consideration of the nominal value of their issued share capital to Consort Property Holdings Limited, a JV owned 50% by the company.

On 3rd July 2007 KBC Crawley Holdings Limited had acquired the entire share capital of KBC Crawley for a consideration of £183,000.

The net book value of the assets and liabilities of these subsidiaries disposed of by the Group to the partner in the JV at 5th July 2007 were as follows:

	2007 £000
Investment property	4,300
Property, plant & equipment	672
Cash at bank and in hand	43
Creditors	(43)
Amounts owed to Group companies	(4,824)
Deferred tax	(57)
Net assets disposed	**91**

26 COMMITMENTS

	2007 £000	2006 £000
Capital commitments		
Capital expenditure contracted but not provided	-	300

Operating lease commitments - where a Group company is the lessee

The Group lease various buildings under non cancellable operating lease agreements, all of which have varying terms and break clauses.

The future aggregate minimum lease payments under non cancellable operating leases are as follows:

	2007 £000	2006 £000
No later than 1 year	342	-
Later than 1 year and no later than 5 years	-	331
Later than 5 years	668	659
	1,010	**990**

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2007

27 POST BALANCE SHEET EVENTS
There have been no such events.

28 RELATED PARTY TRANSACTIONS
During the year Group companies entered into the following transactions with related parties who are not members of the Group.

	Sales		Purchases		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/07 £000	Year ended 31/12/06 £000	Year ended 31/12/07 £000	Year ended 31/12/06 £000	Year ended 31/12/07 £000	Year ended 31/12/06 £000	Year ended 31/12/07 £000	Year ended 31/12/06 £000
Car Park Valeting Ltd	12	28	-	-	-	18	-	-

The Serviced Office Group has provided services to Car Park Valeting Ltd at arms length prices in the year.
This company is controlled by MJ Kingshott who is also a director.

Notice of the Annual General Meeting

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT FLEET HOUSE, 8-12 NEW BRIDGE STREET, LONDON EC4V 6AL AT 12:00 PM ON 4 JULY 2008 FOR THE FOLLOWING PURPOSES:

Ordinary Business

Resolution 1: to receive the Financial Statements of the Group for the year ended 31 December 2007 together with the reports of the Directors and Auditors thereon.

Resolution 2: to re-elect as a Director Ms Catherine McEwan in accordance with the Company's Articles of Association.

Resolution 3: to re-elect as a Director Mr Peter Duffy in accordance with the Company's Articles of Association.

Resolution 4: to appoint Simpson Wreford & Partners as auditors of the company and to authorise the directors to determine their remuneration.

Special Business

As special business to consider and, if though fit, to pass the following resolutions which will be proposed as special resolutions:

Resolution 5: THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (as amended) ("the Act") to allot relevant securities (as defined in section 80 (2) of the Act) of the Company up to a maximum aggregate nominal amount of £1,906,803. This authority will expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling fifteen months from the date of the passing of this resolution, at the end of which period such authority will expire unless previously varied or revoked by the Company in a general meeting of shareholders, provided that the Company shall be entitled under the authority hereby conferred to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot any relevant securities after the expiry of such authority pursuant to such offer or agreement as if such authority had not expired, and that all prior authorities to allot relevant securities are hereby revoked but without prejudice to the allotment of any relevant securities already made pursuant to such authorities.

Resolution 6: THAT the Directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) pursuant to the general authority to allot relevant securities given to the Directors by resolution 5 as if section 89(1) of the Act did not apply to any such allotment PROVIDED THAT such power shall be limited to the allotment of equity securities in connection with a rights issue, subject to such exceptions exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or otherwise in any territory; and for the purposes of this resolution "rights issue" or any other pre-emptive issue means or offer of equity securities to holders of ordinary shares in the Company in proportion to their respective holdings (as nearly as may be); and the allotment of equity securities up to an aggregate of £220,016 a sum being 5% of the company's authorised but unissued share capital as at the date of this resolution such authority to expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling fifteen months following from the date of the passing of this resolution, unless renewed or extended prior to such time and all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not prejudice the allotment of any equity securities already made pursuant to such powers.

By Order of the Board

Stephen Clague
Company Secretary

30 May 2008

Registered Office:
Fleet House
8-12 New Bridge Street
London EC4V 6AL

Notice of the Annual General Meeting

FOR THE YEAR ENDED 31 DECEMBER 2007

NOTES

1 **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the action you should take, you should consult your bank manager, solicitor, accountant or other professional adviser immediately.

2 If you have sold or transferred all your ordinary shares in Serviced Office Group plc, please send this document and the enclosed form of proxy to the agent through whom the sale or transfer was effected or directly to the purchaser or transferee.

3 Only the holders of ordinary shares in the Company are entitled to attend the meeting and vote.

4 A member entitled to attend and vote at the meeting convened by this notice may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

5 To be effective, a form of proxy and, if applicable, any authority under which it is signed, or a certificated copy of such authority must be lodged at Capita Registrars, (PROXIES), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time for holding the meeting. A form of proxy is provided.

6 Completing and returning a form of proxy does not preclude a member from attending the Meeting and voting in person.

7 For the purposes of determining who is entitled to attend or vote (whether on a show of hands or a poll) at the meeting a person must be entered on the register of members not later than 48 hours before the time of the meeting, or any adjournment thereof.

8 **Multiple Proxy**

A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by you may result in the appointment being invalid.

9 **DCR**

Corporate representatives

In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Annual General Meeting so that:

(a) if a corporate member has appointed the Chairman of the Annual General Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Annual General Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote or withhold a vote as corporate representative in accordance with those directions; and

(b) if more than one corporate representative for the same corporate member attends the Annual General Meeting but the corporate member has not appointed the Chairman of the Annual General Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (a) above. **The Institute of Chartered Secretaries and Administrators recommends the use of multiple proxies wherever possible in favour of corporate representatives.**

10 **Regulation 41**

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 2 July 2008 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 p.m. on 2 July 2008 or, if this meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at this Annual General Meeting.

Form of Proxy

SERVICED OFFICE GROUP PLC

I/We

(Name in full in block capitals please)

of

being a member/members of Serviced Office Group plc hereby appoint the chairman of the meeting or (see note 1 below) .... as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 12:00 pm on 4 July 2008 at Fleet House, 8-12 New Bridge Street, London EC4V 6AL and at any adjournment thereof, on the following resolutions, as indicated by an 'X' in the appropriate box and, on any other business, as he thinks fit:

	Resolution	For	Against
1	**To receive the report of the directors and accounts for the financial year ended 31 December 2007.**	☐	☐
2	**To re-elect Catherine McEwan**	☐	☐
3	**To re-elect Peter Duffy**	☐	☐
4	**To appoint Simpson Wreford & Partners as auditors of the company and to authorise the directors to determine their remuneration.**	☐	☐
5	**To approve the authorisation of the directors to issue relevant securities in accordance with s80 of the Companies Act 1985**	☐	☐
6	**To approve the empowerment of the directors to allot equity securities with modified pre-emptive rights in accordance with s95 of the Companies Act 1985**	☐	☐

Dated: 2008 **Signature:**

Notes

1 If it is desired to appoint another person or persons as proxy or proxies the words "the chairman of the meeting" should be deleted and the name or names of the proxy or proxies (who need not be members of the Company) inserted into the appropriate space. If such words are not deleted and a proxy or proxies is/are named on this form the chairman shall not be authorised to vote as proxy. Any alteration must be initialled. If more than one person is appointed to act as proxy the number of shares in respect of which each such proxy is to vote must be specified. In the absence of any specific direction a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.

2 Please indicate with an 'X' how you wish to vote. Unless otherwise instructed, the proxy will vote or abstain from voting as he thinks fit.

3 To be valid, this form, together with the power of attorney or other written authority, if any, under which it is signed or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or written authority, must be lodged at the address given in note 6 below not less than 48 hours before the time of the meeting.

4 A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer or attorney duly authorised in writing.

5 In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

6 A form of proxy is provided. To be effective, a form of proxy must be completed, signed and lodged at Capita Registrars, (PROXIES), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting.

7 Deposit of a completed form of proxy will not preclude a member from attending the annual general meeting and voting in person.

8 A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.
All forms must be signed and should be returned together in the same envelope. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by you may result in the appointment being invalid.

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BUSINESS REPLY SERVICE
Licence No. MB122

Capita Registrars
(Proxies)
P O Box 25
Beckenham
Kent BR3 4BR

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www.servicedofficegroup.com

Company registration number: **4031883**

Design: **Energy Design Studio**

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