

SERVICED OFFICE GROUP PLC

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SERVICEDOFFICEGROUP

**Interim Results for the six months
ended 30 June 2007**

ACCOMMODATING BUSINESS & ACCOMMODATING PEOPLE



Serviced Office Group is an AIM-Listed provider of flexible office space, which currently operates a total of 12 centres, providing a total of 1,848 workstations.

The current year has shown encouraging progress, particularly in our more recently acquired properties, with Blackfriars, Richmond and Crawley fully occupied. As I stated in the year end results, the extensive refurbishment programme has slowed down the growth in revenue during the first half of the year.

We expect an improved performance in the coming months as the newly refurbished space starts to become available. We are delighted with our new Joint venture with UBS Investment Bank and, whilst it is early days, it is pleasing to note that both Chiswick and Teddington are showing great potential. The new property in Beckenham is planned to open in October, which will raise the number of workstations to 2,042, representing an increase over last year of 73%.

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Highlights

- **Total revenues for the six months ended 30 June 2007 of £3.1 million (2006: £2.3 million) an increase of 26 per cent.**
- **Operating profit of £660,000 including a surplus on revaluation of £179,000 (2006: £490,000) an increase of 26 per cent.**
- **Profit before tax of £136,000 (2006: £101,000) an increase of 35 per cent.**
- **Number of workstations in the period increased by 354 to 1,848, an increase of 24 per cent.**
- **Increase in net asset value per share to 7.7p (2006: 7.1p) an increase of 8 per cent.**
- **Basic earnings per share 0.11p (2006: 0.09p) an increase of 22 per cent.**



Chairman's Statement

“I am pleased to report our interim results for the six months ended 30 June 2007. Despite the ongoing refurbishment programme, we have seen some encouraging performances in this first half year. Revenues are up 26% to £3.1m from £2.3m. Earnings per share has increased to 0.11p per share (2006: 0.09p) an increase of 22 per cent.”

We continue to experience growth in the value of our freehold properties, with the gain in the Crawley freehold being realised through its sale to Consort Property Holdings Limited, our Joint Venture with UBS Investment Bank.

The Joint Venture (“JV,”) which was formed in July this year with a planned initial investment of up to £50m, has to date acquired three properties, at Crawley, Teddington and Chiswick, from our company for a consideration of approximately £10m, of which £8m was used to repay bank debt. As announced on 31st August, the JV has contracted to acquire the freehold of County House in Beckenham for £5.6million, a property of some 46,000 square feet.

The Company now owns the freehold of four business centres, at Harrow, Hayes, Kingston, and Bournemouth, as well as operating an additional five business centres within leased premises in Blackfriars, Richmond, Marlow and two in Uxbridge.

Whilst the JV now owns three freeholds, with the imminent addition of Beckenham, we are confident that the wider selection of offerings to our clients for conferences and flexible office space will drive the occupancy levels in the future.

£4.2 million of cash has been spent on investment in our properties and their refurbishment with £2.8m being funded by bank debt. At the half year our overdraft was £1.1m. With the formation of the JV, our cash reserves improved by £1.2m.

The competitive conditions prevailing within the property sector over the past 12 months, has meant that we have not been able to grow the business as fast as we would have liked. However, we do expect to take advantage of the correction in the market in the future as property price expectations become more realistic and more in line with our own values.

We are not declaring a dividend for the half-year, and as we have said before, the Group will only begin dividend payments when it has reached an appropriate stage in its development.

I reaffirm our commitment to ensure that the Group will become a significant force in a sector of the property market in which the management team has considerable experience. We continue to seek further acquisitions, both directly and indirectly, through our JV.

MICHAEL KINGSHOTT
Chairman

17th September 2007

Consolidated balance sheet

AS AT 30 JUNE 2007

	30 June 2007 (Unaudited) £000	30 June 2006 (Unaudited) £000	31 December 2006 (Audited) £000
ASSETS			
Non current assets			
Investment property	25,792	18,409	22,908
Property, plant & equipment	3,782	1,623	2,478
Goodwill	1,482	1,482	1,482
Available-for-sale investments	-	374	-
	31,056	21,888	26,868
Current assets			
Inventories	63	63	63
Trade and other receivables	1,554	762	817
Cash and cash equivalents	-	1,657	335
	1,617	2,482	1,215
Total assets	32,673	24,370	28,083
EQUITY			
Capital and reserves attributable to equity holders of the company			
Called up share capital	4,400	4,400	4,400
Share premium account	4,194	4,190	4,194
Profit and loss account	(1,846)	(2,368)	(1,940)
Total equity	6,748	6,222	6,654
LIABILITIES			
Non current liabilities			
Long term borrowings	21,250	15,250	18,500
Finance lease	51	-	63
Deferred tax	943	575	575
	22,244	15,825	19,452
Current liabilities			
Trade and other payables	2,576	2,118	1,977
Current income tax	8	205	-
Bank overdraft	1,097	-	-
	3,681	2,323	1,977
Total liabilities	25,924	18,148	21,429
Total equity and liabilities	32,673	24,370	28,083

Consolidated income statement

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	30 June 2007 (Unaudited) £000	30 June 2006 (Unaudited) £000	31 December 2006 (Audited) £000
Turnover	3,134	2,313	5,273
Cost of Sales	(2,067)	(1,433)	(3,244)
Gross Profit	1,067	880	2,029
Net gain from revaluation of investment properties	179	-	755
Administrative expenses	(586)	(391)	(999)
Operating profit	660	489	1,785
Finance costs	(524)	(401)	(843)
Interest received	-	13	28
Profit before income tax	136	101	970
Income tax expense	(42)	(25)	(304)
Profit for the period from continuing operations	94	-	666
Loss for the period from discontinued operations	-	-	(162)
Profit for the period	94	76	504
Earnings per share:			
Continued operations			
Basic	0.11p	0.09p	0.76p
Diluted	0.11p	0.09p	0.76p
Including discontinued operations			
Basic	0.11p	0.09p	0.57p
Diluted	0.11p	0.09p	0.57p

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the company			
	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2006	4,400	4,190	(2,444)	6,146
Profit for the period	-	-	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 period	-	-	94	94
Balance at 30 June 2007	4,400	4,194	(1,846)	6,748

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	30 June 2007 (Unaudited) £000	30 June 2006 (Unaudited) £000	31 December 2006 (Audited) £000
Profit from operations	660	489	1,785
Adjustment for:			
Depreciation of plant and equipment	192	119	230
Revaluation of investment properties	(179)	-	(755)
Amortisation of Share Options	-	-	4
Operating cash flow before movement in working capital	673	608	1,264
Increase in inventories	-	-	-
Decrease in receivables	174	254	119
Increase in other current assets	(911)	(196)	(116)
Increase in payables	557	716	349
Cash generated from operations	492	1,382	1,616
Interest Paid	(463)	(833)	(1,219)
Net cash from operating activities	28	549	397
Cash flows from investing activities			
Interest received	-	13	28
Purchase of investment properties	(2,704)	(1,465)	(5,209)
Purchases of plant and equipment	(1,496)	(452)	(1,349)
			(6,530)
Proceeds received from available-for-sale investments (discontinued operations)	-	-	212
Net cash (used in) investment activities	(4,200)	(1,904)	(6,318)
Cash flows from financing activities			
New bank loans issued	2,750	1,250	4,500
Payments under finance lease	(11)	-	(6)
Net cash from financing activities	2,739	1,250	4,494
Net (decrease) in cash and cash equivalents	(1,433)	(105)	(1,427)
Cash and cash equivalents at the beginning of the year	335	1,762	1,762
Cash and cash equivalents	(1,097)	1,657	335
Bank balances and cash	(1,097)	1,657	335

Notes to the Preliminary Results

FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The unaudited interim financial information has been prepared in accordance with International Accounting and Financial Reporting Standards (IFRS). The financial information in this report for the six months ended 30 June 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2006, has been extracted from the statutory accounts at that date, which have been delivered to the Registrar of Companies. The auditors report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985.

2. Revenue is derived from the Group's serviced office business.

3. EARNINGS PER SHARE

	June 2007 (Unaudited) £000	June 2006 (Unaudited) £000	December 2006 (Audited) £000
Weighted average number of shares in issue (thousands)	88,006	86,425	88,006
Continuing operations			
Profit attributable to equity holders of the company	94	76	666
Basic earnings per share (pence)	0.11	0.09	0.76
Including discontinued operations			
Profit attributable to equity holders of the company	94	76	504
Basic earnings per share (pence)	0.11	0.09	0.57

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

4. INCOME TAX EXPENSE

	June 2007 (Unaudited) £000	June 2006 (Unaudited) £000	December 2006 (Audited) £000
Current corporation tax	(12)	25	(10)
Deferred tax	54	-	314
			304

5. This financial information was approved by the Board on 17th September 2007.

6. Copies of this interim report are being sent to all of the Company's shareholders. Further copies can be obtained from the Company's registered office at Fleet House, 8-12 New Bridge Street, London, EC4V 6AL.

www.servicedofficegroup.com

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