SERVICED OFFICE GROUP PLC

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SERVICED**OFFICE**GROUP

Interim Results for the six months ended 30 June 2008

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 1,930 workstations.

Michael Kingshott, Chairman, comments:

“This has been a challenging year with the slowdown in the growth of the economy. The contraction in certain sectors in which our tenants operate, such as financial services and construction, has led to some tenants either downsizing or vacating our premises. However our business model has proven itself to be appropriate in the current business environment as businesses seek to restrict themselves to short term commitments making serviced offices attractive. This is evidenced by increased activity in our centres and a rise in workspace occupation.

We therefore continue to invest in our business via enhancing our centres’ information technology capability and the refurbishment of certain centres. Both projects have secured a positive response from tenants. Further we have improved the skill-set of the centre staff and remain committed to this process in order to increase both the number of tenants and the service they receive. The year will continue to be challenging however I am confident your company will acquit itself as well as circumstances permit.

24 September 2008

Highlights

- **Total revenues for the six months ended 30 June 2008 of £3.6 million (2007: £3.1 million) an increase of 13 per cent.**
- **Operating profit of £510,000 (2007: £481,000 excluding a surplus on revaluation of £179,000) an increase of 6 per cent excluding the surplus.**
- **Loss before tax of £207,000 (2007: £43,000 excluding a surplus on revaluation of £179,000).**
- **Number of workstations in the period increased by 65 to 1,913, an increase of 4 per cent.**
- **Decrease in net asset value per share to 7.4p (2007: 7.7p) a decrease of 4 per cent.**
- **Basic earnings per share (0.17p) (2007: 0.11p).**

Chairman's Statement

The deterioration in underlying economic conditions upon which I commented in my 2007 Annual Report has gathered strength during the six months ended June 2008, and has presented an increasingly difficult trading background for our tenants. We foresee little likelihood of marked improvement in the short term. Nevertheless, notwithstanding the problematic economic environment your company has made useful progress, reflecting the inherent strengths of our business model.

As experienced in previous downturns in the economy, occupiers of serviced business space have come under pressure, and we have seen a rise in the number of workstations vacated by tenants. Losses in occupation have tended to be concentrated in tenants within the financial, property and construction sectors.

But, again repeating earlier experience, we can report increased interest by new potential occupiers unwilling to commit to expensive long-term rental arrangements. Many of these are quite large entities, with the net result that overall workstation occupation has risen, average rentals have been steady to firm, and the level of interest shown by potential occupiers is at record levels. Counteracting this factor there has been a slowdown in the rate of take-up when compared to last year: Occupiers are taking their time before committing.

In financial terms, our results show a mixed picture. Total revenues for the six months ended 30 June 2008 reached £3.6 million (2007: £3.1 million) an increase of 13 per cent, accompanied by operating profits 6 per cent higher at £510,000 when the £179,000 surplus on revaluation last year is taken into account. There was a loss before tax of £207,000 (2007: £43,000 excluding the surplus on revaluation).

Of the finance costs of £755,000, £113,000 is payable on loans made by the shareholders of Consort Property Holdings Limited, our Joint Venture ("JV") with UBS Investment Bank, to the JV. The increase in the bank interest payable of £644,000 (2007: £524,000) is due to larger bank loans following the purchase of County House in Beckenham. We have secured an average interest rate lower than 2007 of 6.5% (2007: 7.0%). Exposure to interest rate fluctuations is partly covered under hedging arrangements.

Progress in our centres has been improving, as building and fit-out works come to an end, and prospective tenants can be shown a finished product. We pride ourselves on the quality of fit-out in our centres, and devote a lot of effort to maintain good appearances and effective and efficient delivery of services. Particular attention has been given to improving the overall standard of information technology service in our centres, which has met with a favourable reaction from users.

Progress has been made in all of our centres, but I am particularly pleased with County House, our 46,000 square feet office building acquired last year. Work continues on the second floor to schedule; the entire first floor, which was completely refurbished, is fully let and the lettable space in this centre is currently 87% occupied. At Teddington, the fit-out of the second floor has been completed and this space is now being let. Crawley occupancy continues to exceed 90%. Excellent progress has been made at Chiswick, where progress was at first disappointing, following a drive to sharpen management skills and to introduce concentrated marketing training. These four properties are owned by the JV. On completion of the refurbishment, we foresee the JV undergoing a period of consolidation as we pursue a level of income that is both profitable and sustainable.

We intend to continue to strive to improve the skill-sets of our centre managers and their colleagues. The number of workstations in the period increased by 65 to 1,913, an increase of 4 per cent. The additional 57 workstations from the recent fit-out of the second floor in Beckenham plus a further 8 at other centres less the 48 foregone with the closure of the smaller Uxbridge office due to termination of the lease takes the current total to 1,930.

The Company's ownership of freeholds is unchanged with business centres at Harrow, Hayes, Kingston and Bournemouth. Leased premises are located at Blackfriars, Marlow, Richmond and Uxbridge.

The sharp decline in the economy is currently prompting moves towards consolidation within the serviced office sector which could be turned to our advantage. We are actively pursuing opportunities to play our part in the consolidation process.

Much of our recent success against the backdrop of a challenging market has been achieved by improvements in our central management and reporting systems. I am very pleased with the response shown by the central team to the changed environment and the difficulties and opportunities we are encountering. It would be rash to forecast the year's out-turn given the volatility in our markets but I am confident your company will acquit itself as well as circumstances permit.

MICHAEL KINGSHOTT
Chairman

24 September 2008

Consolidated balance sheet

AS AT 30 JUNE 2008

	30 June 2008 (Unaudited) £000	30 June 2007 (Unaudited) £000	31 December 2007 (Audited) £000
ASSETS			
Non current assets			
Investment property	25,141	25,792	25,141
Property, plant & equipment	3,343	3,782	3,297
Goodwill	1,489	1,482	1,489
Investments	493	-	493
	30,466	31,056	30,420
Current assets			
Inventories	63	63	63
Trade and other receivables	974	1,554	1,121
Cash and cash equivalents	346	-	275
	1,383	1,617	1,459
Total assets	31,849	32,673	31,879
EQUITY			
Capital and reserves attributable to equity holders of the company			
Called up share capital	4,400	4,400	4,400
Share premium account	4,200	4,194	4,200
Profit and loss account	(2,053)	(1,846)	(1,904)
Total equity	6,547	6,748	6,696
LIABILITIES			
Non current liabilities			
Borrowings	21,279	21,250	20,879
Finance lease	64	51	30
Deferred tax	838	943	896
	22,181	22,244	21,805
Current liabilities			
Trade and other payables	3,089	2,584	3,346
Borrowings	32	-	32
Bank overdraft	-	1,097	-
	3,121	3,681	3,378
Total liabilities	25,302	25,924	25,183
Total equity and liabilities	31,849	32,673	31,879

Consolidated income statement

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	30 June 2008 (Unaudited) £000	30 June 2007 (Unaudited) £000	31 December 2007 (Audited) £000
Turnover	3,560	3,134	6,382
Cost of Sales	(2,377)	(2,067)	(4,342)
Gross Profit	1,183	1,067	2,040
Net gain from revaluation of investment properties	-	179	624
Administrative expenses	(673)	(586)	(1,347)
Operating profit	510	660	1,317
Finance costs	(755)	(524)	(1,248)
Interest received	38	-	31
Profit before income tax	(207)	136	100
Income tax expense	58	(42)	(64)
Profit / (loss) for the period	(149)	94	36
Earnings / (losses) per share:			
Basic	(0.17)p	0.11p	0.04p
Diluted	(0.17)p	0.11p	0.04p

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Attributable to equity holders of the company			
	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2007	4,400	4,194	(1,940)	6,654
Profit for the period	-	-	36	36
Grant of employee share options	-	6	-	6
Balance at 31 December 2007	4,400	4,200	(1,904)	6,696
Balance at 1 January 2008	4,400	4,200	(1,904)	6,696
Loss for the period	-	-	(149)	(149)
Balance at 30 June 2008	4,400	4,200	(2,053)	6,547

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	30 June 2008 (Unaudited) £000	30 June 2007 (Unaudited) £000	31 December 2007 (Audited) £000
Profit from operations	510	660	1,317
Adjustment for:			
Depreciation of plant and equipment	248	192	437
Revaluation of investment properties	-	(179)	(624)
Amortisation of Share Options	-	-	6
Operating cash flow before movement in working capital	758	673	1,136
Decrease/(Increase) in receivable	81	174	160
(Increase)/Decrease in other current assets	128	(911)	(492)
Increase/(Decrease) in payables	70	557	777
Cash generated from operations	1037	492	1,581
Interest Paid	(1,106)	(463)	(657)
Net cash from / (used in) operating activities	(69)	28	924
Cash flows from investing activities			
Interest received	-	-	4
Purchase of investment property	-	(2,704)	(5,909)
Proceeds from sale of investment property	-	-	4,300
Purchases of plant and equipment	(293)	(1,496)	(1,928)
Proceeds from sale of plant and equipment	-	-	672
Loans to joint venture	-	-	(493)
Acquisition of subsidiaries, net of cash acquired	-	-	(7)
Net cash from / (used in) investment activities	(293)		(3,361)
Cash flows from financing activities			
Proceeds of shareholder loans	-	-	1,480
Repayment of long-term borrowings	(11)	(11)	(5,250)
Proceeds from long-term borrowings	444	2,750	6,147
Net cash from financing activities	433	2,739	2,377
Net (decrease) in cash and cash equivalents	71	(1,433)	(60)
Cash and cash equivalents at the beginning of the year	275	335	335
Cash and cash equivalents	346	(1,097)	275
Bank balances and cash	346	(1,097)	275

Notes to the Preliminary Results

FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008 does not constitute statutory accounts as defined in section 240 of the companies Act 1985. The financial information for the year ended 31 December 2007, 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 2008 (Unaudited) £000	June 2007 (Unaudited) £000	December 2007 (Audited) £000
Weighted average number of shares in issue (thousands)	88,006	88,006	88,006
Profit / (loss) attributable to equity holders of the company	(149)	94	36
Basic earnings per share (pence)	(0.17)	0.11	0.04

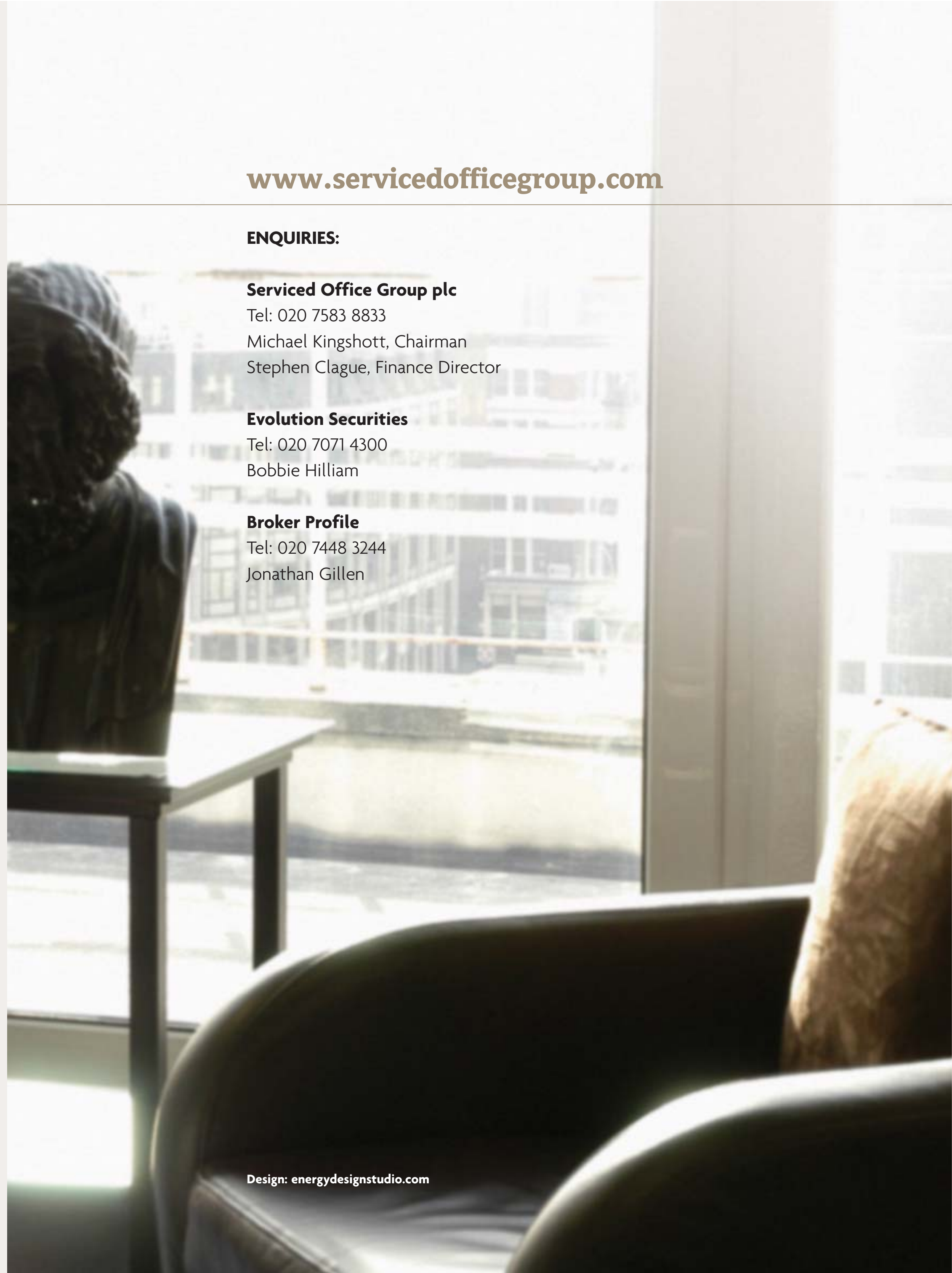
There is no difference between the basic and diluted earnings per share

4. INCOME TAX EXPENSE

	June 2008 (Unaudited) £000	June 2007 (Unaudited) £000	December 2007 (Audited) £000
Current corporation tax	-	(12)	-
Deferred tax	(58)	54	64
	(58)	42	64

5. This financial information was approved by the Board on 24 September 2008.

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.



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