SERVICED OFFICE GROUP PLC

Interim Results for the six months
ended 30 June 2009

Serviced Office Group plc (AIM: SVO)

Interim Results for the six months ended 30 June 2009

Serviced Office Group ("SVO" or "the Company") is an AIM-Listed provider of flexible office space, which currently operates a total of 18 centres, providing a total of 3,110 workstations.

HIGHLIGHTS

- Total revenues for the six months ended 30 June 2009 of £3.3 million (2008: £3.6 million) a decrease of 8 per cent.
- Operating profit of £214,000 (2008: £510,000) a decrease of 58 per cent.
- Loss before tax of £207,000 (2008: £207,000).
- Number of workstations in the period increased by 1,197 to 3,110, an increase of 62% per cent.
- Decrease in net asset value per share to 1.1p (2008: 7.4p) a decrease of 85 per cent.
- Basic loss per share of 0.17p (2008: loss of 0.17p).

Michael Kingshott, Chairman, comments:

"The first quarter of the year was one of the most challenging periods the industry has experienced, with pressure on both occupancy levels and workstation rates. Whilst we have not been immune to the impact, we have successfully pursued and taken advantage of opportunities that have arisen including management deals and leases at highly attractive terms.

"We have made considerable progress in adding new centres during the course of the current year. These new centres have principally been acquired be entering into management agreements with existing freehold and leasehold office centres. The effect of these management transactions has been to increase the potential number of workstations by 62%. This expansion will provide significant income growth in the future at minimal risk to the company and add to its performance in the second half of the year.

"We are actively pursuing the acquisition of the balance of the equity in our joint venture, Consort Property Holdings Ltd. This investment will significantly improve our profit and cash generation.

"Whilst the year continues to test our capabilities, I am confident that we have the resources financially and as a team to end the year in a stronger position. In particular, the substantial investment the Company has made in infrastructure, people and technology provides us with an opportunity to further exploit our existing portfolio of centres and to benefit from new building and management contracts opportunities that are present today in the current market."

29 September 2009

ENQUIRIES:

Serviced Office Group plc **Tel: 020 7583 8833**
Michael Kingshott, Chairman
Stephen Clague, Finance Director

Evolution Securities **Tel: 020 7071 4300**
Bobbie Hilliam

College Hill **Tel: 020 7457 2020**
Gareth David

CHAIRMAN'S STATEMENT

Whilst the period under review continued to be extremely challenging, there are signs of improvement in our market place and in the economy as a whole

In spite of the growth in effective workstations throughout the period, the pressure on licence fees resulted in an 8.6% fall in revenue. With costs fairly flat during the period, this fall in revenue has resulted in a 58% fall in operating profit. Finance costs fell from £755,000 to £459,000 resulting in an unchanged loss for the period of £149,000. Our net assets are now £1,010,000 which takes into account the full write down on our freehold assets taken at the year end and announced in the annual report.

In my annual statement I mentioned the expansion of our property management business which has secured five new premises during the period. Three of these properties have only just started to become revenue generating and hence the positive financial effect will only be felt during the second half of the financial year. Each of the new properties has undergone a comprehensive refit managed by us on behalf of the landlords involving expenditure of £400,000 by the owners. The board expects the property management business to be the key focus of the Company over the remainder of the financial year.

The number of workstations in the period increased by 1,197 to 3,110, an increase of 62 per cent. Following on from these successes we continue to receive approaches from Landlords wishing to avail themselves of our management skills to operate serviced offices within their buildings. Landlords in this difficult market are struggling to find conventional tenants and are therefore turning to serviced offices as a way to generate immediate income and defray property costs, such as rates and holding costs, which would otherwise be incurred on an empty building. SVO is an attractive manager to these landlords as it is a one stop shop. Needless to say this service offered by us is location driven.

More recently we have completed terms for the management of a further property at Bristol and the acquisition of a lease in Bromley. Both properties have been completely refurbished. In the case of Bristol this was at the owners cost whilst Bromley has been funded internally at a cost of £350,000. Together these two properties will add 350 workstations immediately, with a further 150 workstations being added on completion of the works at Bristol. Considerable benefits will be derived from these new centres once all of the works are completed paving the way for a profitable future in 2010. As we offer a bespoke service to include design and refurbishment management we have seen a rise in the number of Landlord enquiries for our serviced office management skills.

Our portfolio currently consists of:

Freeholds	Beckenham *
	Bournemouth
	Chiswick *
	Crawley *
	Harrow
	Hayes
	Kingston
	Teddington *

* owned by joint venture, Consort Property Holdings Ltd.

Leasehold	Blackfriars, London
	Bromley
	Marlow
	Richmond
	Uxbridge
	Vauxhall Embankment, London

Managed	Bristol
	Cannon Street, London
	Hemel Hempstead
	Canary Wharf, London

In my annual statement I reported the terms of our purchase of the 50% interest in Consort Property Holding owned by UBS. On the 27th of August the Company announced that the terms of this transaction had been amended to terms more favourable to the Company. The effect of the terms agreed reduced the acquisition cost to the Company from £750,000 to £175,000 adjustable according to profits achieved.

This reduction in price reflects both the current property market environment but also I believe the Company's strong negotiating position. The acquisition will give SVO 100% ownership of the freehold properties in Beckenham, Crawley, Teddington and Chiswick. We look forward to announcing to shareholders the completion of the acquisition during the course of the second half of the financial year.

Renegotiation of bank facilities

Further to the statement made in the annual report, the Company has bank loans totalling £19.8m with The Royal Bank of Scotland. Of this total, £13.65m is due to mature on 19 October 2009. The balance has been drawn by the joint venture, Consort Property Holdings Limited, and is not due to mature until 2012.

The renegotiation of the Company's existing loans, including loans needed to facilitate the acquisition of the 50% stake currently not held by SVO, remain ongoing. The Company continues to fully service the loans. The directors remain confident that satisfactory terms can be agreed with Royal Bank of Scotland and that the Company will therefore will be able to continue as a going concern.

Whilst the overall market continues to be difficult, we are seeing a rising trend of leads, viewings and workstation contracts. The board therefore remains confident in the future.

MICHAEL KINGSHOTT
Chairman

29 September 2009

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

	30 June 2009 (Unaudited) £000	30 June 2008 (Unaudited) £000	31 December 2008 (Audited) £000
ASSETS			
Non current assets			
Investment property	19,372	25,141	19,372
Property, plant & equipment	3,223	3,343	3,335
Goodwill	1,489	1,489	1,489
Investments	498	493	498
Deferred tax asset	61	-	3
	24,643	30,466	24,697
Current assets			
Inventories	63	63	63
Trade and other receivables	681	974	676
Cash and cash equivalents	-	346	409
	744	1,383	1,148
Total assets	25,387	31,849	25,845
EQUITY			
Capital and reserves attributable to equity holders of the company			
Called up share capital	4,400	4,400	4,400
Share premium account	4,209	4,200	4,209
Profit and loss account	(7,599)	(2,053)	(7,450)
Total equity	1,010	6,547	1,159
LIABILITIES			
Non current liabilities			
Borrowings	1,495	21,279	1,495
Finance lease	30	64	57
Deferred tax	-	838	-
	1,525	22,181	1,552
Current liabilities			
Trade and other payables	2,587	3,089	3,292
Borrowings	19,842	32	19,842
Bank overdraft	423	-	-
	22,852	3,121	23,134
Total liabilities	24,377	25,302	24,686
Total equity and liabilities	25,387	31,849	25,845

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	30 June 2009 (Unaudited) £000	30 June 2008 (Unaudited) £000	31 December 2008 (Audited) £000
Turnover	3,257	3,560	6,891
Cost of Sales	(2,427)	(2,377)	(4,784)
Gross Profit	830	1,183	2,107
Net loss from revaluation of investment properties	-	-	(5,769)
Administrative expenses	(616)	(673)	(1,354)
Operating profit/(loss)	214	510	(5,016)
Finance costs	(459)	(755)	(1,504)
Interest received	38	38	75
Loss before income tax	(207)	(207)	(6,445)
Income tax credit	58	58	899
Loss for the period	(149)	(149)	(5,546)
Earnings / (losses) per share:			
Basic	(0.17)p	(0.17)p	(6.30)p
Diluted	(0.17)p	(0.17)p	(6.30)p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to equity holders of the company			
	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2008	4,400	4,200	(1,904)	6,696
Loss for the period	-	-	(5,546)	(5,546)
Grant of employee share options	-	9	-	9
Balance at 31 December 2008	4,400	4,209	(7,450)	1,159
Balance at 1 January 2009	4,400	4,209	(7,450)	1,159
Loss for the period	-	-	(149)	(149)
Balance at 30 June 2009	4,400	4,209	(7,599)	1,010

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	30 June 2009 (Unaudited) £000	30 June 2008 (Unaudited) £000	31 December 2008 (Audited) £000
Profit from operations	214	510	(5,016)
Adjustment for :			
Depreciation of plant and equipment	255	247	497
Amortisation of bank loan arrangement costs	1	1	3
Revaluation of investment properties	-	-	5,769
Expense arising from grant of Share Options	-	-	9
Operating cash flow before movement in working capital	470	758	1,262
Decrease in receivables	202	81	61
Decrease in other current assets	47	128	384
Increase/(Decrease) in payables	(506)	70	298
Cash generated from operations	213	1037	2,005
Interest Paid	(875)	(1,106)	(1,780)
Net cash from / (used in) operating activities	(662)	(69)	225
Cash flows from investing activities			
Interest received	-	-	57
Purchases of plant and equipment	(144)	(293)	(535)
Loans to joint venture	-	-	(5)
Net cash used in investment activities	(144)	(293)	(483)
Cash flows from financing activities			
Proceeds of shareholder loans	-	-	16
Finance lease capital repayments	(26)	(11)	(24)
Proceeds from long-term borrowings	-	444	400
Net (decrease) in cash and cash equivalents	(832)	71	134
Cash and cash equivalents at the beginning of the year	409	275	275
Cash and cash equivalents	(423)	346	409
Bank balances and cash	(423)	346	409

NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009 does not constitute statutory accounts as defined in section 240 of the companies Act 1985. The financial information for the year ended 31 December 2008, 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 2009 (Unaudited) £000	June 2008 (Unaudited) £000	December 2008 (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)	(149)	(5,546)
Basic earnings per share (pence)	(0.17)	(0.17)	(6.30)

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

4. Income tax expense

	June 2009 (Unaudited) £000	June 2008 (Unaudited) £000	December 2008 (Audited) £000
Deferred tax	(58)	(58)	(899)
	(58)	(58)	(899)

5. This financial information was approved by the Board on 28 September 2009.

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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