results 2003

SERVCORP
Smart Office®

our aim

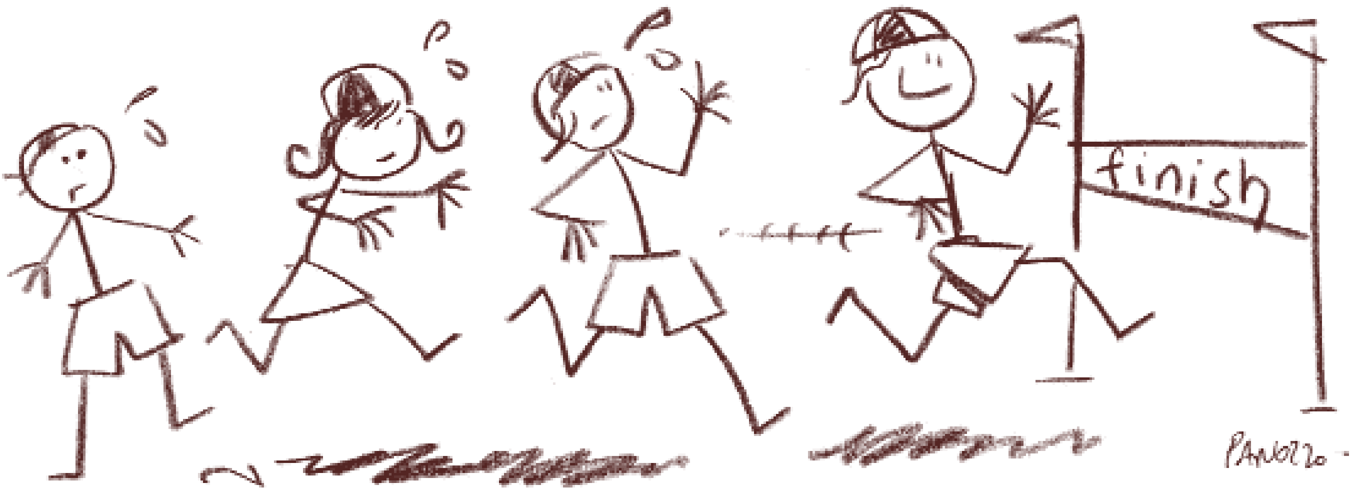
Servcorp's aim is to be the World's Finest Serviced Office Operator.

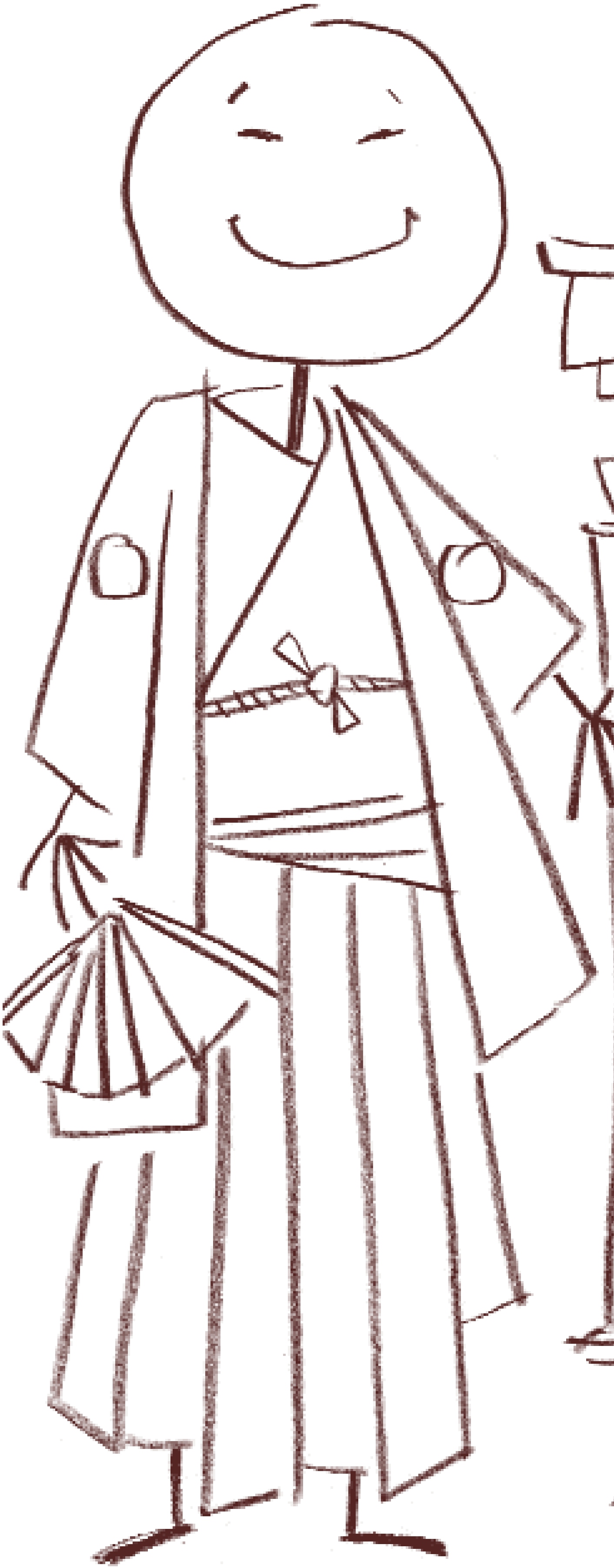
The aim includes a commitment to the best management team in our industry, a training process second to none, the adoption of efficient business processes and the provision of leading technology services.

Servcorp focuses on a diversified portfolio of high quality serviced offices in multiple locations. This year we will look to increase critical mass in cities and countries where Servcorp operates. Servcorp is also committed to the expansion of its virtual office capabilities and to growth in the virtual office client base.

Success is built on over 20 years experience, a profitable track record, a strong financial capability, an energetic team and a commitment to our clients.

achieving our aim will bring a smile to our shareholders' faces.





world news

we can smile again

but not lose our focus

	Actual 8 months June 2000 $'000	Actual 12 months June 2001 $'000	Actual 12 months June 2002 $'000	Actual 12 months June 2003 $'000
Revenue	58,665	122,697	118,428	113,761
EBT	8,976	18,923	(188)	5,251
NPAT	6,851	14,191	(3,409)	2,455
Cash flow from operating activities	13,831	24,081	10,993	12,018
Cash & interest bearing financial assets	11,907	51,450	46,385	39,173

back to reality and profit growth

mature location profit

$8.9m

immature location loss

-$0.8m

mature location profit
projected 2004

$11.0m

clients in residence
Virtual and serviced office

5,171

12 months growth in clients

4.9%

Projected 2004 12% growth

revenue

12 months to June 2002 $118.4m

12 months to June 2003

$113.7m

- 3.9%

but profit is rising

chairman's message

2003 has been another challenging year for Servcorp. The pressures present in the global serviced office market in 2002 remained however, while our major global competitors stumbled, Servcorp used the difficult times to strengthen its position.

Revenue was down approximately 4% to 113.76 million, however this decrease was due to the appreciation of the Australian dollar. After adjusting the currency effect, real revenue grew by 2% reflecting improved occupancy.

The Company recorded a profit before tax of $5.25 million. As in 2002, this result was after expensing significant items principally associated with asset write-downs. These expenses totalled $2.91 million in 2003.

Reflecting this result, the Company continued to generate substantial positive operating cash flow. Net cash provided by operating activities was $12.01 million allowing the Company to reward its shareholders with dividends totalling $6.34 million.

Cash and interest bearing assets at 30 June totalled $39.17 million.

During the year we took the opportunity of repurchasing 4.8 million shares in the Company at $1.11 per share. We believe this to be outstanding value to Servcorp and an appropriate use of the Company's cash resources.

Servcorp continues to outperform its major competitors and remains one of the few financially strong global serviced office operators. We believe we have the world's leading serviced office offering, and are confident we are well placed for a successful future.

Accordingly the Directors have declared a fully franked final dividend of 3.75 cents per share, to be paid in October 2003. Total dividends for the year were 7.50 cents per share.

On behalf of the Directors I would like to thank our CEO, Alf Moufarrige, his management team and all Servcorp team members worldwide for their skill and dedication during another tough year. We have great faith in the fundamental strength of Servcorp and the potential for great success going forward.

Bruce Corlett

why the smile?

by the Chief Executive

The last quarter was much more fun than the first. Competitors continue to close and our profit and enquiries are slowly growing.

Our proprietary IT systems are stable and our Virtual product, although encountering some competition, is still the market leader.

We have recommenced expansion in Tokyo opening Nihonbashi in June and have signed Shinagawa with a planned opening in December 2003.

Our team is in an advanced stage in negotiations with a view to opening our first location in Beijing and we also continue to pursue opportunities in London.

After two really tough years the competitive landscape has improved, our cost cutting is finally sending profit to the bottom line, and I am projecting that our mature floors will make $4.5million in the first half of 2004 moving to between $6.5million and $7million in the second half. The profit on mature floors of course will be tempered by initial losses on any new locations that we open. I am much more confident that our team will continue to smile through this year as our competitive advantage becomes more obvious.

It's a great feeling to be CEO when profit increases, even though turnover decreased, in the past year.

A G Moufarrige

community service

Servcorp continues to support the Joan Salter Fund which is managed by the Rotary Club of Sydney. The Fund currently has a balance of about $570,000 and we will continue to raise money to support this Fund in the 2003/2004 year.

The Joan Salter Fund's focus is to assist with continuing research into the prevention and cure of cancer and it also has a particular interest in assisting young, seriously or terminally ill members of the community, so that they are not placed in homes for the aged when they are struck down by their debilitating disease, while still having all their mental faculties.

In the past year Servcorp with the Rotary Club of Sydney through the Joan Salter Fund has:

1. Funded the MS Society to enable them to build an internet lounge at one of their homes for young people who are receiving treatment and assistance for this debilitating disease.
2. Continued to support the Salvation Army.
3. Been heavily involved in researching a medical probe to reduce blood loss in major liver resections which may lead to a cure to liver cancer. This product is at live testing stage and is being undertaken by St George Hospital.
4. Heavily supported MRC Holdings which is working on research for the inhibition of cancer tumours.
5. Supported the Cancer Council of NSW Posh Auction.

In 2003/2004 we intend to work even more closely with the Cancer Council of NSW, in Sydney Rotary's name, to assist with more research grants.

Assistance to the Arts

This year we supported World Orchestra's tour of Australia. We also have a close association with the Australian Chamber Orchestra, whose performance we have funded in Brussels and Tokyo.

We are proud of the fact that as a small Aussie company the contributions that we are putting back into the community are focused on bringing real change and benefits to people, in particular young people who suffer from debilitating diseases. We will keep you updated.

A G Moufarrige

Peace on earth, good health and happiness for this new millennium.
My life was full of friends, family, Servcorp and Rotary. The privilege to have known them knows no bounds.

"Look for bubbles at midnight"

Most Treasured Honour
Paul Harris Fellow
received in 1999

Joan

Epitaph written by Joan 1 month before she passed away at 4 pm 24/2/2000

something to smile about

Our IT solutions continue to give us something to smile about and they have given us such a market lead that we have recommenced developing a new single point of entry system to improve our competitiveness in both the Virtual and Serviced Office environment.

Translation of our IT solutions into Japanese, Chinese and French continues as does our training. Our products **Debtors, Smart Office®, IP Billing, Per MB Billing, Call Accounting, Worksmart Screen Console, Servcorp Hottdesk®, Helpdesk** and the new **Single Point of Entry**, create a smile as they make our lives easier but these in-house products continue to have a bottom line bias.

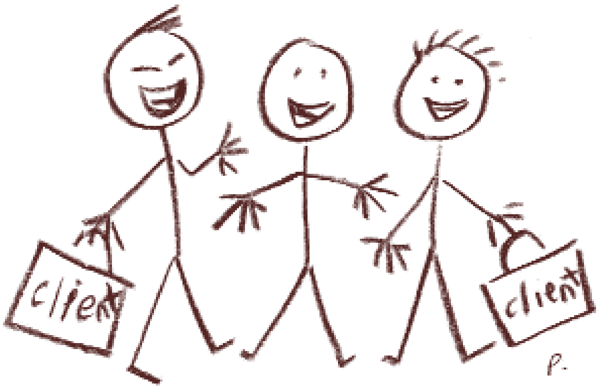
We were again a **Deloitte Technology Fast 50 winner** and we are the only Serviced Office operator in the world that allows independent assessment of our IT capabilities.

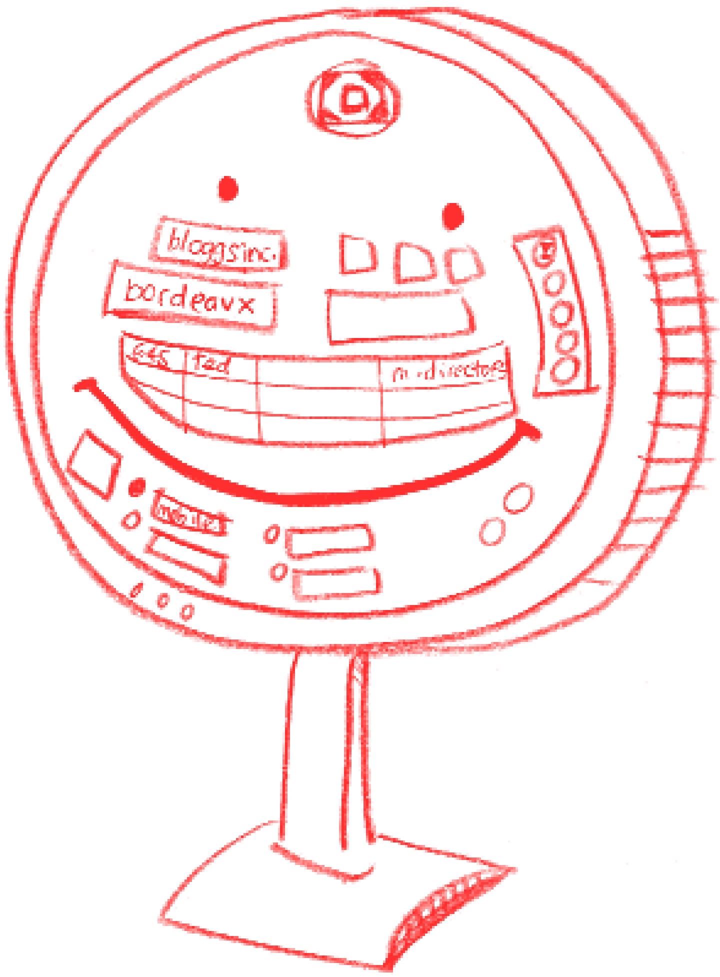
 A Deloitte Technology Fast 50 winner, awarded for IT excellence.

our clients laugh at the IT nightmare!

At Servcorp the IT nightmare does not exist!

Our clients can **dial *1 for IT help**, and we have 41 team members totally trained manning the helpdesk. Our team also smiles because we know as the market recovers the IT advantage will make sales easier and improve our bottom line.





Dial *1 for IT H.E.L.P.

Worksmart Screen Console

Debtors

Servcorp Hottdesk®

Call Accounting

Servcorp Smart Office®

A Deloitte Technology Fast 50 winner, awarded for IT excellence.

locations

Australia

Adelaide
Level 24, Santos House
91 King William Street

Brisbane
Levels 24 & 30, AMP Place
10 Eagle Street

Canberra
Levels 6 & 11, St George Centre
60 Marcus Clarke Street

Melbourne
Level 40, 140 William Street

Level 50, 101 Collins Street

Level 25, Optus Centre
367 Collins Street

North Ryde
Level 9, Avaya House
123 Epping Road

North Sydney
Levels 4, 17, 21 & 22
201 Miller Street

Perth
Levels 22 & 23, St Martins Tower
44 St Georges Terrace

Sydney
Levels 25 & 29, Chifley Tower
2 Chifley Square

Levels 66 & 67, MLC Centre
Martin Place

Level 17, BNP Paribas Centre
60 Castlereagh Street

New Zealand

Auckland
Levels 16 & 20, ASB Bank Centre
135 Albert Street

Level 27, PWC Tower
Quay Street

France

Paris
Levels 2, 3 & 4
17 Square Edouard VII

Belgium

Brussels
Levels 20 & 21, Bastion Tower
5, Place du Champ de Mars

UAE

Dubai
Levels 41 & 42
Emirates Towers
Sheikh Zayed Road

Asia

Shanghai, China
Level 21,
HSBC Tower
101 Yin Cheng East Road
Pudong

Hong Kong
Levels 25 & 30,
Bank of China Tower
1 Garden Road, Central

Kuala Lumpur, Malaysia
Level 36, Menara Citibank
165 Jalan Ampang

Singapore
Levels 30 & 31, Six Battery Road

Penthouse Level,
Suntec Tower Three
8 Temasek Boulevard

Bangkok, Thailand
Level 23,
CP Tower
313 Silom Road

Level 27,
Bangkok City Tower
Cnr Chong Nonsi & South Sathorn Rd

Japan

Tokyo
Level 32, Shinjuku Nomura Building
1-26-2 Nishi-Shinjuku
Shinjuku-ku

Level 11, Park West Building
6-12-1 Nishi-Shinjuku
Shinjuku-ku

Level 16, Shiroyama JT Trust Tower
4-3-1 Toranomon
Minato-ku

Levels 13 & 14, Hibiya Central Building
1-2-9 Nishi Shimbashi
Minato-ku

Level 9 & Basement 1, AIG Building
1-1-3 Marunouchi
Chiyoda-ku

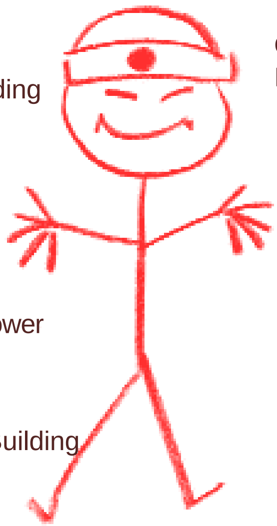
Level 11, Omotesando Palacio Tower
3-6-7 Kita-Aoyama
Minato-ku

Level 15, JT Building
2-2-1 Toranomon
Minato-ku

Level 18, Yebisu Garden Place Tower
4-20-3 Ebisu
Shibuya-ku

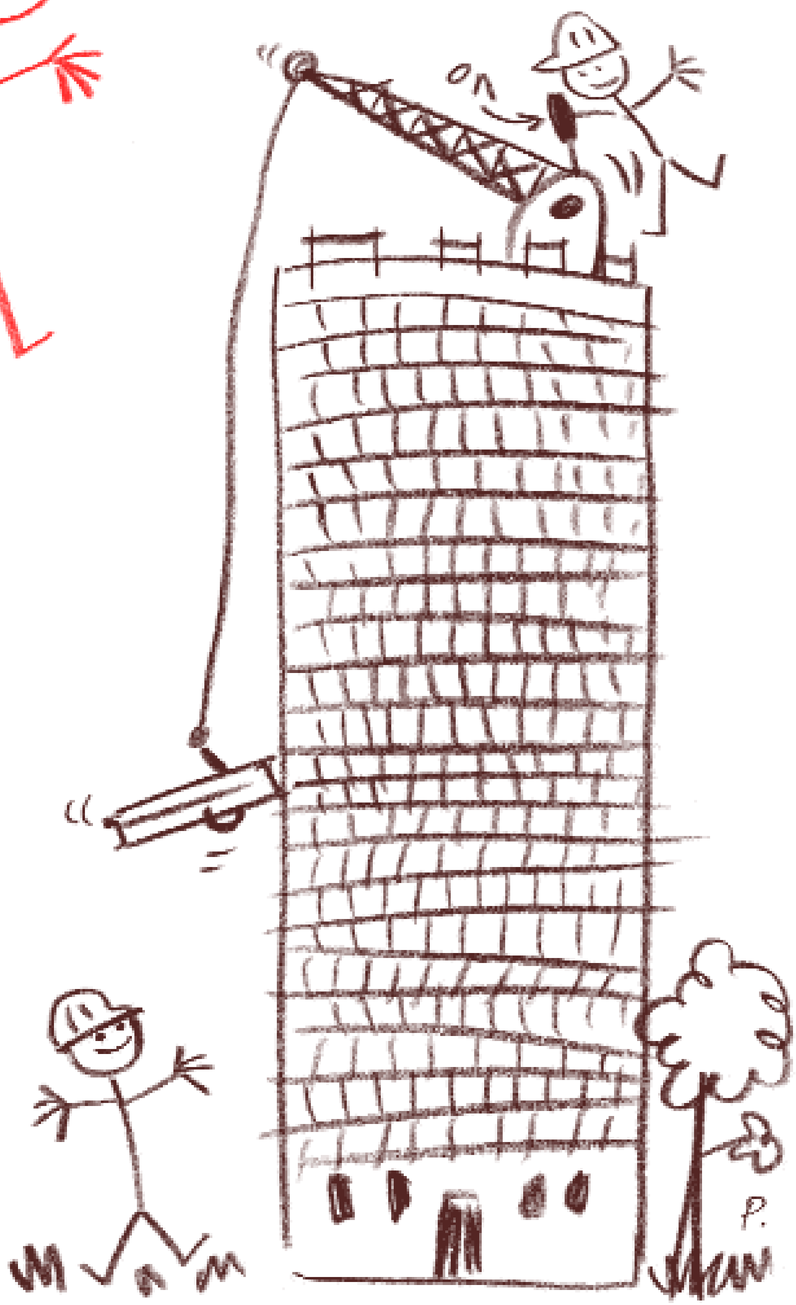
Level 7, Wakamatsu Building
3-3-6 Nihonbashi
Honcho, Chuo-ku

Osaka
Level 9, Edobori Center Building
2-1-1 Edobori
Nishi-ku



new locations to open in 2004

Japan	
Shinagawa, Tokyo	December 2003
China	
Beijing	Mid 2004



the Servcorp team

the board

Bruce Corlett
Chairman

Rick Holliday-Smith
Non-Executive Director

Julia King
Non-Executive Director

Alf Moufarrige
MD & CEO

Bryan Pashby
Non-Executive Director

The Board and Senior Management perform thanks to the hardworking Servcorp Team.

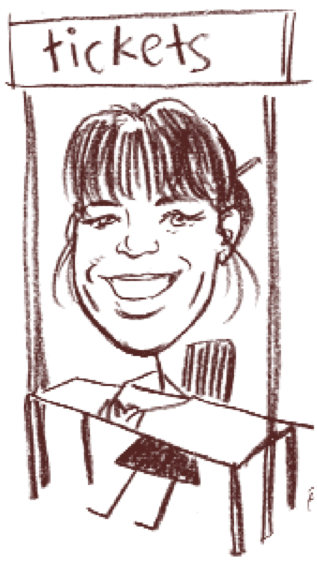
They make SERVCORP the best!

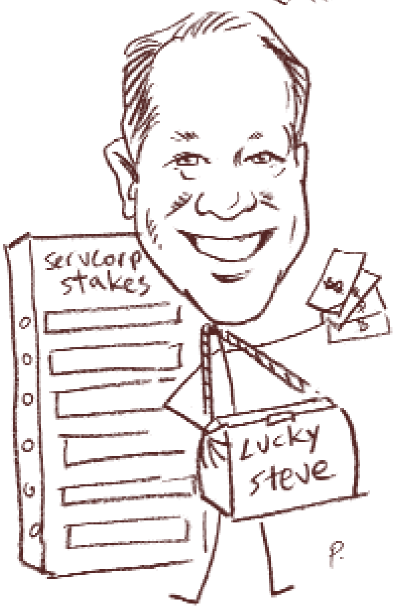
senior management

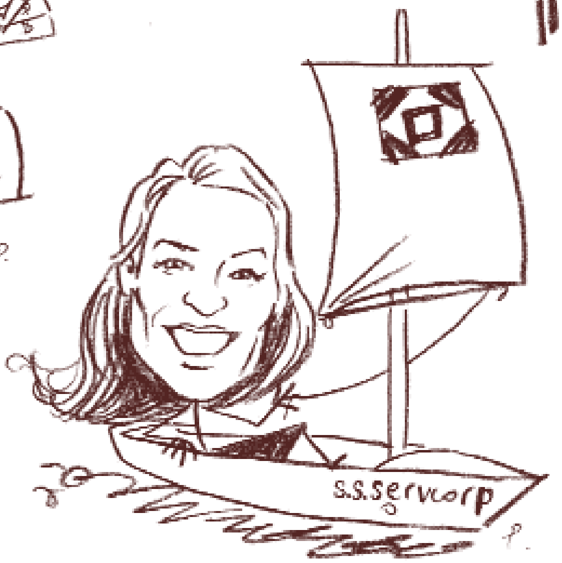
Taine Moufarrige BA,LLB
Alternate Director
GM Australia, New Zealand & Middle East
Marcus Moufarrige BCom
GM Asia & CIO
Susie Martin BEc
GM Japan
Greg Pearce BCom, CA
Company Secretary
Richard Baldwin Dip Ag, Dip Oen
GM I.T.S.
Sharon Tindale Dip Bus (Val), AAPI, LREA
International Sales and Marketing Manager
Steve Gainer
Senior Manager Japan
Tammy Palmer PGDIP(Mktg), MBA
International Sales & Marketing Manager,
Virtual Office
Liane Gorman
Senior Manager Concepts









Corporate governance

The Board has responsibility for the long-term health and prosperity of Servcorp. The directors are responsible to the shareholders for the performance of the Company and the Consolidated Entity and to ensure that it is properly managed.

The Board is committed to the principles underpinning the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. We are continually working to improve our governance policies and practice.

Role of the Board

The Board's primary responsibilities are:

- the protection and enhancement of long-term shareholder value
- ensuring Servcorp has appropriate corporate governance structures in place
- providing strategic direction, including reviewing and determining goals for management
- monitoring management's performance within that framework
- appointing the Managing Director and evaluating his performance and remuneration
- monitoring business performance and results
- identifying areas of significant risk and ensuring adequate controls are in place to manage those risks
- establishing appropriate standards of ethical behaviour and a culture of corporate and social responsbility
- approving executive remuneration policies
- ratifying the appointment of the Chief Financial Officer and the Company Secretary
- ensuring compliance with continuous disclosure policy in accordance with the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange (ASX)
- reporting to shareholders
- approval of the commitment to new locations
- ensuring the Board is, and remains, appropriately skilled to meet the changing needs of the Company.

A formal statement of matters reserved for the Board and delegated authority to management has been adopted.

Composition of the Board

The size and composition of the Board is determined by the Board, subject to the limits set out in Servcorp's Constitution which requires a minimum of three directors and a maximum of twelve directors.

The Board comprises five directors (one executive and four non-executive) and one alternate director. Three non-executive directors are independent.

The Chairman of the Board is an independent non-executive and does not carry out the role of Managing Director or Chief Executive Officer.

The non-executive directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The Board will continue to be made up of a majority of independent non-executive Directors.

The names of the directors of the Company in office at the date of this statement are set out in the Directors' report on pages 18 and 19 of this financial report.

Directors' independence

It is important that the Board is able to operate independently of executive management.

Three of the non-executive directors are considered by the Board to be independent of management. This means that they are free from any business, interest or other relationship which could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of Servcorp.

The three independent directors are Mr B Corlett, Mr R Holliday-Smith and Ms J King. Ms J King is the sister of Mr A Moufarrige, but she has no joint financial interests in Servcorp or otherwise. Ms King is an experienced business woman who sits on several other public company Boards. Ms King, and the other independent directors, believe her relationship with Mr Moufarrige does not impair her exercising independent judgement.

Election of directors

The Company's Constitution specifies that an election of directors must take place each year. One-third of the Board (excluding the Managing Director), and any other director who has held office for three or more years, must retire from office at each annual general meeting. The directors are eligible for re-election. Directors may be appointed by the Board during the year. Directors appointed by the Board must retire from office at the next annual general meeting.

Any changes to directorships will be dealt with by the full Board and accordingly a Nomination committee has not been established.

Independent professional advice

Each director has the right to seek independent professional advice, at Servcorp's expense, to help them carry out their responsibilities. Prior approval of the Chairman is required, which will not be unreasonably withheld. A copy of advice received by the director is made available to all other members of the Board.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Servcorp.

A code of conduct outlining the standards of personal and corporate behavior to be observed is in the process of being adopted.

Director dealings in Company shares

Servcorp policy prohibits directors from dealing in Company shares or exercising options:

- in the six weeks prior to the release of the Company's half-year and annual results to the ASX; or
- whilst in possession of price sensitive information.

Directors must notify the Company Secretary before they sell or buy shares in the Company. This is reported to the Board.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the ASX, each director has entered into an agreement with the Company that requires disclosure to the Company of all information needed for it to comply with the obligation to notify the ASX of directors' holdings and interests in its securities.

Conflict of interest

In accordance with the Corporations Act 2001 and the Company's Constitution directors must keep the Board advised, on an ongoing basis, of any interest that would potentially conflict with those of Servcorp. Where the Board believes that an actual or potential significant conflict exists, the director concerned, if appropriate, will not take part in any discussions on the matter and abstains from voting on the item being considered. The Board has developed procedures to assist directors to disclose potential conflicts of interest. Details of director related entity transactions with the Company and the Consolidated Entity are set out in Note 32.

Continuous disclosure

Servcorp has a policy that all shareholders and investors have equal and timely access to Company information. Procedures are in place to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The Company Secretary has been appointed as the person responsible for communications with the ASX.

Servcorp endorses the guidance principles contained in the Australian Securities & Investments Commission's "Better disclosure for investors" publication.

Communication with stakeholders

Servcorp is committed to increasing the transparency and quality of its communication so that we are regarded as outstanding corporate citizens. At present, information is communicated to shareholders and financial markets through the distribution of the Annual Report, the release of the half-year and full-year results, and market announcements to the ASX when required.

Servcorp does not currently utilise its website to communicate with shareholders. In keeping with the best practice recommendations of the ASX Corporate Governance Council, Servcorp is developing a corporate governance section on its website to facilitate disclosure of corporate policies and significant information.

Committees

The Board does not delegate major decisions to committees. Committees are responsible for considering detailed issues and making recommendations to the Board. The Board has established two committees to assist in the implementation of its corporate governance practices.

The Company did not have a Remuneration Committee during the year. The Managing Director, Mr A Moufarrige, and the Chairman, Mr B Corlett, meet as required to discuss senior executives' performance and remuneration issues, and make recommendations to the Board on remuneration packages and policies. In keeping with good corporate governance practice the Board will assess the need to constitute a Remuneration Committee.

Audit and Risk Management Committee

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Consolidated Entity.

It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The three independent non-executive directors were the members of the Audit Committee during the financial year. The chairman of the Audit Committee is independent and not the chairman of the Board.

Mr R Holliday-Smith (Chairman)
Mr B Corlett
Ms J King

The external auditors, the Managing Director, the Chief Financial Officer and other senior management are invited to Audit Committee meetings at the discretion of the Committee. The Chief Executive Officer and Chief Financial Officer provide a Management Questionnaire as assurance to the Audit Committee and the Board for half-year and full-year results.

The Audit Committee met three times during the financial year. The external auditor met with the Audit Committee and the directors on several occasions during the year without management being present.

Audit and Risk Management Committee (cont.)
The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally
- reviewing accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified appropriate and prompt remedial action is taken by management
- reviewing the company's policies and procedures for convergence with International Financial Reporting Standards for reporting periods beginning on 1 July 2005
- reviewing the nomination, independence and performance of the auditor
- liaising with the external auditors and ensuring that the statutory annual audit and half-yearly reviews are conducted in an effective manner
- monitoring the establishment of an appropriate internal control framework and considering enhancements
- monitoring the establishment of appropriate ethical standards
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001, ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities & Investments Commission, ASX and financial institutions
- reviewing reports on any major defalcations, frauds and thefts from the Company
- improving the quality of the accounting function

The role of the Audit Committee has been expanded to include risk management.

A formal charter for the Audit and Risk Management Committee is currently being adopted.

Governance Committee
During the year the Board formed a Governance Committee. The Governance Committee's charter is to progress the adoption of and ongoing compliance with the ASX Corporate Governance Council's best practice recommendations. The Governance Committee members are two independent non-executive directors and two management representatives:

Mr B Corlett (Chairman)
Mr R Holliday-Smith
Mr M Moufarrige (General Manager Asia & CIO)
Mr G Pearce (Company Secretary)

Auditor independence

The Company's auditors KPMG were appointed on 25 August 1999. KPMG were reappointed at the first annual general meeting of the Company on 17 November 2000. The Lead Partner, Mr R Amos, will be due for rotation for the year ended 30 June 2006.

KPMG have established policies and procedures designed to ensure their independence, and provide the Audit and Risk Management Committee with an annual confirmation as to their independence.

The Audit and Risk Management Committee is in the process of adopting an Auditor Engagement Policy. The Policy addresses external auditor independence, in order to prevent any real or perceived conflict of interest.

directors' report

The directors present their report together with the financial report of Servcorp Limited ("the Company") and the consolidated financial report of the "Consolidated Entity", being the Company and its controlled entities, for the financial year ended 30 June 2003 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Name	Experience, qualifications and special responsibilities
Mr Alf Moufarrige	**Managing Director** Chief Executive Officer Appointed August 1999 Alf is simply a good serviced office operator with over 20 years of experience in the serviced office industry. Alf is primarily responsible for Servcorp's expansion and currency management.
Mr R. Bruce Corlett	**Chairman and independent non-executive Director** Member of Audit Committee Chairman of Governance Committee Appointed October 1999 Over the past 30 years Bruce has been a director of many publicly listed companies including TNT Limited, Advance Bank Limited and the Australian Maritime Safety Authority. Bruce is currently a director of a number of companies including Chairman of Adsteam Marine Limited, a director of Stockland Trust Group and Chairman of Trust Company of Australia Limited.
Mr Roderic Holliday-Smith	**Independent non-executive Director** Chairman of Audit Committee Member of Governance Committee Appointed October 1999 Rick has spent over 11 years in Chicago in the roles of Divisional President of global trading and sales for NationsBank, N.A. and, prior to that, Chief Executive Officer of Chicago Research and Trading Group Limited. Rick also spent over 4 years in London as Managing Director of HongKongBank Limited, a wholly owned merchant banking subsidiary of HSBC Bank. Rick is currently Chairman of SFE Corporation Limited and Exco Resources NL. He is a director of MIA Group Limited and Aegis Partners Pty. Limited. Rick has a Bachelor of Arts (Hons) from Macquarie University, is a Chartered Accountant and is a Fellow of the Australian Institute of Company Directors.

Directors (continued)

Name	Experience, qualifications and special responsibilities
Ms Julia King	**Independent non-executive Director** Member of Audit Committee Appointed August 1999 Julia was Chief Executive Officer of the LVMH Fashion Group in Oceania. Prior to that Julia was Managing Director of Lintas, a multinational advertising agency. Julia has worked in strategic marketing for more than thirty years and is currently a non-executive director of John Fairfax Holdings Limited, Opera Australia and Carla Zampatti. For the Australian Government Julia has worked on the Task Force for the restructure of the wool industry and been a member of the Council of the National Library.
Mr Bryan Pashby	**Non-executive Director; previously Commercial Director** Appointed August 1999 Bryan's career spans forty-three years of accounting and management. Prior to joining Servcorp, Bryan worked for Lend Lease Corporation in a number of management and accounting positions. Bryan joined Servcorp in 1991. He has managed three Servcorp floors and has been instrumental in their success. In 1995 Bryan was appointed to the position of Company Secretary for all of Servcorp's Australian businesses and in 1997 took on the finance role for all of the Servcorp businesses in Australia and overseas. In 1999 Bryan was appointed to the position of Finance Director. Upon the appointment of a Chief Financial Officer in January 2000, Bryan was appointed Commercial Director. Bryan ceased his executive role with Servcorp in June 2003 but remains as a non-executive director.
Mr Taine Moufarrige	**Alternate to Mr Alf Moufarrige** **Alternate to Mr Bryan Pashby** General Manager Australia, New Zealand & Middle East Appointed April 2000 Prior to joining Servcorp, Taine practiced as a solicitor. Taine joined Servcorp in 1996 as a trainee manager following which he became a manager and subsequently was appointed to his current position of General Manager in 2000. Taine played a key role in establishing Servcorp's Paris location. Taine holds a Bachelor of Laws from Bond University and a Bachelor of Arts from Macquarie University.

Principal activities

The principal activities of the Consolidated Entity during the course of the financial year were the provision of executive serviced and virtual offices and communications and secretarial services.

There were no significant changes in the nature of the activities of the Consolidated Entity during the year.

Review and results of operations

Operating profit after tax for the financial year was $2.45 million (2002: $3.41 million loss). Operating revenue was $113.76 million (2002: $118.42 million).

The operating profit after tax included significant expenses totalling $2.91 million. The principal component of these expenses was $1.86 million in costs associated with the closure of the Exchange Square site, as announced on 29 April 2003.

At the end of the financial year, Servcorp (including franchise locations) operated 51 floors, in 34 locations, spanning 11 countries. The Consolidated Entity operates in Australia, New Zealand, Japan, South-East Asia, China, France, United Arab Emirates and Belgium.

During the year a new location has been established in:

City	Location	Offices	Opened
Tokyo	Wakamatsu Building Level 7	47	June 2003

The number of office suites operated by the Consolidated Entity has increased to 1,898 with an average occupancy of 75%.

On 28 April 2003 the Company commenced an on-market share buy-back. 4.8 million shares were bought back, and subsequently cancelled, at an average purchase price of $1.11, utilising $5.3 million in cash. The share buy-back was finalised on 14 July 2003. All share buy-backs occurred in the period to 30 June 2003.

Currently the Consolidated Entity has cash and interest bearing financial assets in excess of $39 million and is well placed to take advantage of expansion opportunities when the timing is considered favourable.

State of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Events subsequent to balance date

The directors are not aware of any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

On 26 August 2003 the directors declared a fully franked final dividend of 3.75 cents per share, payable on 1 October 2003.

Likely developments

The Consolidated Entity will continue to pursue its policy of seeking to increase the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

The directors are assessing the most appropriate method with respect to implementation of the tax consolidation regime from 1 July 2003 for the Company and its Australian wholly-owned controlled entities.

Dividends

Dividends paid or declared by the Company during the financial year were:

Type	Cents per share	Total amount $'000	Date of payment	% Franked	Tax rate for franking credit
In respect of the previous financial year:					
2002					
Final - ordinary shares	3.75	3,168	1 October 2002	100%	30%
In respect of the current financial year:					
2003					
Interim - ordinary shares	3.75	3,178	8 April 2003	100%	30%

On 26 August 2003 the directors declared a fully franked final dividend, in respect of the current financial year, of 3.75 cents per share, payable on 1 October 2003.

Directors' meetings

The number of directors' meetings held (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

Director	Board Meetings	Audit Committee	Governance Committee
Number of meetings held:	9	3	1
Number of meetings attended:			
B Corlett	9	3	1
R Holliday-Smith	9	3	1
J King	9	3	n/a
A Moufarrige	9	n/a	n/a
B Pashby	7	n/a	n/a
T Moufarrige (alternate)*	1	n/a	n/a

** - T Moufarrige attended 5 Board meetings during the year but only 1 in his capacity as an alternate director.*

The details of the function and membership of the committees are presented in the Corporate Governance statement.

Directors' and senior executives' emoluments

The Managing Director and the Chairman meet frequently to discuss remuneration issues, and are responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company and the Consolidated Entity. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Total remuneration for all non-executive directors is not to exceed $350,000 per annum. Directors' fees cover all main Board activities and membership of committees.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the Consolidated Entity (including operational results and cash flow).

Details of the nature and amount of each major element of the emolument of each director of the Company and each of the five named officers of the Company and the Consolidated Entity receiving the highest emolument are:

	Base emolument $	Bonuses $	Non-cash benefits $	Termination payment $	Super contribution $	Total $
Directors						
Non-executive						
B Corlett	80,000	-	-	-	7,200	87,200
R Holliday-Smith	45,000	-	-	-	4,050	49,050
J King	45,000	-	-	-	4,050	49,050
Executive						
A Moufarrige	213,504	-	73,006	-	16,740	303,250
B Pashby	213,316	-	8,182	403,693	16,897	642,088
T Moufarrige	142,223	-	-	-	12,555	154,778
Executive officers (excluding directors)						
Consolidated and the Company						
Susie Martin	149,054	34,987	9,680	-	-	193,721
Sharon Tindale	141,804	-	-	-	12,618	154,422
Marcus Moufarrige	141,456	-	-	-	12,555	154,011
Richard Baldwin	140,759	-	-	-	12,500	153,259
Andrew Boss	140,759	-	-	-	12,500	153,259

During the year or since the end of the financial year, the Company has not granted options over any unissued ordinary shares to any directors or to any of the five most highly remunerated officers of the Company as part of their remuneration.

During the year no directors or executive officers exercised options over ordinary shares of the Company.

During the year 3 million options which had been issued to Mr A Moufarrige were forfeited at Mr Moufarrige’s request. No consideration was involved.

Options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Type	Exercise price	Number of shares
29 November 2004	B	$1.50	450,000
15 December 2004	B	$1.50	929,000

Type B Options may be exercised two years from date of issue and expire on the earlier of:

(a) 5 years from the date of issue;

(b) the date which the optionholder ceases to be an employee or director of the Company or any of its subsidiaries other than as a result of the death of the optionholder or such later date as the Board in its absolute discretion determines on or before the date the optionholder ceases to be an employee or director of the Company or any of its subsidiaries.

Type B options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the year or since the end of the financial year, the Company has not granted options over any unissued ordinary shares of the Company.

During the year or since the end of the financial year, the Company has issued ordinary shares as a result of the exercise of options over unissued shares as follows:

Type	Number of shares	Amount paid	Amount unpaid
A	413,333	$1.50	-
B	20,000	$1.50	-

Directors' interests

The relevant interest of each director in the share capital of the companies within the Consolidated Entity, as notified by the directors to the Australian Stock Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Servcorp Limited	
	Ordinary shares	Options over ordinary shares
A Moufarrige	47,961,038	-
B Corlett	249,715	-
R Holliday-Smith	100,000	150,000
J King	15,500	150,000
B Pashby	20,000	150,000
T Moufarrige (alternate director)	33,500	150,000

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr A Moufarrige, Mr B Corlett, Mr R Holliday-Smith, Ms J King, Mr B Pashby and Mr T Moufarrige against any loss or liability that may arise from their position as directors of the Company and its Controlled Entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities to the extent permitted by law, including reasonable costs and expenses.

Insurance premiums

During the financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors, secretaries and officers of the Company and its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

Environmental management

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 16th day of September 2003.

Signed in accordance with a resolution of the directors

A G Moufarrige
Director

2003
financial report

Statements of financial performance

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2003

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Revenues from rendering of services		111,327	114,337	-	-
Other revenues from ordinary activities		2,434	4,091	11,842	9,631
Total revenues	2	113,761	118,428	11,842	9,631
Service expenses		(35,552)	(36,764)	(17)	(11)
Marketing expenses		(5,046)	(5,367)	-	(20)
Occupancy expenses		(56,053)	(58,989)	-	-
Administrative expenses		(9,225)	(10,122)	(459)	(490)
Borrowing costs expense	3	(451)	(699)	(4)	-
Marketing support expense		-	-	(2,741)	-
Provision for diminution in value of loan		-	-	(2,783)	-
Other expenses from ordinary activities		(2,183)	(6,675)	-	-
Total expenses		(108,510)	(118,616)	(6,004)	(521)
Profit/(loss) from ordinary activities before income tax expense		5,251	(188)	5,838	9,110
Income tax expense relating to ordinary activities	5	(2,796)	(3,221)	(1,626)	(2,033)
Net profit/(loss) attributable to members of the parent entity	22	2,455	(3,409)	4,212	7,077
Non-owner transaction changes in equity					
Net movement in foreign currency translation reserve	21	(5,188)	(3,172)	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(5,188)	(3,172)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(2,733)	(6,581)	4,212	7,077
Basic earnings per share Ordinary shares	8	$0.029	($0.04)	-	-
Diluted earnings per share Ordinary shares	8	$0.029	($0.04)	-	-

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

Statements of financial position

Servcorp Limited and its controlled entities

as at 30 June 2003

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Current assets					
Cash assets	9	26,125	46,385	1	-
Receivables	10	10,055	11,213	11,613	4,698
Other	11	3,929	4,198	214	8
Total current assets		40,109	61,796	11,828	4,706
Non-current assets					
Receivables	10	-	-	62,630	71,219
Other financial assets	12	13,098	50	19,076	19,076
Property, plant and equipment	13	23,964	32,821	-	-
Intangibles	14	15,943	16,915	-	-
Deferred tax assets	5	4,839	4,498	37	26
Other	15	15,829	18,298	-	-
Total non-current assets		73,673	72,582	81,743	90,321
Total assets		113,782	134,378	93,571	95,027
Current liabilities					
Payables	16	23,953	26,005	3,499	1,871
Current tax liabilities	5	949	1,965	682	1,125
Provisions	19	1,179	4,296	-	3,173
Interest bearing liabilities	17	1,933	2,711	-	-
Total current liabilities		28,014	34,977	4,181	6,169
Non-current liabilities					
Payables	16	5,541	6,910	-	-
Interest bearing liabilities	17	2,096	4,407	5,040	865
Provisions	19	423	215	-	-
Deferred tax liabilities	5	979	559	67	74
Total non-current liabilities		9,039	12,091	5,107	939
Total liabilities		37,053	47,068	9,288	7,108
Net assets		76,729	87,310	84,283	87,919
Equity					
Contributed equity	20	80,896	85,570	80,896	85,570
Reserves	21	(5,621)	(433)	-	-
Retained profits	22	1,454	2,173	3,387	2,349
Total equity		76,729	87,310	84,283	87,919

The statements of financial position are to be read in conjunction with the notes to the financial statements

Statements of cash flows

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2003

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		107,206	114,084	384	328
Cash payments in the course of operations		(92,182)	(95,947)	(3,081)	(283)
Dividends & royalties received		-	-	9,426	7,198
Interest received		1,541	1,822	1,760	1,924
Borrowing costs paid		(433)	(751)	(4)	(1)
Income taxes paid		(4,114)	(8,215)	(2,088)	(2,260)
Net cash provided by operating activities	29(b)	12,018	10,993	6,397	6,906
Cash flows from investing activities					
Payments for financial assets		(12,998)	-	-	-
Payments for property, plant and equipment		(5,247)	(7,030)	-	-
Loans to other entities		-	-	-	-
Loans to controlled entities		-	-	(43,799)	(7,131)
Loans repaid by controlled entities		-	-	48,423	-
Proceeds from disposal of property, plant and equipment		12	-	-	-
Net cash (used in)/provided by investing activities		(18,233)	(7,030)	4,624	(7,131)
Cash flows from financing activities					
Proceeds from issue of shares		650	988	650	988
Share buy back		(5,324)	-	(5,324)	-
Lease payments		(2,156)	(3,198)	-	-
Dividends paid		(6,346)	(6,298)	(6,346)	(6,298)
Net cash (used in)/provided by financing activities		(13,176)	(8,508)	(11,020)	(5,310)
Net (decrease)/increase in cash held		(19,391)	(4,545)	1	(5,535)
Cash at the beginning of the financial year		46,385	51,450	-	5,535
Effects of exchange rate fluctuation on the balances of cash held in foreign currencies		(869)	(520)	-	-
Cash at the end of the financial year	29(a)	26,125	46,385	1	-

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

for the financial year ended 30 June 2003

1 Statement of significant accounting policies

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and, except where there is a change in accounting policy as set out in Note 1(r), are consistent with those in the previous year.

Where necessary comparative information has been reclassified for consistency purposes.

(b) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity Servcorp Limited, and its controlled entities ("the Consolidated Entity").

Where an entity either began or ceased to be controlled during the financial year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

(c) Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised over the period of time during which benefits are expected to arise.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition when there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

Goodwill is amortised on a straight line basis over 20 years.

The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the statements of financial performance.

(d) Revenue recognition

Sales revenue

Sales revenue comprises revenue earned net of the amount of goods and services tax (GST) from the provision of services to entities outside the Consolidated Entity. Rental revenue is typically invoiced in advance and is recognised in the period in which the service is provided.

Interest income

Interest income is recognised as it accrues.

Asset sales

The gain or loss on disposal of fixed assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. This gain or loss is booked directly to the Statement of Financial Performance.

(e) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statements of financial performance in the financial year in which the exchange rates change.

Translation of controlled foreign entities

The statements of financial position of overseas controlled entities that are self-sustaining foreign operations are translated at the rates of exchange ruling at balance date. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The balance of the foreign currency translation reserve relating to a controlled entity that is disposed of is transferred to retained earnings in the year of disposal.

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

(g) Taxation

Income tax

The Consolidated Entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statements of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

To the extent that dividends are proposed by controlled entities incorporated overseas, the Consolidated Entity has provided for withholding tax. A provision is also made for the withholding tax on the balance of unremitted profits, which eventually will be remitted to the Company.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

(h) Recoverable amounts of non-current assets valued on cost basis

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(i) Receivables

Trade debtors

Trade debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(j) Other financial assets

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statements of financial performance when they are declared by the controlled entities.

Other companies

Investments in other listed and unlisted companies are carried at the lower of cost and recoverable amount. Dividends are brought to account as they are received.

Interest bearing financial instruments

Investments in interest bearing financial instruments are carried at cost on the basis that they will be held until maturity. Income from these instruments are brought to account in the statements of financial performance as earned.

(k) Property, plant and equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below. Cost is the fair value of consideration provided plus incidental costs incurred directly attributable to the acquisition. The cost of assets constructed (including leasehold improvements) includes the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to this asset.

Property, plant and equipment are carried at the lower of cost less accumulated depreciation and recoverable amount.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the Consolidated Entity in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives.

Costs incurred on property, plant and equipment, which do not meet the criteria for capitalisation, are expensed as incurred.

Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated or amortised using the straight line method over their estimated useful lives.

The depreciation rates used for each class of asset, for the current year is as follows:

	2003	**2002**
• Buildings	2.5%	2.5%
• Leasehold improvements	15%	15%
• Office equipment	27%	27%
• Office furniture and fittings	13%	13%
• Motor vehicles	15%	15%

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(k) Property, plant and equipment (continued)

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the assets, the life of the asset.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the statements of financial performance.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(l) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity. Trade accounts payable are normally settled within 60 days.

(m) Bank loans

Bank loans are carried on the statements of financial position at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

(n) Derivatives

The Consolidated Entity is exposed to changes in interest rates and foreign exchange rates from its activities. The Consolidated Entity uses forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

The company uses forward foreign exchange contracts to mitigate its net actual or anticipated exposure to adverse foreign exchange rate movements in two respects.

Forward contracts are entered into to protect the Australian dollar equivalent value of profits generated in foreign currencies. These profits form part of the net investment in the relevant foreign entity. These contracts are closed out without the physical delivery of cash, and the gain or loss on the contract arising from the difference in prevailing spot rate and the contract rate is recorded in the statements of financial performance, the net effect being that the foreign currency profit is translated into Australian dollars at the contract exchange rate.

Forward contracts are also utilised to lock in exchange rates where known future transfers of funds throughout the group will occur. Physical delivery of cash against the forward contract occurs.

(o) **Employee entitlements**

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

Executive and employee share option schemes

Servcorp Limited granted options to certain executives and employees under executive and employee share option schemes. Further information is set out in Notes 24 and 32 to the financial statements. Other than the costs incurred in administering the schemes which are expensed as incurred, the schemes do not result in any expense to the Consolidated Entity.

Superannuation plan

The Company and other controlled entities contribute to a defined contribution superannuation plan. Contributions are charged against income as they are made. Further information is set out in Note 24.

(p) **Lease incentives**

Rent is expensed in the accounting period in which it is due and payable to lessors in accordance with lease agreements. Where there is a rent free period under the term of a lease agreement, the aggregate rent payable under the lease agreement is calculated and a charge is made to the statements of financial performance proportionately over the lease term.

(q) **Earnings per share**

Basic earnings per share

Basic EPS earnings are calculated by dividing the net profit attributable to members of the Consolidated Entity for the reporting period, by the weighted average number of ordinary shares of the company, adjusted for any bonus issue.

Diluted earnings per share

Diluted EPS earnings are calculated by only adjusting the basic EPS earnings by the effect of conversion to ordinary shares associated of dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(r) Changes in accounting policy

Employee benefits

The Consolidated Entity has applied the revised AASB 1028 "Employee Benefits" (issued in June 2001) for the first time from 1 July 2002.

The liability for wages and salaries and annual leave is now calculated using the remuneration rates the Company expects to pay as at each reporting date, not wage and salary rates current at reporting date.

The financial impact of adopting AASB 1028 "Employee Benefits" on opening retained earnings at 1 July 2002 was not material. Accordingly, no adjustment to opening retained earnings was made.

Provisions, contingent liabilities and contingent assets

The Consolidated Entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (issued October 2001) for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of the financial year.

The adjustments to the consolidated financial report as at 1 July 2002 as a result of this change are:

- $3,168,388 increase in opening retained profits
- $3,168,388 decrease in provision for dividends

There was no impact on profit or loss for the current financial year to 30 June 2003.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
	(restated)	(restated)	(restated)	(restated)
Proforma restatement of retained profits				
Reported retained profits at the end of the previous year	2,173	11,915	2,349	1,605
Increase/(decrease) in retained profits due to changes in accounting policies on adoption of:				
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	3,168	3,137	3,168	3,137
Restated retained profits at the beginning of the year	5,341	15,052	5,517	4,742
Restated net profit attributable to members of the parent entity	2,455	(3,409)	4,212	7,077
Dividends recognised during the year	(6,342)	(6,302)	(6,342)	(6,302)
Restated retained profits at end of year	1,454	5,341	3,387	5,517
Proforma restatement of provision for dividends				
Balance at end of year - as previously reported	-	3,168	-	3,168
Effect of change in accounting policy	-	(3,168)	-	(3,168)
Restated balance at end of year	-	-	-	-

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
2	**Revenue from ordinary activities**				
	Rendering of services revenue from operating activities	111,327	114,337	-	-
	Other revenue from operating activities				
	Franchise fees:				
	Related parties	-	-	7,726	4,698
	Other parties	173	198	-	-
	Dividends:				
	Related parties	-	-	1,700	2,500
	Interest:				
	Related parties	-	-	1,723	1,736
	Other parties	1,846	1,752	37	96
	Loss on disposal of assets	(652)	(86)	-	-
	Foreign exchange gains	660	509	656	586
	Other revenue from outside operating activities				
	Other	407	1,718	-	15
	Total other revenues	2,434	4,091	11,842	9,631
	Total revenue from ordinary activities	113,761	118,428	11,842	9,631

3 Profit from ordinary activities before income tax expense

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
(a)	Profit/(loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
	Borrowing costs:				
	Borrowings	51	120	4	-
	Finance charges on capitalised leases	400	579	-	-
		451	699	4	-
	Depreciation of:				
	Plant and equipment	4,226	3,589	-	-
	Amortisation of:				
	Deferred expenditure	-	6,334	-	-
	Goodwill	972	972	-	-
	Leasehold improvements	6,320	6,501	-	-
	Net bad and doubtful debts expense including movements in provision for bad and doubtful debts	659	757	-	-
	Net expense from movements in provision for:				
	Employee entitlements	(264)	5	-	-
	Interest charges	-	(85)	-	-
	Operating lease rental expense:				
	Minimum lease payments	48,657	51,306	-	-

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
3	**Profit from ordinary activities before income tax expense** (continued)				
(b)	Individually significant expenses included in profit/(loss) from ordinary activities before income tax expense:				
	Early termination of a floor lease in Japan	-	1,114	-	-
	Write-down of investment in Rumble Group Pty Limited	-	950	-	-
	Write off of immovable fixed assets on floor in Brussels	622	1,110	-	-
	Accelerated amortisation of capitalised set-up costs	-	3,872	-	-
	Closure costs at Exchange Square	1,866	-	-	-
	Employee termination costs	427	-	-	-
	Provision for diminution in value of loan	-	-	2,783	-

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$	$	$	$
4	**Auditors' remuneration**				
	Audit services:				
	Auditors of the Company - KPMG Australia				
	- audit and review of financial statements	208,389	201,122	113,200	62,432
	Overseas KPMG Firms				
	- audit and review of financial statements	397,609	494,309	-	-
		605,998	695,431	113,200	62,432
	Other services:				
	Auditors of the Company - KPMG Australia				
	- other assurance services	-	134,796	-	-
	- taxation services	16,841	40,308	-	27,035
	Overseas KPMG Firms				
	- other assurance services	78,168	30,404	-	-
	- taxation services	19,744	197,919	-	-
		114,753	403,427	-	27,035

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
5	**Taxation**				
(a)	**Income tax expense**				
	Prima facie income tax expense calculated at 30% (2002:30%) on the operating profit	1,575	(56)	2,586	2,733
	Increase in income tax expense due to:				
	Amortisation of goodwill	291	291	-	-
	Restatement of deferred tax balances due to changes in tax rates	375	67	-	16
	Under/(over) provision in prior years	(305)	43	(6)	(63)
	Non deductible exchange gain	23	-	-	-
	Sundry items	5	-	-	3
	Decrease in income tax expense due to:				
	Rebatable dividend income	-	-	(509)	(750)
	Foreign tax credits available	-	(80)	-	-
	Tax benefit on losses recovered by a controlled entity not recorded as a future income tax benefit in prior periods	(67)	(154)	(445)	-
	Non-assessable local taxes	(16)	(214)	-	-
	Non-assessable exchange gains	-	(18)	-	-
	Sundry items	-	(267)	-	-
	Income tax expense on operating profit before individually significant income tax items	1,881	(388)	1,626	1,939
	Non (assessable)/non deductible deferred set-up costs	364	1,425	-	-
	Non-deductible loss on disposal of investments	-	285	-	-
	Tax losses of non-resident controlled entities not carried forward as a future income tax benefit	788	2,066	-	-
	Recognition of tax losses of controlled entities not previously recognised as a future income tax benefit	-	(579)	-	-
	Timing differences of controlled entities not previously brought to account	-	(225)	-	94
	Controlled foreign company attributed income	154	-	-	-
	Effect of differing rates of tax on overseas income	(391)	637	-	-
	Income tax expense attributable to profit from ordinary activities	2,796	3,221	1,626	2,033

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
5	**Taxation** (continued)				
(a) (cont.)	Income tax expense attributable to profit from ordinary activities is made up of:				
	Current income tax provision	3,350	4,700	1,555	1,908
	Under/(over) provision in prior year	(305)	43	(6)	31
	Deferred income tax provision	503	(4)	(8)	43
	Future income tax benefit	(752)	(1,518)	85	51
		2,796	3,221	1,626	2,033
(b)	**Provision for current income tax** Movements during the year:				
	Balance at beginning of year	1,965	5,512	1,125	1,540
	Income tax paid				
	Operating activities	(4,114)	(8,215)	(2,088)	(2,260)
		(2,149)	(2,703)	(963)	(720)
	Under/(over) provision in prior year	(252)	(32)	89	(63)
	Current year income tax expense on profit from ordinary activities	3,350	4,700	1,556	1,908
		949	1,965	682	1,125
(c)	**Provision for deferred income tax** Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2002:30%) on the following items:				
	Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	209	123	-	-
	Unrealised foreign exchange losses	116	84	67	74
	Expenditure currently deductible for tax but deferred and amortised for accounting purposes	-	11	-	-
	Income currently non-assessable for tax but recognised for accounting purposes	349	333	-	-
	Sundry items	305	8	-	-
		979	559	67	74

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
5	**Taxation** (continued)				
(d)	**Future income tax benefit** Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002:30%) on the following items:				
	Provisions and accrued employee entitlements not currently deductible	1,383	1,368	37	26
	Unrealised foreign exchange gains	189	58	-	-
	Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	2,969	1,921	-	-
	Tax losses carried forward	234	1,115	-	-
	Sundry items	64	36	-	-
		4,839	4,498	37	26
(e)	**Future income tax benefit not taken to account** The potential future income tax benefit in controlled entities, which are companies, arising from timing differences and tax losses have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt	3,677	2,724	-	-
		3,677	2,724	-	-

The potential future income tax benefit will only be obtained if:

(i) the relevant companies derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the relevant companies and/or the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant companies and/or the Consolidated Entity in realising the benefit.

6 Segment information

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments
The Consolidated Entity comprises only one business segment which is the provision of executive serviced and virtual offices and communications and secretarial services.

Geographical segments
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments	**Australia & New Zealand**	**Japan & Asia**	**Europe & Middle East**	**Eliminated**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2003					
Revenue					
External segment revenue	34,059	66,634	11,007	-	111,700
Inter-segment revenue	10,992	1,688	1,972	(14,652)	-
Total segment revenue	45,051	68,322	12,979	(14,652)	111,700
Other unallocated revenue					2,061
Total revenue					113,761
Result					
Segment result	(35)	8,711	(4,320)	895	5,251
Unallocated corporate expenses					-
Profit from ordinary activities before income tax					5,251
Income tax expense					(2,796)
Profit from ordinary activities after income tax					2,455
Net profit					2,455
Depreciation and amortisation	3,481	3,774	2,218	2,045	11,518
Non-cash expenses other than depreciation and amortisation	69	(24)	46	1	92
Individually significant items	2,293	-	622	-	2,915
Assets					
Segment assets	25,642	60,361	13,832	-	99,835
Unallocated corporate assets					13,947
Consolidated total assets					113,782
Liabilities					
Segment liabilities	19,106	37,613	8,299	-	65,018
Unallocated corporate liabilities					(27,965)
Consolidated total liabilities					37,053
Acquisitions of non-current assets	2,082	2,877	288	-	5,247

6 Segment information (continued)

Geographical segments	Australia & New Zealand	Japan & Asia	Europe & Middle East	Eliminated	Consolidated
	$'000	$'000	$'000	$'000	$'000
2002					
Revenue					
External segment revenue	36,190	69,341	12,252	-	117,783
Inter-segment revenue	11,018	149	17	(11,184)	-
Total segment revenue	47,208	69,490	12,269	(11,184)	117,783
Other unallocated revenue					645
Total revenue					118,428
Result					
Segment result	3,012	3,774	(4,049)	(2,925)	(188)
Unallocated corporate expenses					-
Loss from ordinary activities before income tax					(188)
Income tax expense					(3,221)
Loss from ordinary activities after income tax					(3,409)
Net loss					(3,409)
Depreciation and amortisation	2,756	4,700	2,825	7,115	17,396
Non-cash expenses other than depreciation and amortisation	910	234	(14)	(100)	1,030
Individually significant items	950	1,114	1,110	3,872	7,046
Assets					
Segment assets	29,905	70,048	16,713	-	116,666
Unallocated corporate assets					17,712
Consolidated total assets					134,378
Liabilities					
Segment liabilities	15,474	32,824	9,279	-	57,577
Unallocated corporate liabilities					(10,509)
Consolidated total liabilities					47,068
Acquisitions of non-current assets	2,934	1,298	2,966	-	7,198

7 Dividends

Dividends proposed or paid by the Company are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
2002					
Interim - ordinary	3.75	3,160	4 April 2002	30%	50%
Final - ordinary	3.75	3,168	1 October 2002	30%	100%
2003					
Interim - ordinary	3.75	3,178	8 April 2003	30%	100%

Subsequent events
Since the end of the financial year, the directors declared the following dividends:

Final - ordinary	3.75	2,998	1 October 2003	30%	100%

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Dividend franking account				
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the above dividends and those dividends required to be treated as interest expense:				
30% franking credits available	2,063	6,240	(23)	1,126

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after tax profits.

As a result the “franking credits available” were converted from $6,240,337 to $2,674,430 as at 1 July 2002 for the Consolidated Entity and $1,126,260 to $482,686 for the Company. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

8 Earnings per share

	CONSOLIDATED 2003 $’000	CONSOLIDATED 2002 $’000
Earnings reconciliation		
Net profit/(loss)	2,455	(3,409)
Basic earnings	2,455	(3,409)
Diluted earnings	2,455	(3,409)

	Number	Number
Weighted average number of ordinary shares used as the denominator:		
Number for basic earnings per share	83,847,977	83,969,632
Effect of share options on issue	-	1,917,333
Number for diluted earnings per share	83,847,977	85,886,965

Classification of securities as potential ordinary shares

Options
As at 30 June 2003, the Company had on issue 1,384,000 (2002: 4,917,333) options over unissued capital. The inclusion of these potential ordinary shares leads to a diluted earnings per share that is not materially different from the basic earnings per share.

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
9	**Cash assets**				
	Cash	11,258	6,213	1	-
	Bank short term deposits	14,867	40,172	-	-
		26,125	46,385	1	-

Bank short term deposits maturing within an average of 60 days and paying interest at a weighted average rate of 4.57% (2002: 4.56%).

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
10	**Receivables**				
	Current				
	Trade debtors	9,693	11,002	-	-
	Less: Provision for doubtful trade debtors	(138)	(159)	-	-
	Other debtors	500	370	-	-
	Trade receivables from controlled entities	-	-	11,613	4,698
		10,055	11,213	11,613	4,698
	Non-current				
	Loans to controlled entities	-	-	65,413	71,219
	Provision for diminution in value of loan	-	-	(2,783)	-
		-	-	62,630	71,219

The unsecured loans to controlled entities and related entities bear interest at a floating rate. The weighted average rate at 30 June 2003 was 10.35% (2002: 10.35%).

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
11	**Other current assets**				
	Prepayments	2,356	3,498	8	8
	Lease deposits	492	-	-	-
	Other	1,081	700	206	-
		3,929	4,198	214	8
12	**Other financial assets**				
	Non-current				
	Unlisted shares				
	Controlled entities at cost	-	-	19,076	19,076
	Other entities at cost	50	50	-	-
	Other investments				
	Investment in floating rate notes	2,911	-	-	-
	Investment in fixed rate bonds	6,042	-	-	-
	Investment in reset preference securities	4,095	-	-	-
		13,098	50	19,076	19,076

Investments in floating rate notes, fixed rate bonds and reset preference securities are carried at cost on the basis that these instruments will be held until maturity.

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
13	**Property, plant and equipment**				
	Land and buildings				
	At cost	775	917	-	-
	Accumulated depreciation	(29)	(20)	-	-
		746	897	-	-
	Leasehold improvements - owned				
	At cost	23,395	26,078	-	-
	Accumulated amortisation	(12,925)	(10,396)	-	-
		10,470	15,682	-	-
	Leasehold improvements - leased				
	At cost	6,895	7,504	-	-
	Accumulated amortisation	(3,745)	(2,603)	-	-
		3,150	4,901	-	-
	Office furniture and fittings - owned				
	At cost	6,108	6,608	-	-
	Accumulated depreciation	(1,983)	(1,268)	-	-
		4,125	5,340	-	-
	Office furniture and fittings - leased				
	At cost	1,610	1,644	-	-
	Accumulated depreciation	(966)	(644)	-	-
		644	1,000	-	-
	Office equipment - owned				
	At cost	9,557	8,474	-	-
	Accumulated depreciation	(5,429)	(3,961)	-	-
		4,128	4,513	-	-
	Office equipment - leased				
	At cost	1,080	1,106	-	-
	Accumulated depreciation	(915)	(647)	-	-
		165	459	-	-
	Motor vehicles				
	At cost	84	35	-	-
	Accumulated depreciation	(20)	(6)	-	-
		64	29	-	-
	Capital works in progress				
	At cost	472	-	-	-
		23,964	32,821	-	-

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
13	**Property, plant and equipment** (continued)				
	Reconciliations				
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
	Land and buildings				
	Carrying amount at beginning of year	897	931	-	-
	Additions	-	-	-	-
	Disposals	-	-	-	-
	Depreciation	(12)	(10)	-	-
	Net foreign currency differences on translation of self sustaining operations	(139)	(24)	-	-
	Carrying amount at end of year	746	897	-	-
	Leasehold improvements - owned				
	Carrying amount at beginning of year	15,682	13,972	-	-
	Additions	2,068	5,056	-	-
	Disposals	(634)	(4)	-	-
	Amortisation	(5,028)	(5,258)	-	-
	Transfers (to) from other class of asset	-	3,211	-	-
	Net foreign currency differences on translation of self sustaining operations	(1,618)	(1,295)	-	-
	Carrying amount at end of year	10,470	15,682	-	-
	Leasehold improvements - leased				
	Carrying amount at beginning of year	4,901	6,885	-	-
	Additions	-	-	-	-
	Disposals	(118)	-	-	-
	Amortisation	(1,291)	(1,244)	-	-
	Transfers (to) from other class of asset	-	(460)	-	-
	Net foreign currency differences on translation of self sustaining operations	(342)	(280)	-	-
	Carrying amount at end of year	3,150	4,901	-	-
	Office furniture and fittings - owned				
	Carrying amount at beginning of year	5,340	8,532	-	-
	Additions	397	1,283	-	-
	Disposals	(132)	(34)	-	-
	Depreciation	(1,100)	(1,105)	-	-
	Transfers (to) from other class of asset	(2)	(3,066)	-	-
	Net foreign currency differences on translation of self sustaining operations	(378)	(270)	-	-
	Carrying amount at end of year	4,125	5,340	-	-
	Office furniture and fittings - leased				
	Carrying amount at beginning of year	1,000	809	-	-
	Additions	-	205	-	-
	Disposals	-	-	-	-
	Depreciation	(329)	(208)	-	-
	Transfers (to) from other class of asset	-	198	-	-
	Net foreign currency differences on translation of self sustaining operations	(27)	(4)	-	-
	Carrying amount at end of year	644	1,000	-	-
	Office equipment - owned				
	Carrying amount at beginning of year	4,513	5,521	-	-
	Additions	2,237	1,747	-	-
	Disposals	(52)	(55)	-	-
	Depreciation	(2,297)	(2,178)	-	-
	Transfers (to) from other class of asset	2	(277)	-	-
	Net foreign currency differences on translation of self sustaining operations	(275)	(245)	-	-
	Carrying amount at end of year	4,128	4,513	-	-

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
13	**Property, plant and equipment** (continued)				
	Reconciliations				
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
	Office equipment - leased				
	Carrying amount at beginning of year	459	353	-	-
	Additions	20	13	-	-
	Disposals	-	-	-	-
	Depreciation	(287)	(299)	-	-
	Transfers (to) from other class of asset	-	394	-	-
	Net foreign currency differences on translation of self sustaining operations	(27)	(2)	-	-
	Carrying amount at end of year	165	459	-	-
	Motor vehicles				
	Carrying amount at beginning of year	29	17	-	-
	Additions	52	18	-	-
	Disposals	-	-	-	-
	Depreciation	(14)	(4)	-	-
	Transfers (to) from other class of asset	-	-	-	-
	Net foreign currency differences on translation of self sustaining operations	(3)	(2)	-	-
	Carrying amount at end of year	64	29	-	-
	Capital works in progress				
	Carrying amount at beginning of year	-	-	-	-
	Additions	472	-	-	-
	Disposals	-	-	-	-
	Depreciation	-	-	-	-
	Transfers (to) from other class of asset	-	-	-	-
	Net foreign currency differences on translation of self sustaining operations	-	-	-	-
	Carrying amount at end of year	472	-	-	-

		Notes	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
14	**Intangibles**					
	Goodwill - at cost		19,434	19,434	-	-
	Accumulated amortisation		(3,491)	(2,519)	-	-
			15,943	16,915	-	-
15	**Other non-current assets**					
	Lease deposits		15,776	18,237	-	-
	Other		53	61	-	-
			15,829	18,298	-	-
16	**Payables**					
	Current					
	Trade creditors		5,238	6,485	-	-
	Security deposits		8,121	9,311	-	-
	Deferred income		6,640	6,879	-	-
	Other creditors and accruals		3,954	3,330	3,499	1,871
			23,953	26,005	3,499	1,871
	Non-current					
	Trade creditors		2,834	3,807	-	-
	Security deposits		2,707	3,103	-	-
			5,541	6,910	-	-
17	**Interest bearing liabilities**					
	Current					
	Bank loans - secured		125	148	-	-
	Lease liabilities	25	1,808	2,563	-	-
			1,933	2,711	-	-
	Non-current					
	Bank loans - secured		217	404	-	-
	Lease liabilities	25	1,879	4,003	-	-
	Loans from controlled entities - unsecured	32	-	-	5,040	865
			2,096	4,407	5,040	865

The bank loan is denominated in Yen and secured by a mortgage over property. The interest rate of the loan is 1.56% (2002: 1.56%).

The unsecured loans from controlled entities bear interest at a floating rate. The weighted average rate at 30 June 2003 was 10.35% (2002: 10.35%).

		CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
18	**Financing arrangements**				
	The Consolidated Entity has access to the following lines of credit:				
	Total facilities available:				
	Bank guarantees	4,058	3,503	4,058	3,503
	Bank overdraft	500	500	500	500
	Lease facilities	15,615	18,647	8,988	11,428
	Bill acceptance / payroll / other facilities	2,128	1,334	2,128	1,334
		22,301	23,984	15,674	16,765
	Facilities utilised at balance date:				
	Bank guarantees	4,058	3,503	4,058	3,503
	Bank overdraft	500	500	500	500
	Lease facilities	6,016	10,770	3,190	6,064
	Bill acceptance / payroll / other facilities	-	-	-	-
		10,574	14,773	7,748	10,067
	Facilities not utilised at balance date:				
	Bank guarantees	-	-	-	-
	Bank overdraft	-	-	-	-
	Lease facilities	5,407	5,104	5,407	5,055
	Bill acceptance / payroll / other facilities	2,128	1,334	2,128	1,334
		7,535	6,438	7,535	6,389

Bank guarantees and overdraft
Bank guarantees have been issued to secure rental bonds over premises. The guarantees are secured by a Cross Guarantee and Indemnity between Servcorp Limited and its Australian controlled entities.

Lease facilities
Lease facilities have been established to finance the fitout of new locations.The facilities are secured by the assets under lease. Facilities established are both fixed facilities and revolving facilities.

Bill acceptance / payroll / other facilities
These facilities have been established to facilitate the encashment of cheques drawn overseas, foreign currency dealing and to accommodate direct entry payroll.

		Notes	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
19	**Provisions**					
	Current					
	Dividends	7	-	3,173	-	3,173
	Employee entitlements	24	1,179	1,123	-	-
			1,179	4,296	-	3,173
	Non-current					
	Employee entitlements	24	423	215	-	-
	Reconciliations					
	Reconciliations of the carrying amounts of each class of provision, except for employee benefits are set out below:					
	Dividends					
	Carrying amount at beginning of year		3,173		3,173	
	Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		(3,173)		(3,173)	
	Provisions made during the year:					
	Final dividend 2002		3,168		3,168	
	Interim dividend 2003		3,178		3,178	
	Payments made during the period		(6,346)		(6,346)	
	Carrying amount at the end of year		-		-	
20	**Contributed equity**					
	Issued and paid-up capital					
	79,955,354 (2002: 84,325,334) ordinary shares, fully paid		80,896	85,570	80,896	85,570
	Movements in ordinary share capital					
	Balance at the beginning year 84,325,334 (2002: 83,666,667) shares		85,570	84,582	85,570	84,582
	Shares issued					
	433,333 (2002: 658,667) from the exercise of options under Share Option Plans		650	988	650	988
	Shares bought back					
	4,803,313 (2002: Nil) shares		(5,324)	-	(5,324)	-
	Balance at end of year		80,896	85,570	80,896	85,570

Share buy-back

On 14 July 2003, the Company completed the buy-back of 4,803,313 ordinary shares, representing approximately 6% of ordinary shares on issue on that date. The total consideration for shares bought back on the market was $5,324,495, being an average, including incidental costs, of $1.11 per share. The consideration was allocated in the following proportions.

- Share Capital - $5,324,495
- Retained profits - $0

Options

Ordinary shares were issued pursuant to exercise of options as follows:
433,333 shares were issued at $1.50 per share.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at members meetings.

In the event of winding up of the Company holders of ordinary shares are entitled to any excess after payment of all debts and liabilities of the Company and costs of winding up.

		Notes	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
21	**Reserves**					
	Foreign currency translation		(5,621)	(433)	-	-
	Movements during the financial year					
	Foreign currency translation					
	Balance at beginning of financial year		(433)	2,739	-	-
	Deferred exchange gains arising from monetary items considered part of the investment in self-sustaining foreign operations		(2,239)	1,116	-	-
	Translation adjustment on controlled foreign entities' financial statements		(2,949)	(4,288)	-	-
	Balance at end of financial year		(5,621)	(433)	-	-

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations and the translation of monetary items forming part of the net investment in self-sustaining foreign operations.

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
22	**Retained profits**				
	Retained profits at the beginning of the financial year	2,173	11,915	2,349	1,605
	Net profit/(loss) attributable to members of the parent entity	2,455	(3,409)	4,212	7,077
		4,628	8,506	6,561	8,682
	Net effect on dividends from:				
	Initial adoption of AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”	3,168	-	3,168	-
	Dividends recognised during the year	(6,342)	(6,333)	(6,342)	(6,333)
	Total dividends	(3,174)	(6,333)	(3,174)	(6,333)
	Retained profits at the end of the financial year	1,454	2,173	3,387	2,349

23 Additional financial instruments disclosure

(a) Interest rate risk

Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Notes	Weighted average interest rate	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2003								
Financial assets								
Cash		4.57%	2,024	14,867	-	-	9,234	26,125
Receivables	10		-	-	-	-	10,055	10,055
Investments	12	6.46%	2,911	3,073	7,064	-	50	13,098
			4,935	17,940	7,064	-	19,339	49,278
Financial liabilities								
Bank overdrafts and loans		1.56%	-	125	217	-	-	342
Payables	16		-	-	-	-	29,494	29,494
Lease liabilities	25	7.79%	-	1,808	1,879	-	-	3,687
Dividends payable	19		-	-	-	-	-	-
Employee entitlements	24		-	-	-	-	1,602	1,602
			-	1,933	2,096	-	31,096	35,125
			4,935	16,007	4,968	-	(11,757)	14,153
2002								
Financial assets								
Cash		4.56%	1,756	40,172	-	-	5,388	47,316
Receivables	10		-	-	-	-	11,213	11,213
Investments	12		-	-	-	-	50	50
			1,756	40,172	-	-	16,651	58,579
Financial liabilities								
Bank overdrafts and loans		5.99%	931	148	404	-	-	1,483
Payables	16		-	-	-	-	32,915	32,915
Lease liabilities	25	7.03%	-	2,563	4,003	-	-	6,566
Dividends payable	19		-	-	-	-	3,173	3,173
Employee entitlements	24		-	-	-	-	1,338	1,338
			931	2,711	4,407	-	37,426	45,475
			825	37,461	(4,407)	-	(20,775)	13,104

23 Additional financial instruments disclosure (continued)

(b) Foreign exchange risk

The Consolidated Entity actively manages its foreign exchange risk. This management policy involves utilising natural hedges and may involve entering into forward foreign currency exchange contracts.

The following table sets out the details of foreign currency exchange contracts in place at the end of the financial year.

	Weighted average rate		CONSOLIDATED	
	2003	2002	2003 $'000	2002 $'000
Buy Japanese yen				
Not later than one year	0.725	0.663	2,757	2,000

The recognised gains and losses on hedges in the Foreign currency translation reserve are:

	CONSOLIDATED			
	2003 Gains $'000	2003 Losses $'000	2002 Gains $'000	2002 Losses $'000
Not later than one year	206	-	3	-

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries.

The Consolidated Entity is not materially exposed to any individual overseas country or individual customer.

(d) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following bases:

On-balance sheet financial instruments

The net fair value of investments in interest bearing financial instruments is determined at market price.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, term debtors, other debtors, bank overdrafts, accounts payable, bank loans, lease liabilities, dividends payable and employee entitlements approximate net fair value.

Off-balance sheet financial instruments

The valuation of off-balance sheet financial instruments detailed in this note reflects the estimated amounts which the Consolidated Entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

23 Additional financial instruments disclosures (continued)

(d) Net fair values of financial assets and liabilities (continued)

Net fair values

On-balance sheet financial instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	CONSOLIDATED			
	2003	2002	2003	2002
	Carrying amount $'000		Net fair value $'000	
Financial assets				
Cash	26,125	47,316	26,125	47,316
Receivables	10,055	11,213	10,055	11,213
Investments:				
Shares in other corporations - unlisted	50	50	50	50
Floating rate notes	2,911	-	2,902	-
Fixed rate bonds	6,042	-	6,078	-
Reset preference securities	4,095	-	4,132	-
Financial liabilities				
Bank overdrafts and loans	342	1,483	342	1,483
Payables	29,494	32,915	29,494	32,915
Lease liabilities	3,687	6,566	3,687	6,566
Dividends payable	-	3,173	-	3,173
Employee entitlements	1,602	1,338	1,602	1,338

Investments are carried at cost on the basis that they will be held until maturity whereby par value will be restored.

	CONSOLIDATED	
	2003 $'000	2002 $'000
Off-balance sheet financial instruments		
The net fair value of off-balance sheet financial instruments held as at the reporting date are:		
Forward foreign exchange contract	2,963	2,003

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
24 Employee entitlements					
Aggregate employee entitlements					
- Current	19	1,179	1,123	-	-
- Non-current	19	423	215	-	-
		1,602	1,338	-	-

Number of employees		**No.**	**No.**	**No.**	**No.**
Number of employees at the year end		339	350	-	-

Options granted to employees

Chief Executive Officer

The grant to the Chief Executive Officer, Alfred Moufarrige, of 3,000,000 options to subscribe for fully paid ordinary shares in the Company, was approved by a General Meeting of Shareholders on 24 May 2001. The options were issued on 22 June 2001.

These options were forfeited on 18 December 2002 by Alfred Moufarrige, at his request.

Executive & Employee share option schemes

The Company has previously granted options over 2,110,000 unissued ordinary shares to 4 directors and 48 executives under the Executive Share Option Scheme, and 170,000 unissued ordinary shares to 34 employees under the Employee Share Option Scheme. The options are exercisable, any time after the expiration of two years from the issue of the options and prior to the expiry of the options, at a price of $1.50 per share. The options expire on the earlier of 5 years from the date of issue or the date which the optionholder ceases to be a director or employee of the Company or any of its controlled entities.

The market value of shares under these options at 30 June 2003 was $1.16.

No options were issued under either of these schemes during the year ended 30 June 2003.

90,000 (2002: 90,000) options expired under the Executive Share Option Scheme and 10,000 (2002: 2,000) options expired under the Employee Share Option Scheme during the year ended 30 June 2003.

20,000 (2002: 438,000) ordinary shares were issued under the Executive Share Option Scheme and Nil (2002: 34,000) were issued under the Employee Share Option Scheme during the year ended 30 June 2003.

Unissued ordinary shares of the Company under option to executives and employees as at 30 June 2003 are:

Expiry date	Exercise price	Number of options 2003	Number of options 2002
29 November 2004	$1.50	450,000	450,000
15 December 2004	$1.50	934,000	1,054,000
21 June 2009	$6.00	-	3,000,000

Superannuation Fund

The Company and certain controlled entities contribute to a defined contribution superannuation fund.

In the case of the Servcorp Superannuation Fund, the Company has a legally enforceable obligation to contribute to the fund.

The directors, based on the advice of the trustees of the fund, are not aware of any changes in circumstances since the date of the most recent financial statements of the fund which would have a material impact on the overall financial position of the fund.

Details of contributions to the defined contribution fund during the year and contributions payable at 30 June 2003 are as follows:

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Employer contributions to the fund	692	666	-	-
Employer contributions to other funds	14	17	-	-
Employer contributions payable to the fund	55	1	-	-

		Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
25	**Commitments**					
	Capital expenditure commitments					
	Contracted but not provided for and payable:					
	Not later than one year		311	43	-	-
	Later than one year but not later than five years		-	-	-	-
	Later than five years		-	-	-	-
			311	43	-	-
	Operating lease commitments					
	Future operating lease rentals not provided for in the financial statements and payable:					
	Not later than one year		37,355	44,070	-	-
	Later than one year but not later than five years		75,535	91,601	-	-
	Later than five years		25,411	52,349	-	-
			138,301	188,020	-	-

The Consolidated Entity leases property and equipment under operating leases expiring from one to twelve years.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Finance lease commitments					
Finance lease rentals are payable as follows:					
Not later than one year		2,024	3,010	-	-
Later than one year but not later than five years		2,042	4,373	-	-
Later than five years		-	-	-	-
		4,066	7,383	-	-
Less: Future lease finance charges		(379)	(817)	-	-
		3,687	6,566	-	-
Lease liabilities provided for in the financial statements:					
Current	17	1,808	2,563	-	-
Non-current	17	1,879	4,003	-	-
Total lease liability		3,687	6,566	-	-

The Consolidated Entity leases equipment under finance leases expiring from one to five years. At the end of the lease term the Consolidated Entity has the option to purchase the equipment at a price deemed to be a bargain purchase option.

26 Contingent liabilities

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

Previous Executive Director's Termination

The termination package offered to Bryan Pashby includes a performance based element. The Company's liability under this package ranges from zero to $225,000, dependent on the performance of the Company.

Director's termination liability	225	-	-	-

Drive Away Program

The Company has a contingent liability for unredeemed drive away points. The Drive Away program is an incentive program for agents to refer business to the Company. The Company provides overseas travel to agents who reach a set level of points. The contingent liability is based on the average cost of awards for agents in each band of points with points accruing incrementally within bandings.

Unredeemed drive away liability	254	327	-	-

27 Particulars in relation to controlled entities

Name	Country of Incorporation	2003 %	2002 %
Servcorp Limited	Australia		
Controlled entities			
Servcorp Australian Holdings Pty Ltd	Australia	100	100
Servcorp Offshore Holdings Pty Ltd	Australia	100	100
Servcorp Exchange Square Pty Ltd (formerly Servcorp ASX P/L)	Australia	100	100
Servcorp (Miller Street) Pty Limited	Australia	100	100
Servcorp (North Ryde) Pty Ltd	Australia	100	100
Servcorp Smart Office Pty Ltd	Australia	100	100
Servcorp Smart Homes Pty Limited	Australia	100	100
XSQ Pty Ltd	Australia	100	100
Servcorp Virtual Pty Ltd	Australia	100	100
Servcorp Holdings Pty Ltd	Australia	100	-
Servcorp Administration Pty Ltd	Australia	100	-
Servcorp Adelaide Pty Ltd	Australia	100	-
Servcorp Bridge Street Pty Ltd	Australia	100	-
Servcorp Brisbane Pty Ltd	Australia	100	-
Servcorp Castlereagh Street Pty Ltd	Australia	100	-
Servcorp Chifley 25 Pty Ltd	Australia	100	-
Servcorp Chifley 29 Pty Ltd	Australia	100	-
Servcorp Communications Pty Ltd	Australia	100	-
Servcorp IT Pty Ltd	Australia	100	-
Servcorp Melbourne Virtual Pty Ltd	Australia	100	-
Servcorp MLC Centre Pty Ltd	Australia	100	-
Servcorp Optus Centre Pty Ltd	Australia	100	-
Servcorp Sydney Virtual Pty Ltd	Australia	100	-
Servcorp William Street Pty Ltd	Australia	100	-
Servcorp 101 Collins Street Pty Ltd	Australia	100	-
Beechreef (New Zealand) Limited	New Zealand	100	100
Servcorp New Zealand Limited	New Zealand	100	100
Company Headquarters Limited	New Zealand	100	100
Servcorp Serviced Offices Pte Ltd	Singapore	100	100
Servcorp Battery Road Pte Ltd	Singapore	100	100
Servcorp Marina Pte Ltd	Singapore	100	100
Servcorp Franchising Pte Ltd	Singapore	100	100
Servcorp Singapore Holdings Pte Ltd	Singapore	100	-
Servcorp Hong Kong Limited	Hong Kong	100	100
Servcorp Communications Limited	Hong Kong	100	100
Servcorp LLC	UAE	49	49
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Servcorp Thai Holdings Limited	Thailand	100	100
Servcorp Company Limited	Thailand	100	100
Headquarters Co. Limited	Thailand	100	100
Servcorp Japan KK	Japan	100	100
Servcorp Tokyo KK	Japan	100	100
Servcorp Nippon International KK	Japan	100	100
Management International KK	Japan	100	100
Servcorp Ginza KK (formerly Servcorp Marunouchi KK)	Japan	100	100
Servcorp Paris SARL	France	100	100
Servcorp Brussels SPRL	Belgium	100	100
Servcorp Business Services (Shanghai) Co. Ltd	China	100	100
Servcorp UK Limited	United Kingdom	100	100
Servcorp Communications Limited	United Kingdom	100	-
Servcorp Consultancy Limited	United Kingdom	100	-
Servcorp Hammersmith Limited	United Kingdom	100	-
Servcorp Lombard Street Limited	United Kingdom	100	-
Servcorp Management Limited	United Kingdom	100	-
Servcorp Serviced Offices Limited	United Kingdom	100	-
Servcorp Virtual Limited	United Kingdom	100	-
Servcorp Wyvols Limited	United Kingdom	100	-
Servcorp Minories Limited	United Kingdom	100	-

The Company or its controlled entities exercises control over Servcorp LLC despite owning 49% of the issued capital as arrangements are in place that, in substance, entitle the Company or its controlled entities to the majority of the benefits and risks of ownership not withstanding that control may be vested in another party.

28 Acquisition / disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year and the operating results of each entity have been included in the consolidated operating profit/(loss) from the acquisition date or up to the date of disposal:

	Consideration $'000	The consolidated entity's interest %
Acquisitions		
2003		
Servcorp Holdings Pty Ltd	-	100
The entity was acquired for cash on 25 October 2002.		
Servcorp Administration Pty Ltd	-	100
Servcorp Adelaide Pty Ltd	-	100
Servcorp Bridge Street Pty Ltd	-	100
Servcorp Brisbane Pty Ltd	-	100
Servcorp Castlereagh Street Pty Ltd	-	100
Servcorp Chifley 25 Pty Ltd	-	100
Servcorp Chifley 29 Pty Ltd	-	100
Servcorp Communications Pty Ltd	-	100
Servcorp IT Pty Ltd	-	100
Servcorp Melbourne Virtual Pty Ltd	-	100
Servcorp MLC Centre Pty Ltd	-	100
Servcorp Optus Centre Pty Ltd	-	100
Servcorp Sydney Virtual Pty Ltd	-	100
Servcorp William Street Pty Ltd	-	100
Servcorp 101 Collins Street Pty Ltd	-	100
The entities were acquired for cash on 28 October 2002.		
Servcorp Singapore Holdings Pte Ltd	-	100
The entity was acquired for cash on 31 December 2002.		
Servcorp Communications Limited	-	100
Servcorp Consultancy Limited	-	100
Servcorp Hammersmith Limited	-	100
Servcorp Lombard Street Limited	-	100
Servcorp Management Limited	-	100
Servcorp Serviced Offices Limited	-	100
Servcorp Virtual Limited	-	100
Servcorp Wyvols Limited	-	100
The entities were acquired for cash on 31 January 2003.		
Servcorp Minories Limited	-	100
The entity was acquired for cash on 13 February 2003.		
Acquisitions		
2002		
Servcorp Virtual Pty Ltd	-	100
The entity was acquired for cash on 7 September 2001.		

		CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
29	**Notes to the statements of cash flows**				
(a)	**Reconciliation of cash**				
	For the purpose of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
	Cash	11,258	6,213	1	-
	Short term deposits	14,867	40,172	-	-
		26,125	46,385	1	-
(b)	**Reconciliation of operating profit/(loss) after income tax to net cash provided by operating activities**				
	Operating profit/(loss) after income tax	2,455	(3,409)	4,212	7,077
	Add/(less) non-cash items:				
	Amounts set aside to provisions	92	80	-	-
	Depreciation and amortisation	11,518	17,396	-	-
	(Profit)/loss on sale of assets	650	80	-	-
	Income taxes payable	(1,052)	(3,328)	(444)	(415)
	Deferred taxes	(290)	(1,679)	(18)	188
	Unrealised foreign exchange gain	(509)	22	-	91
	Write-down in Rumble investment	-	950	-	-
	Provision for diminution in value of loan	-	-	2,783	-
	Net cash provided by operating activities before change in assets and liabilities	12,864	10,112	6,533	6,941
	Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial period:				
	Decrease/(increase) in prepayments	778	1,679	-	(5)
	Decrease in trade debtors	312	4,056	-	-
	Increase in current assets	(1,391)	(1,367)	-	-
	Increase in deferred income	497	1,522	-	-
	Decrease in client security deposits	(332)	(2,393)	-	-
	Decrease in accounts payable	(710)	(2,616)	(136)	(30)
	Net cash provided by operating activities	12,018	10,993	6,397	6,906
(c)	**Non-cash financing and investment activities**				
	During the financial year the Consolidated Entity acquired property, plant and equipment by means of finance leases. These acquisitions are not reflected in the statements of cash flows. Aggregate fair value of leased assets acquired	-	168	-	-

(d) Financing facilities

Refer Note 18.

	THE COMPANY	
	2003	2002

30 Directors' remuneration

Directors' income

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

	2003	2002
\$ 40,000 - \$ 49,999	2	2
\$ 80,000 - \$ 89,999	1	1
\$ 150,000 - \$ 159,999	1	1
\$ 230,000 - \$ 239,999	-	1
\$ 300,000 - \$ 309,999	1	1
\$ 640,000 - \$ 649,999	1	-

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	1,307,678	900,937	262,062	256,251

Directors' income includes amounts paid by the Company during the year to indemnify directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

31 Executives' remuneration

The remuneration of executives who work wholly or mainly outside Australia is not included in this disclosure. Executive officers are those officers involved in the strategic direction, general management or control of the business at a company or operating division level.

The number of executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the Consolidated Entity, falls within the following bands:

	CONSOLIDATED 2003	CONSOLIDATED 2002	THE COMPANY 2003	THE COMPANY 2002
\$ 100,000 - \$ 109,999	1	-	-	-
\$ 110,000 - \$ 119,999	1	3	-	-
\$ 120,000 - \$ 129,999	3	-	-	-
\$ 130,000 - \$ 139,999	-	2	-	-
\$ 140,000 - \$ 149,999	-	1	-	-
\$ 150,000 - \$ 159,999	6	4	-	-
\$ 230,000 - \$ 239,999	-	1	-	-
\$ 300,000 - \$ 309,999	1	1	-	-
\$ 640,000 - \$ 649,999	1	-	-	-

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Total income received, or due and receivable, from the Company, entities in the Consolidated Entity or related parties by executive officers of the Company and of controlled entities whose income is \$100,000 or more	2,464,209	1,920,977	63,405	61,460

Executives' remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

32 Related parties

Directors

The names of each person holding the position of director of Servcorp Limited during the financial year are Messrs A Moufarrige, B Corlett, R Holliday-Smith and B Pashby, Ms J King, and Mr T Moufarrige (alternate for A Moufarrige and B Pashby).

Details of directors' remuneration are set out in Note 30.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated Entity during the financial year and there were no material contracts involving directors' interests subsisting at balance date.

Directors' holdings of shares and share options

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the Consolidated Entity at year end are set out below.

	Number held	
	2003	**2002**
Servcorp Limited:		
Ordinary shares	48,379,753	47,697,499
Options over ordinary shares	600,000	3,600,000

Directors' transactions in shares and share options

During the year no directors exercised options over ordinary shares in the company.

Other transactions with the Company or its controlled entities

The Consolidated Entity has a lease with Tekfon Pty Ltd for the use of Tekfon's premises for storage. A director of the Company, Mr A Moufarrige, has an interest in and is a director of Tekfon Pty Ltd. Mr B Pashby, also a director of the Company was a director of Tekfon Pty Ltd.

67 Fitness Pty Ltd provides gymnasium services at a discount to clients and staff of the Consolidated Entity. A director of the Company, Mr A Moufarrige, has an interest in and is a director of 67 Fitness Pty Ltd. Mr B Pashby, also a director of the Company was a director of 67 Fitness Pty Ltd.

Enideb Pty Ltd operates the Servcorp franchise in Canberra. A relative of a director of the Company, Mr A Moufarrige, has an interest in Enideb Pty Ltd. Mr A Moufarrige has no interest in the affairs of Enideb Pty Ltd.

Three directors of the Company, Mr B Corlett, Mr R Holliday-Smith and Mr A Moufarrige, each hold an interest in Rumble Group Pty Limited either directly or through entities that are controlled by them. Mr R Holliday-Smith and a relative of Mr A Moufarrige are directors of Rumble Group Pty Limited. In addition the Consolidated Entity engaged Rumble Group Pty Limited to provide services for the development of proprietary software and paid $17,980 (2002: $136,876), at arm’s length terms, in consulting fees.

A director of the Company, Mr A Moufarrige, has an interest in and is a director of Sovori Pty Ltd. Mr T Moufarrige, an alternate director of the Company is a director of Sovori Pty Ltd.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

32 Related parties (continued)

Other transactions with the Company or its controlled entities (continued)

The value of the transactions during the year with directors and their director-related entities were as follows:

Director	Director-related entity	Transaction	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
R Holliday-Smith	Rumble Group	Investment	-	-	-	-
A Moufarrige	Pty Limited	Consulting	18	137	-	-
B Corlett						
A Moufarrige B Pashby	Tekfon Pty Ltd	Premises rental	29	20	-	-
A Moufarrige	Enideb Pty Ltd	Franchisee	312	187	-	-
A Moufarrige	SDS (Digital Strategy) Pty Ltd	Telecommunication user	-	699	-	-
A Moufarrige	Sovori Pty Ltd	Telecommunication user	17	-	-	-

Amounts receivable from and payable to directors and their director-related entities at balance date arising from these transactions were as follows:

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Current receivable				
Enideb Pty Ltd	27	16	-	-
SDS (Digital Strategy) Pty Ltd	-	420	-	-
Rumble Group	2	-	-	-
67 Fitness (Gym)	1	-	-	-
Sovori Pty Ltd	10	-	-	-

From time to time directors of the Company or its controlled entities, or their director-related entities, may purchase goods from or provide services to the Consolidated Entity. These purchases or sales are on the same terms and conditions as those entered into by other employees, suppliers or customers of the Consolidated Entity and are trivial or domestic in nature.

32 Related parties (continued)

Wholly-owned group

Details of interests in wholly-owned controlled entities are set out at Note 27. Details of dealings with these entities are set out below.

	THE COMPANY 2003 $'000	THE COMPANY 2002 $'000
Loans		
Loans between entities in the wholly-owned group are repayable at call. Interest is charged monthly at the rate of 10.35% pa (2002: 10.35% pa) on the outstanding balance.		
Interest brought to account by the Company in relation to these loans during the year:		
Net interest revenue	1,723	1,736
Balances with entities within the wholly-owned group		
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance date and the significant transactions comprising the movement in the balance are:		
Receivables - non-current		
Other loans	65,413	71,219
Provision for diminution in value of loan	(2,783)	-
Loans comprise funding for new office locations, the transfer of funds for investment purposes, royalties, dividends and interest.		
Payables - current		
Trade creditors	2,827	1,650
Payables - current comprise day-to-day funding of expenses.		
Payables - non-current		
Other loans	5,040	865
Payables non-current comprise the transfer of funds for investment purposes and interest.		
Dividends		
Dividends received or due and receivable by the Company from wholly-owned controlled entities	1,700	2,500
Royalties		
Royalties received or due and receivable by the Company from wholly-owned controlled entities	7,726	4,698
Marketing support fee		
Marketing support fee paid or due and payable by the Company to wholly-owned controlled enitites	2,741	-

Directors' declaration

In the opinion of the directors of Servcorp Limited:

(a) the financial statements and notes, set out on pages 26 to 62, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2003 and of their performance, as represented by the results of their operations and cash flows, for the financial year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 16th day of September 2003.

Signed in accordance with a resolution of directors

A G Moufarrige
Director

Independent audit report to the members of Servcorp Limited

Scope

We have audited the financial report of Servcorp Limited (the Company) for the financial year ended 30 June 2003, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 32, and the directors' declaration set out on pages 26 to 63. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Servcorp Limited is in accordance with:

(a) the Corporations Act 2001, including:

- i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2003, and of their performance for the year ended on that date; and

- ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Roger Amos
Partner

Sydney, 16 September 2003

Shareholder information

The shareholder information set out below is provided in accordance with the Listing Rules and was applicable as at 5 September 2003.

Class of shares and voting rights

Ordinary shares

At 5 September 2003 there were 604 holders of the ordinary shares of the Company.

At a general meeting:

- On a show of hands, every member present has one vote
- On a poll, every member present has one vote for each fully paid share held.

Options

At 5 September 2003, there were 36 holders of options over 1,379,000 unissued ordinary shares granted to employees and directors under Executive and Employee Share Option Schemes.

There are no voting rights attached to the options. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The options are unquoted.

Distribution of shareholders and optionholders

	Ordinary shares			Options		
Category	Number of holders	Number of shares	% of total	Number of holders	Number of options	% of total
1 - 1,000	142	95,268	0.12	1	1,000	0.07
1,001 - 5,000	274	830,737	1.04	4	15,000	1.09
5,001 - 10,000	81	647,022	0.81	11	106,000	7.69
10,001 - 100,000	84	2,579,567	3.22	15	507,000	36.76
100,001 and over	23	75,802,760	94.81	5	750,000	54.39
Totals	**604**	**79,955,354**		**36**	**1,379,000**	

At 5 September 2003 there were 26 holders of ordinary shares holding less than a marketable parcel, based on the closing market price at that date.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to Servcorp:

Name	Number of shares	% of voting power advised
Sovori Pty Ltd	48,379,753	60.50%
Commonwealth Bank Group	13,758,965	16.23%
Deutsche Bank Group	8,444,087	9.96%

On-market buy-back

There is no current on-market buy-back.

Shareholder information

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Citicorp Nominees Pty Limited (CFS Future Leaders Fund)	8,935,062	11.175%
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund)	2,986,253	3.735%
Citicorp Nominees Pty Limited (CFS Imputation Fund)	1,616,500	2.022%
Citicorp Nominees Pty Limited	177,746	0.222%
Corlett R B	220,000	0.275%
Fortis Clearing Nominees P/L	149,319	0.187%
Government Superannuation Office (State Super Fund)	805,823	1.008%
Gumnut Farms Pty Ltd	133,600	0.167%
Huntley Investment Company Limited	140,365	0.176%
International Business Centre Ltd	227,921	0.285%
JP Morgan Nominees Australia Limited	8,186,634	10.239%
Moufarrige A G	1,141,390	1.428%
National Nominees Limited	237,166	0.297%
RBC Global Services Australia Nominees Pty Limited (DE A/C)	1,841,558	2.303%
RBC Global Services Australia Nominees Pty Limited (RA A/C)	531,639	0.665%
Sovori Pty Limited	46,819,648	58.557%
Transport Accident Commission	462,243	0.578%
Victorian Workcover Authority	543,756	0.680%
UBS Private Clients Australia Nominees Pty Ltd	352,005	0.440%
Westpac Custodian Nominees Limited	184,800	0.231%
Totals for Top 20	**75,693,428**	**94.67%**

Options

Category	Number on issue	Number of holders
Vendor	0	0
Executive and employee	1,379,000	36
CEO	0	0

There were no persons holding 20% or more of any category of option.

Offices and officers

Directors

Alf Moufarrige
Bruce Corlett
Rick Holliday-Smith
Julia King
Bryan Pashby
Taine Moufarrige (alternate to A Moufarrige and B Pashby)

Company secretary

Greg Pearce

Registered office and principal office

Level 17 BNP Paribas Centre
60 Castlereagh Street
Sydney NSW 2000

Telephone:	(02) 9231 7500
Facsimile:	(02) 9231 7660

Share registry

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000

PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone:	(02) 9279 0677
Facsimile:	(02) 9279 0664

Auditors

KPMG
The KPMG Centre
45 Clarence Street
Sydney NSW 2000

Stock exchange

Servcorp Limited shares are quoted on the Australian Stock Exchange under the code SRV. The Home Exchange is Sydney.

Annual general meeting

The Annual General Meeting of Servcorp Limited will be held at Level 29 The Chifley Tower, 2 Chifley Square, Sydney at 5pm on Thursday 6 November 2003.

acknowledgements:
illustrations by
Steve Panozzo, Age 39½
Noz Productions.