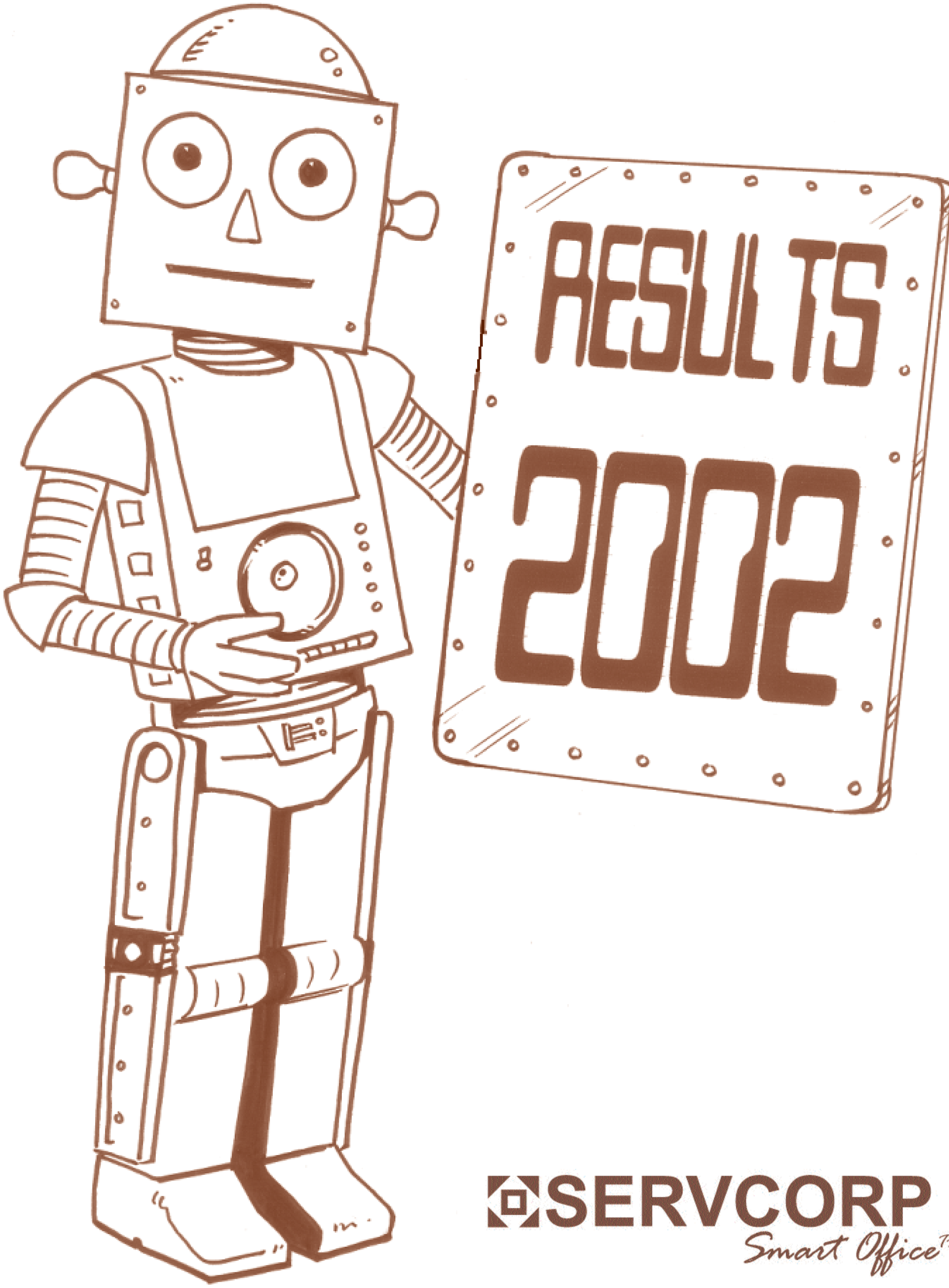
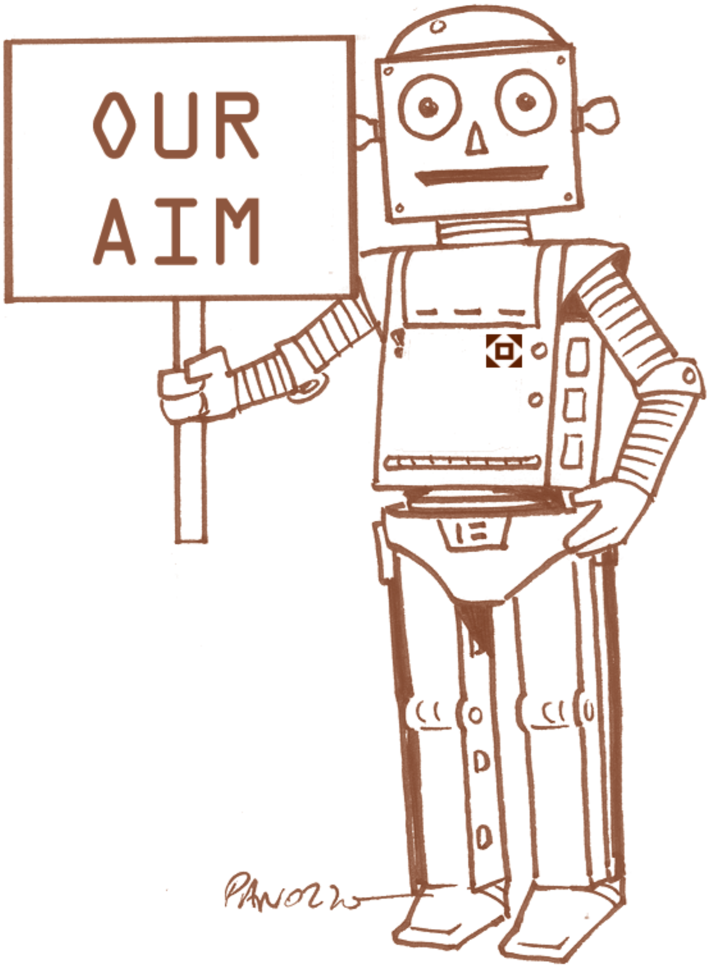


SERVCORP
Smart Office™



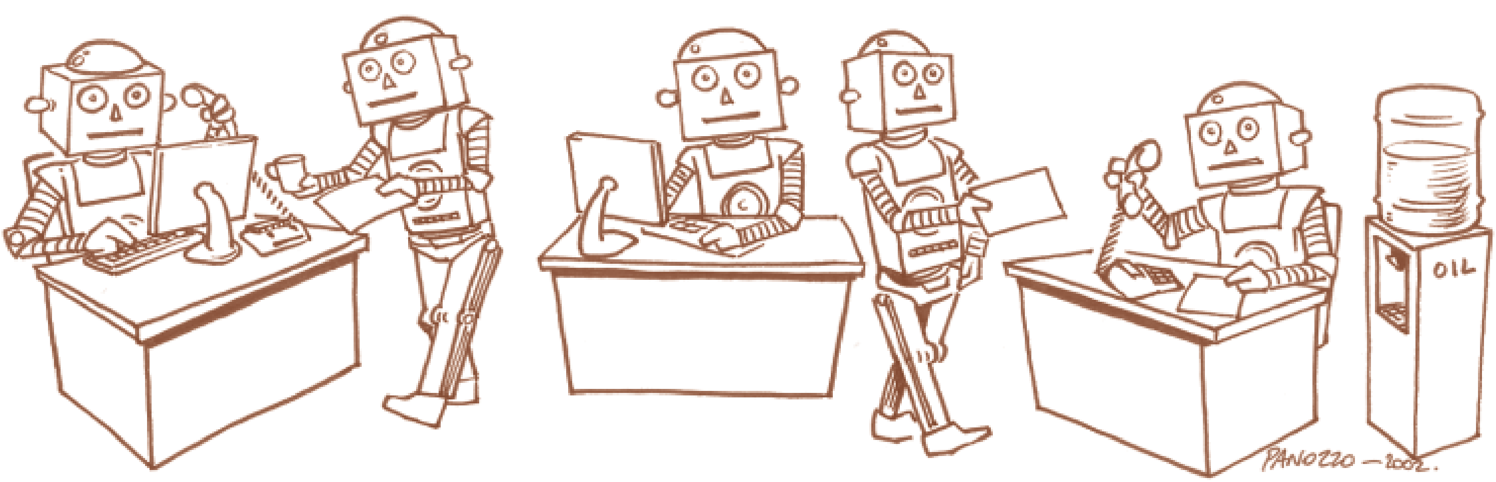
Servcorp's aim is to be the World's Finest Serviced Office Operator.

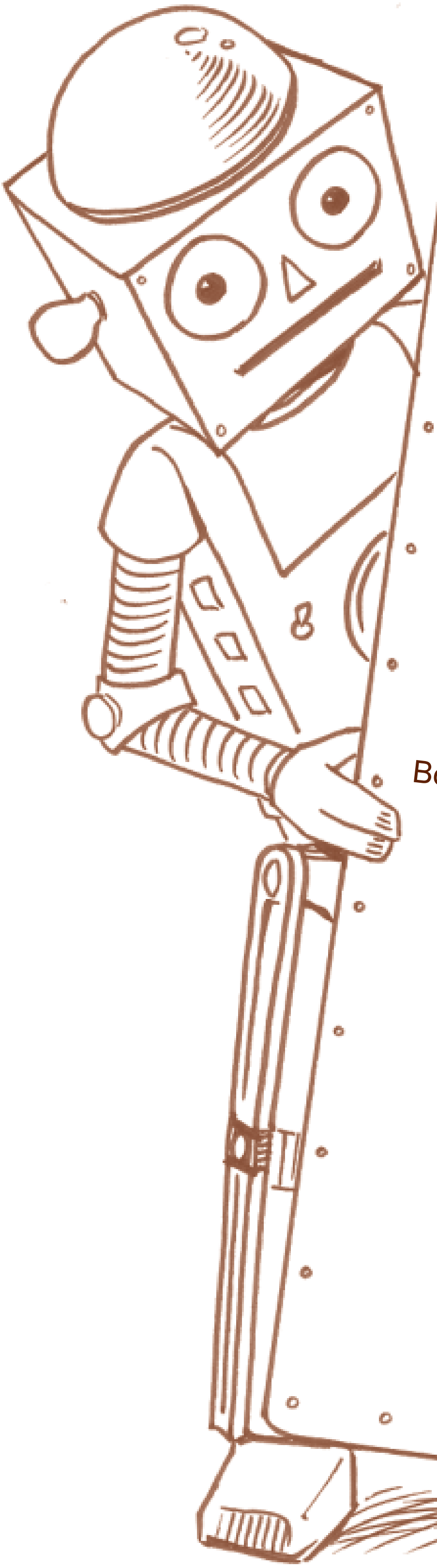
The aim includes a commitment to the best management team in our industry, the adoption of efficient business processes and the provision of leading technology services.

Servcorp focuses on a diversified portfolio of high quality serviced offices in multiple locations. 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.

Programmed to produce shareholder value.





CONTENTS

what's hot

what's not

the bubble that burst

We watched in awe as serviced office operators from all parts of the world grew from a much smaller base than Servcorp to serviced office giants with between 5 to 20 times the amount of space we controlled, with no infrastructure or IT capability to control the expansion. In some cities the serviced office accommodation grew by between 200% to 300% and, as our competitors discovered that this was far from an easy business, they commenced price wars in an attempt to support a faulty business model. In such an environment, naturally we suffered. We cannot blame the competition for our poor results, as we should have had the ability to provide our shareholders with a more accurate forecast. We informed the market it was going to be the toughest year in our history, and we had of course already moved to protect our cash so that we would be in a position to take advantage of any up-turn.

Regardless of any explanation our performance was below what we would expect from a normal year and the **stats tell the story**.

			The benefits of timely action	
	Actual 12 months June 2001 $'000	**Actual 12 months June 2002 $'000**	**Actual 1st qtr Sept 2001 $'000**	**Actual 4th qtr June 2002 $'000**
Revenue	**122,697**	**118,428**	**31,023**	**28,953**
EBT	**18,923**	**(188)**	**971**	**2,211**
NPAT	**14,191**	**(3,409)**		
"one off" significant expenses	**-**	**7,046**		
"underlying operating" EBT	**18,923**	**6,858**		
Cash at 30 June	**51,450**	**46,385**		

no need to be a rocket scientist to understand our below average performance

Clients in residence
1,420

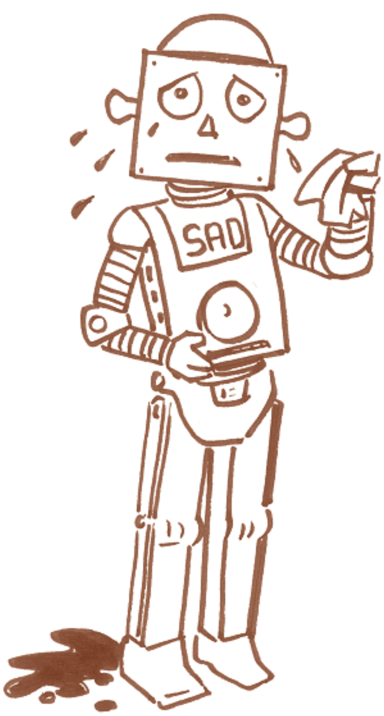
12 months growth of

4%

Virtual Office clients
3,510

12 months growth of

15%



Revenue

12 months to June 2001 $122.7m

12 months to June 2002

$118.4m

- 3.5%

Chairman's message

2002 has been a challenging and difficult year for Servcorp. The global serviced office market has been under extreme pressure, and this has seen our major global competitors experience severe difficulties.

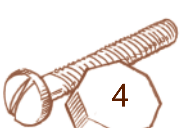
Revenue was down just under 4% to $118.428 million, and the Company recorded a loss before tax of $0.188 million. However this loss was after expensing over $7.046 million of “one-off” significant items. The underlying operating result was therefore a profit before tax of $6.858 million. Reflecting this result, the Company continued to generate positive operating cash flow, and cash balances at 30 June totalled $46.385 million.

Despite the disappointing result, Servcorp clearly outperformed 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 2002. 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 dedication and hard work in a tough operating environment where our major competitors have aggressively cut prices. Hard decisions have been taken and key issues addressed to ensure Servcorp operates successfully going forward.

Bruce Corlett



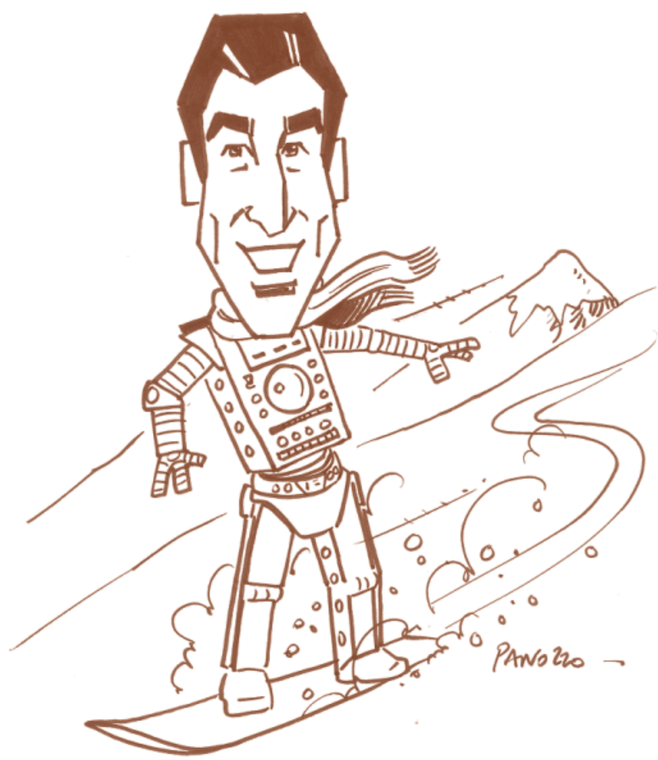
the dot.com virtual reality

By the Chief Executive

Just a bit smarter... doesn't always produce an acceptable profit

Even as we continue to lead the industry in the Asia Pacific region and maintain control in Japan and Australia we could not count this as one of Servcorp's better years.

Every major serviced office operator in the world suffered, with HQ, the biggest operator in the world, filing for Chapter 11 bankruptcy protection in the U.S.A, and Regus, the biggest operator by far in Europe, continuing to lose substantial amounts, with its share price dropping to just 5% of its list price and its market cap plummeting from AUD4 billion to just AUD100 million. These operators, along with other newcomers, competed vigorously with Servcorp as they struggled to produce a cash flow. This put a downward pressure on price and squeezed all of our margins.



Servcorp was more protected by our Virtual's and IT advantage but our shareholders still watched the share price slide from its peak of $7.15 to just $1.70.

Our cautious approach toward the end of last financial year protected our cash position and allowed us to finish this year on a positive note with over $46 million in cash and less than $8 million of interest bearing debt.

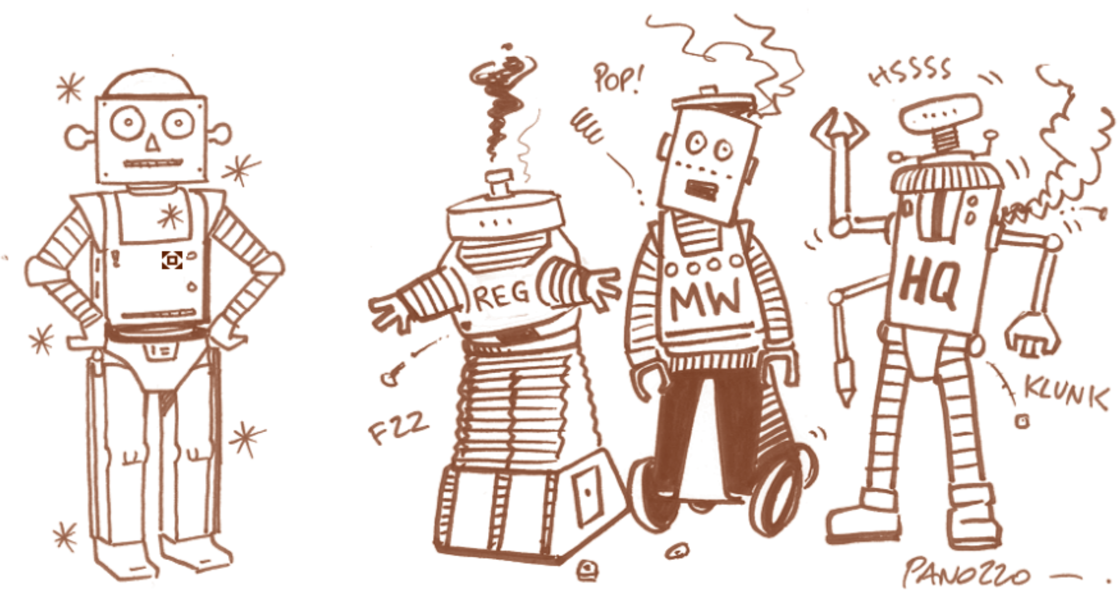
We completed our cost cutting measures and, in the last quarter, profits on the EBT line were double those in the first quarter with turnover remaining stable.

This year is not going to be much easier than last year but we anticipate producing a profit before tax of around $4 million in the first half.

As the competition suffers, and I estimate there will be at least 500 floors of competitors' serviced offices close, opportunities for Servcorp, the world's finest serviced office operator, should appear towards calendar year end 2003. We are ready to take advantage of these opportunities but being able to give you an indication of how they will affect our bottom line in the short term is more difficult in these uncertain times.

Even though our vacancy levels decreased and the number of clients in residence grew by 4% in the Serviced Offices and 15% in the Virtual Office, price pressure meant that our total revenue dropped by 3.5%.

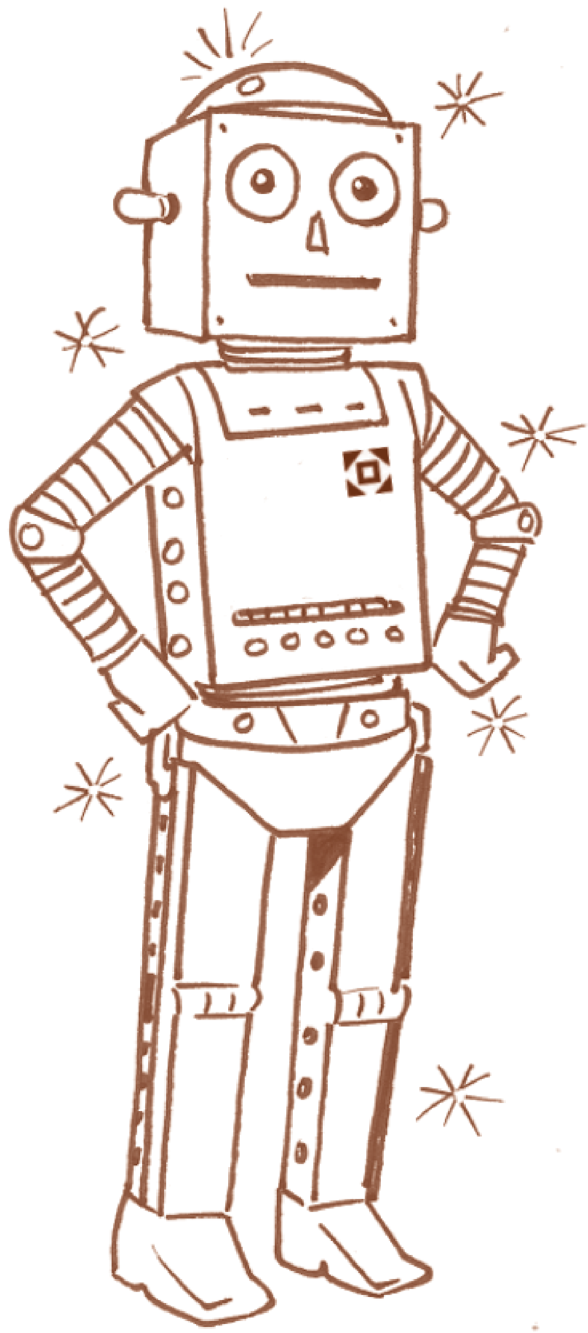
Although our result was not pleasing, when benchmarked against our biggest competitor, Regus, we seemed to fare quite well as their turnover on the comparative financial periods dropped by over 10% and losses continued to mount.



Our unfair advantage... IT with a bottom line bias

Development of the majority of our IT solutions has now been completed and details of these products can be found later in this report. The products have finished beta tests and are being rolled out in Sydney and being translated into Japanese, French and Chinese so that they can be utilised in our other main markets.

The next step is training and finally after years of hard work they should produce some real profits. The **Debtors, Smart Office™, IP Billing, Per MB Billing, Call Accounting, Worksmart Screen Console, Hottdesk™, and Helpdesk** give us an **IT section with a bottom line bias**, giving us a real market advantage. The cost to produce these in-house products, that have a capitalised value of much less than $1 million, would in my view have taken closer to $6 million in cash resources and are worth every cent of it.



The solutions do not come without their fair share of problems and over the past year roll-out of IP phone systems has not been as successful as we would like but we still have great hopes that it will, in time, have a positive effect on Servcorp's bottom line.

Servcorp is a Deloitte Technology Fast 50 winner for pioneering IT excellence. The Deloitte Technology Fast 50 is a program that recognises and profiles fast growing technology companies in Australia.

community service

the one place we met budget

Joan Salter – general manager from 1985 to 1999

Successful business woman taken early by cancer 46 years.

15/4/53 – 24/2/00

The only area we hit budget was on the Joan Salter Fund. Funds continue to be raised and the total amount controlled by the Joan Salter Foundation has now reached $700,000. During the year Rotary donated $10,000 of the interest to MS sufferers.

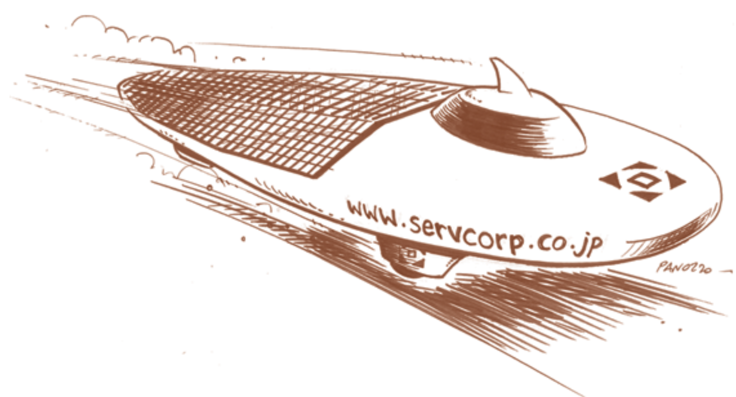
Over the next few years, with Rotary's help, we intend to take the total to $2 million. Finally the fund will aim to provide a home for terminally ill ladies under the age of 50, managed without input from Servcorp.

Servcorp believes it has a responsibility to the community and encourages the Servcorp Team to be generous. It is fun to help the community.

In addition to the Joan Salter Fund, Servcorp is also supporting Micro Research Company (MRC), a company working with Unisearch, a section of the University of NSW, on the inhibition of cancer tumors on the liver.

Servcorp also supported the Cancer Council, The Salvation Army and numerous other charities within the community.

Servcorp proudly flies the Australian Flag overseas. Servcorp sponsored the University of Canberra in its quest to develop and race a solar car at the Suzuka circuit in Japan.



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.

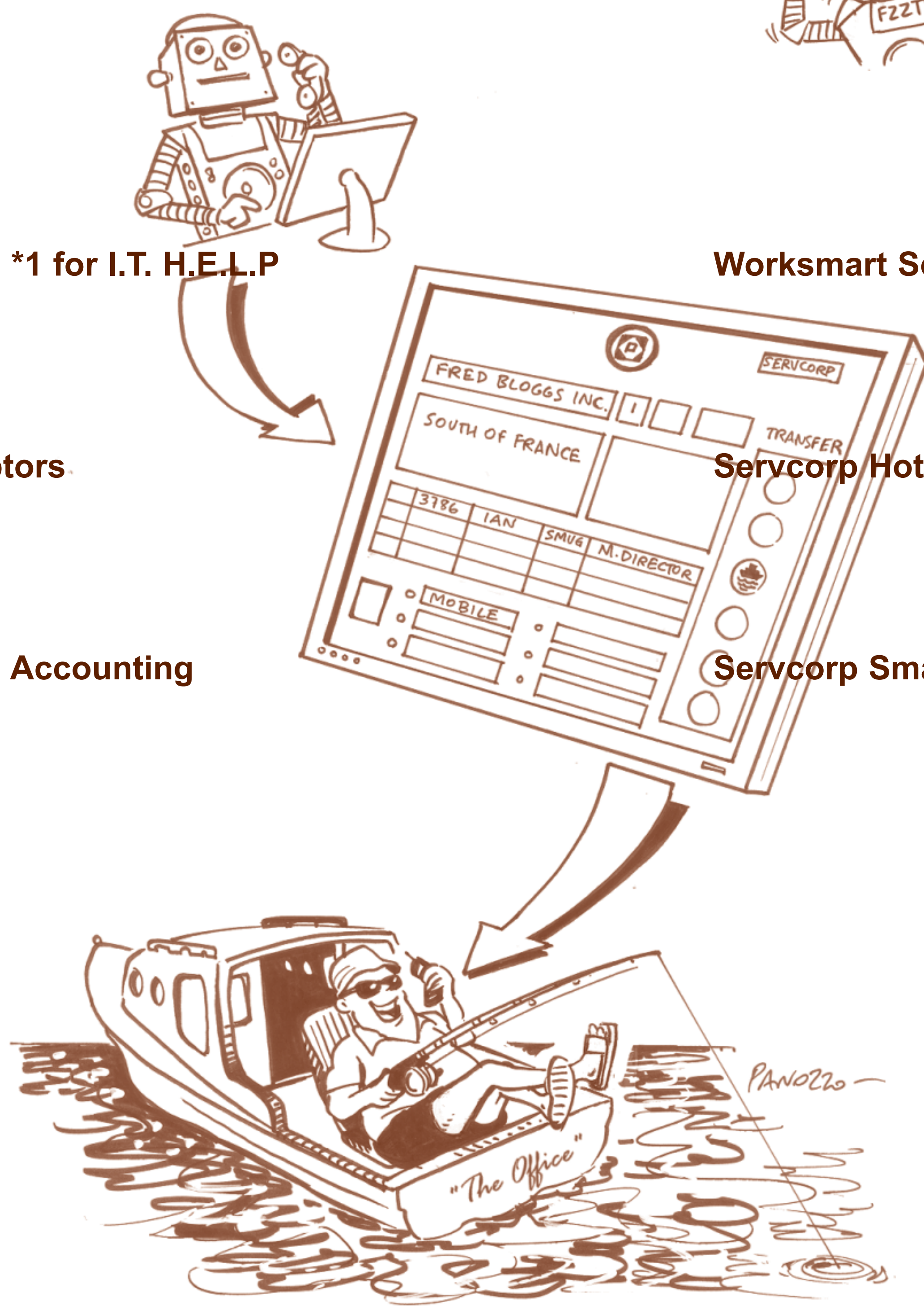
"Look for bubbles at midnight"

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

for our clients we solved the IT nightmare!



Dial *1 for I.T. 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 21, 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

Exchange Square
10-18 & 20 Bridge 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

Level 36, Hong Leong Building
16 Raffles Quay

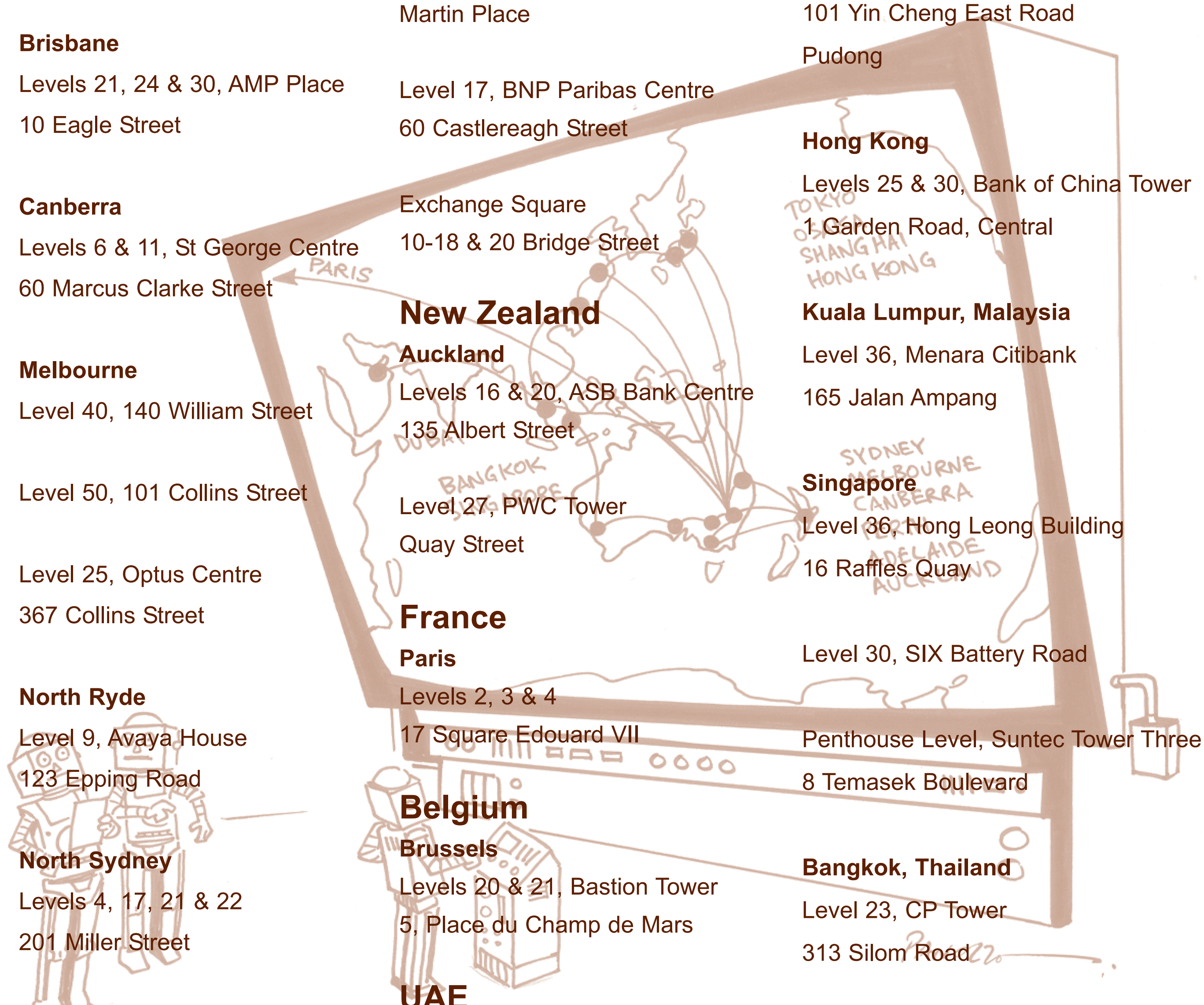
Level 30, SIX Battery Road

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



languages of Servcorp

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 Hills
4-3-1 Toranomon
Minato-ku

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

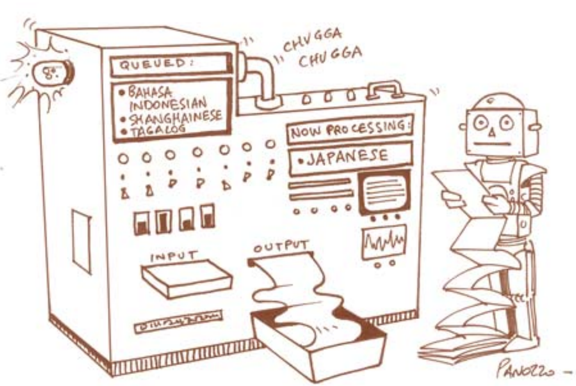
Level 9 & Basement 1, AIG Building
1-1-3 Marunouchi
Chiyoda-ku

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

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

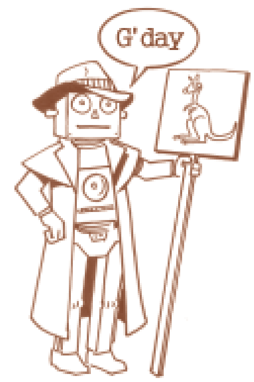


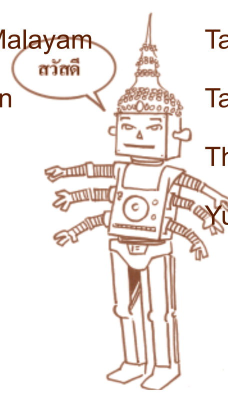
These are the languages spoken within the Servcorp environment.

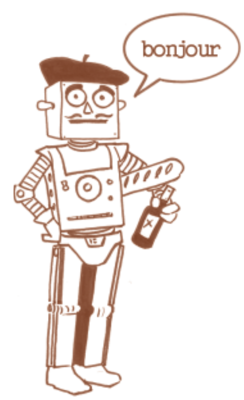
We can translate from your language into any of the languages listed through the Servcorp Smart Office™.

Afrikaans
Arabic
Bahasa Indonesian
Bahasa Malay
Cantonese
Croation
English
Filipino
French
German
Greek
Hindi
Hindi Malayam
Hokkien
Iranian
Italian

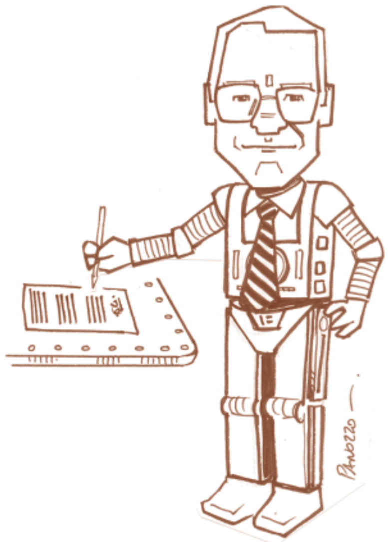
Japanese
Korean
Lao
Malay
Mandarin
Portugese
Punjabi
Russian
Shanghainese
Spanish
Swedish
Tae Jew
Tagalog
Tamil
Thai
Yugoslavian

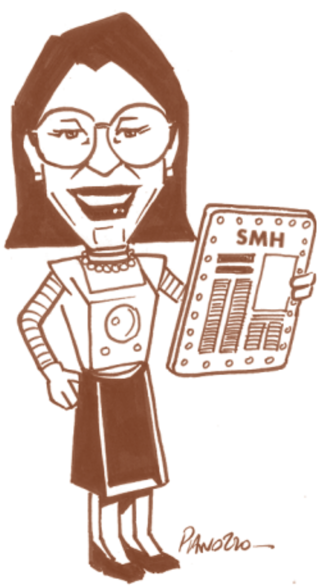






the Servcorp team





the board

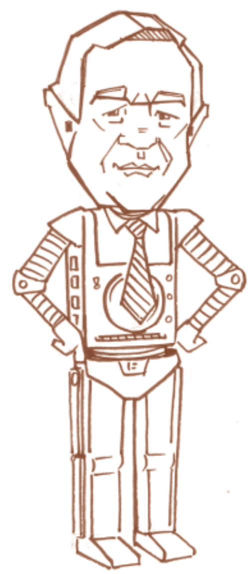
Bruce Corlett
Chairman

Rick Holliday-Smith
Non-Executive Director

Julia King
Non-Executive Director

Alf Moufarrige
MD & CEO

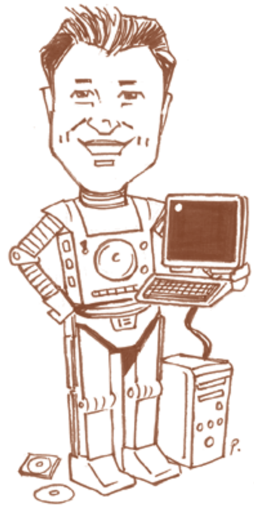
Bryan Pashby
Commercial Director

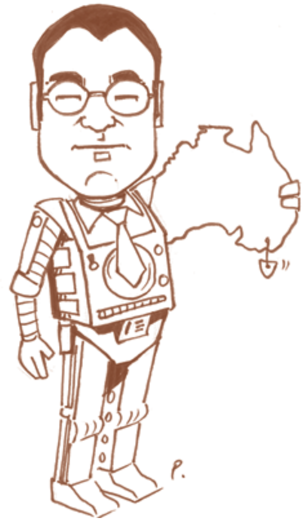


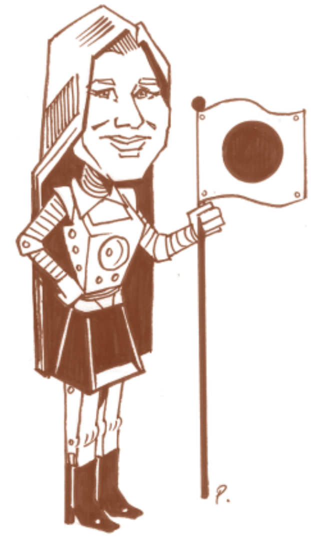
The Board and Senior Management perform thanks to the hardworking Servcorp Team

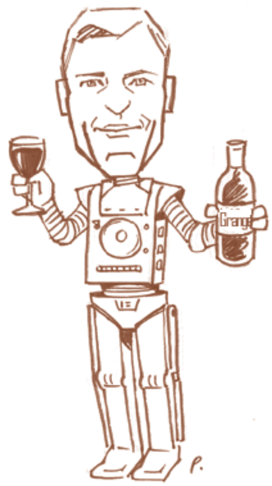
Why is SERVCORP the best?

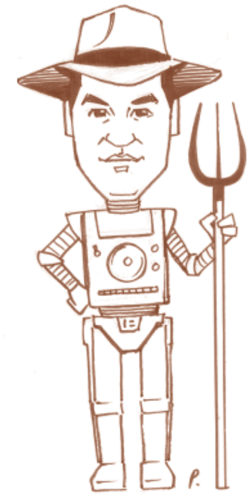
Well that's easy. The Team, and resources we are proud of and believe in.











senior management

Taine Moufarrige
Alternate Director; GM Australia, Europe & Middle East

Marcus Moufarrige
GM Asia & CIO

Susie Martin
GM Japan

Greg Pearce
Company Secretary

Richard Baldwin
GM Comms & IT

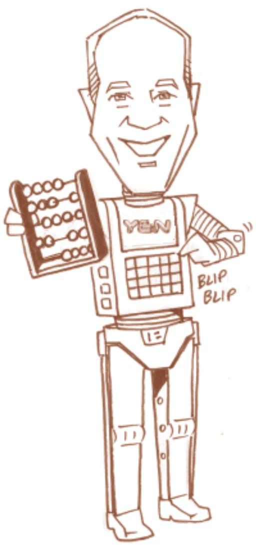
Andrew Boss
CFO

Sharon Tindale
International Sales and Marketing Manager

Steve Gainer
Senior Manager Japan

Tammy Palmer
International Virtual Sales & Marketing Manager

Liane Gorman
Senior Manager Systems Police



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 best practice in corporate governance.

Role of the board

The Board's primary roles are:

- the protection and enhancement of long-term shareholder value
- the overall corporate governance of the Consolidated Entity
- setting strategic direction, including establishing goals for management
- monitoring the achievement of these goals
- the identification of areas of significant risk and ensuring adequate arrangements are in place to manage these risks
- the establishment of appropriate ethical standards
- the appointment of the Managing Director, evaluating performance and determining remuneration of senior executives
- ensuring compliance with continuous disclosure policy in accordance with the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange (ASX)

Composition of the board

The Board comprises five directors (two executive and three non-executive) and one alternate director.

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 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.

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 the Consolidated Entity's expense. 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 the Consolidated Entity.

Director dealings in Company shares

Company 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; and
- 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 and is subject to Board veto.

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 the Company. Where the Board believes that a significant conflict exists the director concerned 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

The Company 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.

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

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.

Remuneration committee

The role of the Remuneration committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives. The Remuneration committee may obtain independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

The members of the Remuneration committee during the year were:

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

The Managing Director, Mr A G Moufarrige, is invited to Remuneration committee meetings as required to discuss senior executives' performance and remuneration packages.

Total remuneration for all non-executive directors is not to exceed $350,000 per annum. When setting fees and other compensation for non-executive directors, the Board takes independent advice and applies Australian and international benchmarks. Directors' fees cover all main Board activities and membership of committees.

The Remuneration committee met twice during the financial year.

Further details of directors' remuneration, superannuation and retirement payments are set out in the Directors' report and Note 30 to the financial statements.

Audit 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 non-executive directors were the members of the Audit committee during the financial year.

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

The external auditors, the Managing Director, the Commercial Director and the Chief Financial Officer are invited to Audit committee meetings at the discretion of the committee.

The Audit committee met three times during the financial year.

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

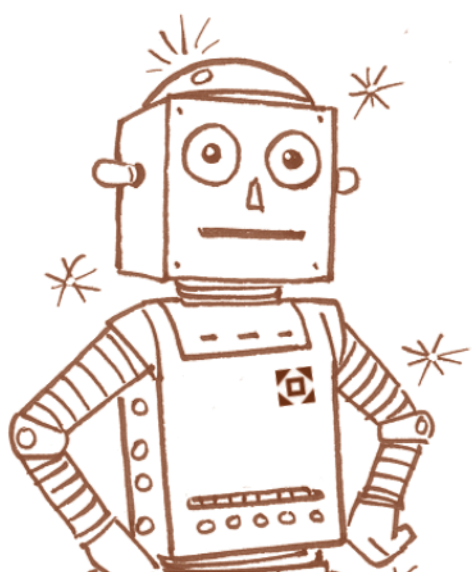
Audit committee (cont.)

- review 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
- assessing significant business risks

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.

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



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 2002 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 experience in the serviced office industry. Alf oversees Servcorp's operations and is primarily responsible for the Company's growth overseas.
Mr R. Bruce Corlett	**Non-executive Chairman** Chairman of Remuneration Committee Member of Audit 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 Chairman of Adsteam Marine Limited, a director of Stockland Trust Group and Trust Company of Australia Limited.
Mr Roderic Holliday-Smith	**Non-executive Director** Chairman of Audit Committee Member of Remuneration 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 and is a Chartered Accountant.

Directors (continued)

Name	Experience, qualifications and special responsibilities
Ms Julia King	**Non-executive Director** Member of Audit Committee Member of Remuneration 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 and Opera Australia. 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	**Commercial Director** Appointed August 1999 Bryan's career spans forty-two 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.
Mr Taine Moufarrige	**Alternate to Mr Alf Moufarrige** **Alternate to Mr Bryan Pashby** General Manager Australia, Europe & 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 loss after tax for the financial year was $3.41 million (2001: $14.19 million profit). Operating revenue was $118.42 million (2001: $122.69 million).

At the end of the financial year, Servcorp (including franchise locations) operated 50 floors, in 35 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
Auckland	PWC Tower Level 27	25	May 2002

The number of office suites operated by the Consolidated Entity has decreased to 1,888 with an average occupancy of 75%. Virtual office clients have increased to 3,510, a growth of over 15% in the year.

Currently Servcorp has cash in excess of $46 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.

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.

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 current financial year					
2002					
Interim - ordinary shares	3.75	3,160	4 April 2002	50%	30%(Class C)
Final - ordinary shares	3.75	3,168	1 October 2002	100%	30%(Class C)
2001					
Final - ordinary shares	3.75	3,137	2 October 2001	100%	30%(Class C)

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		Remuneration committee	
	A	H	A	H	A	H
B Corlett	10	10	3	3	2	2
R Holliday-Smith	10	10	3	3	2	2
J King	10	10	3	3	2	2
A Moufarrige	9	10	n/a	n/a	n/a	n/a
B Pashby	7	10	n/a	n/a	n/a	n/a
T Moufarrige (alternate)	3	3	n/a	n/a	n/a	n/a

A - number of meetings attended
H - number of meetings held during the time the director held office or was a member of the committee during the year.

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

Directors' and senior executives' emoluments

The Remuneration committee is 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.

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 $	Super contribution $	Total $
Directors					
Non-executive					
B Corlett	80,000	-	-	6,400	86,400
R Holliday-Smith	45,000	-	-	3,600	48,600
J King	45,000	-	-	3,600	48,600
Executive					
A Moufarrige	216,008	-	76,800	16,880	309,688
B Pashby	213,754	-	6,577	16,880	237,211
T Moufarrige	140,627	-	-	11,160	151,787
Executive officers (excluding directors)					
Consolidated and the Company					
Sharon Tindale	142,087	-	-	11,216	153,303
Marcus Moufarrige	141,432	-	-	11,160	152,592
Greg Pearce	121,878	-	19,500	11,160	152,538
Richard Baldwin	134,292	-	-	10,593	144,885
Andrew Boss	132,431	-	-	6,363	138,794

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 Mr B Corlett exercised options over 150,000 ordinary shares of the Company at an exercise price of $1.50 per share.

Options

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

Expiry date	Type	Exercise price	Number of shares
19 October 2002	A	$1.50	248,333
29 November 2004	B	$1.50	450,000
15 December 2004	B	$1.50	1,024,000
21 June 2009	C	$6.00	3,000,000

Type A Options may be exercised two years from date of listing and expire three years from date of issue.

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 C Options will be exercisable in three equal tranches of 1,000,000 options each subject to Servcorp's future share price, as follows:

Tranche	Number of options	Future share price	First exercise date
First	1,000,000	$8.00	24 months from date of issue
Second	1,000,000	$10.00	36 months from date of issue
Third	1,000,000	$12.00	48 months from date of issue

The future share price must be achieved after 21 months (in the case of the first tranche), 33 months (in the case of the second tranche) and 45 months (in the case of the third tranche) from the date of issue of the options, on at least 10 days in any 20 consecutive trading days.

Subject to the provisions set out above, the options will be exercisable at any time within 8 years of the issue date, and if not exercised, the options lapse. All unexercised options in a tranche will lapse 8 years after issue date or, subject to the exception detailed below, the date Mr Moufarrige ceases to hold the office of CEO, whichever is the earlier. If Mr Moufarrige dies or becomes totally and permanently disabled, the Directors have the discretion to permit Mr Moufarrige (or his legal personal representative) to exercise some or all of his options which were exercisable at that date, notwithstanding that they would otherwise have lapsed.

Type A, B and C 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	351,667	$1.50	-
B	492,000	$1.50	-
C	-	-	-

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	47,429,697	3,000,000
B Corlett	220,000	-
R Holliday-Smith	100,000	150,000
J King	10,000	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

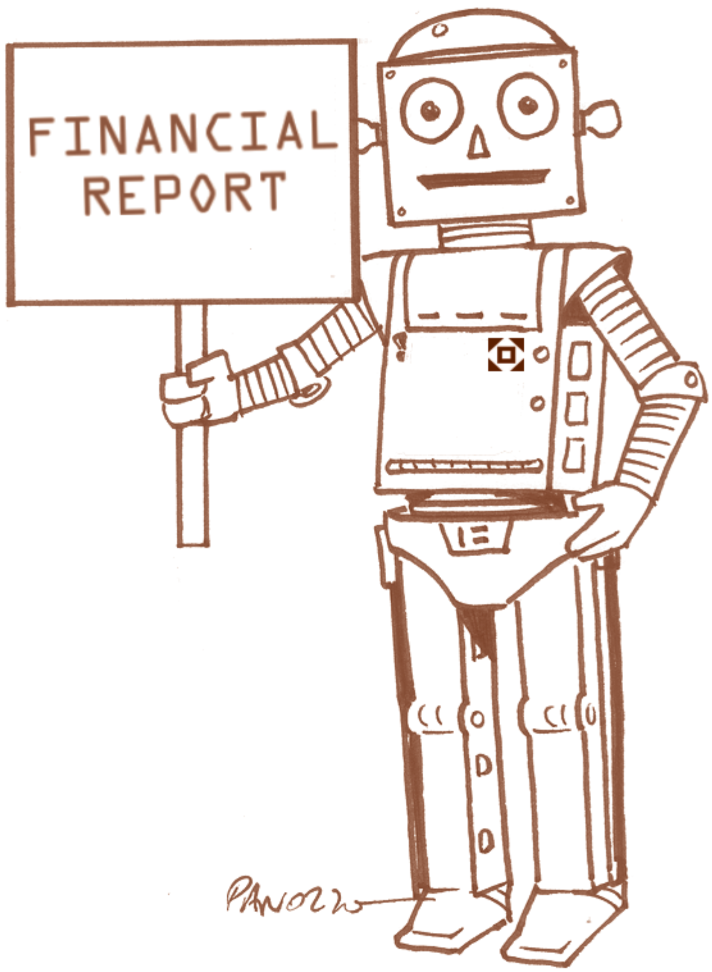
The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 23rd day of September 2002.

Signed in accordance with a resolution of the directors

A G Moufarrige
Director

2002
Financial report



Statements of financial performance

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2002

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Revenues from rendering of services		114,337	120,050	-	-
Other revenues from ordinary activities		4,091	2,647	9,631	9,057
Total revenues	2	118,428	122,697	9,631	9,057
Service expenses		(36,764)	(39,338)	(11)	(15)
Marketing expenses		(5,367)	(6,391)	(20)	-
Occupancy expenses		(58,989)	(50,823)	-	-
Administrative expenses		(10,122)	(10,532)	(490)	(412)
Borrowing costs expense	3	(699)	(665)	-	-
Other expenses from ordinary activities		(6,675)	3,975	-	-
Total expenses		(118,616)	(103,774)	(521)	(427)
(Loss)/profit from ordinary activities before income tax expense		(188)	18,923	9,110	8,630
Income tax expense relating to ordinary activities	5	(3,221)	(4,732)	(2,033)	(1,528)
Net (loss)/profit attributable to members of the parent entity	22	(3,409)	14,191	7,077	7,102
Non-owner transaction changes in equity					
Net movement in foreign currency translation reserve	21	(3,172)	3,269	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(3,172)	3,269	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(6,581)	17,460	7,077	7,102
Basic earnings per share Ordinary shares	8	($0.04)	$0.18	-	-
Diluted earnings per share Ordinary shares	8	($0.04)	$0.17	-	-

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 2002

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Current assets					
Cash assets	9	46,385	51,450	-	5,535
Receivables	10	11,213	16,335	4,698	92
Other	11	4,198	8,393	8	3
Total current assets		61,796	76,178	4,706	5,630
Non-current assets					
Receivables	10	-	-	71,219	67,205
Other financial assets	12	50	1,120	19,076	19,076
Property, plant and equipment	13	32,821	37,020	-	-
Intangibles	14	16,915	17,867	-	-
Deferred tax assets	5	4,498	3,030	26	171
Other	15	18,298	24,802	-	-
Total non-current assets		72,582	83,839	90,321	86,452
Total assets		134,378	160,017	95,027	92,082
Current liabilities					
Payables	16	26,005	31,140	1,871	380
Current tax liabilities	5	1,965	5,512	1,125	1,540
Provisions	19	4,296	4,356	3,173	3,137
Interest bearing liabilities	17	2,711	2,711	-	-
Total current liabilities		34,977	43,719	6,169	5,057
Non-current liabilities					
Payables	16	6,910	8,749	-	-
Interest bearing liabilities	17	4,407	7,488	865	806
Provisions	19	215	199	-	-
Deferred tax liabilities	5	559	626	74	32
Total non-current liabilities		12,091	17,062	939	838
Total liabilities		47,068	60,781	7,108	5,895
Net assets		87,310	99,236	87,919	86,187
Equity					
Contributed equity	20	85,570	84,582	85,570	84,582
Reserves	21	(433)	2,739	-	-
Retained profits	22	2,173	11,915	2,349	1,605
Total equity		87,310	99,236	87,919	86,187

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 2002

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		114,084	117,346	328	-
Cash payments in the course of operations		(95,947)	(89,708)	(283)	(434)
Dividends & royalties received		-	-	7,198	8,445
Interest received		1,822	773	1,924	827
Borrowing costs paid		(751)	(638)	(1)	-
Income taxes paid		(8,215)	(3,692)	(2,260)	(116)
Net cash provided by operating activities	29(b)	10,993	24,081	6,906	8,722
Cash flows from investing activities					
Payments for controlled entities	29(c)	-	-	-	-
Payments for investments		-	(1,000)	-	-
Payments for property, plant and equipment		(7,030)	(12,624)	-	-
Payments for other non-current assets		-	(5,988)	-	-
Loans to other entities		-	-	-	-
Loans to controlled entities		-	-	(7,131)	(51,421)
Loans repaid by controlled entities		-	-	-	13,069
Net cash used in investing activities		(7,030)	(19,612)	(7,131)	(38,352)
Cash flows from financing activities					
Proceeds from issue of shares		988	41,136	988	41,136
Proceeds from borrowings		-	772	-	-
Repayment of borrowings		-	-	-	-
Lease payments		(3,198)	(2,041)	-	-
Dividends paid		(6,298)	(5,990)	(6,298)	(5,990)
Net cash (used in)/provided by financing activities		(8,508)	33,877	(5,310)	35,146
Net (decrease)/increase in cash held		(4,545)	38,346	(5,535)	5,516
Cash at the beginning of the financial year		51,450	11,907	5,535	19
Effects of exchange rate fluctuation on the balances of cash held in foreign currencies		(520)	556	-	-
Cash held by controlled entities at date of acquisition		-	641	-	-
Cash at the end of the financial year	29(a)	46,385	51,450	-	5,535

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 2002

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.

Where necessary comparative information has been reclassified for consistency purposes.

The comparative Statements of Financial Performance have been reclassified with depreciation and amortisation previously in other expenses from ordinary activities now attributed to the function expenses. Other expenses from ordinary activities now includes the costs capitalised as deferred setup costs and the amortisation for these costs.

(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 gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(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) Investments

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.

(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:

	2002	**2001**
• 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.

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.

(k) Property, plant and equipment (continued)

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) Deferred set-up costs

After detailed review of its accounting policy, the Consolidated Entity has ceased to defer set-up costs. Prior year deferred costs have been expensed in the current year.

(m) 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.

(n) 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".

(o) 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.

Hedges
All non-specific hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account in the statements of financial performance. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designated as a hedge of the purchase or sale of goods or services or an anticipated interest transaction, gains and losses arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the transaction. Any gains or losses on the hedge transaction after that date are included in the statements of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the hedge prior to its termination are included in the statements of financial performance for the period.

(o) Derivatives (continued)

Where a hedge is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur. Where the original anticipated transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the statements of financial performance for the period.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the statements of financial performance.

Forward foreign exchange contracts
Forward foreign exchange contracts are accounted for as described under Hedges above.

(p) Employee entitlements

Wages, salaries, annual leave and sick leave
The provisions for employee entitlements to wages, salaries, annual leave and sick 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.

(q) 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.

(r) Changes in accounting policy

Earnings per share
The Consolidated Entity has applied AASB 1027 *Earnings Per Share* (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share (“EPS”) for the comparative period ended 30 June 2001 has been adjusted so that the basis of calculation used is consistent with that of the current period.

Basic earnings per share

Basic EPS earnings are now calculated as net profit or loss.

Diluted earnings per share

Diluted EPS earnings are now 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 now 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 now 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.

Segment reporting
The Consolidated Entity has applied the revised AASB 1005 *Segment Reporting* (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of geographic regions the Consolidated Entity operates in.

Comparative information has been restated for the changes in definitions of segment revenues and results.

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
2 Revenue from ordinary activities				
Rendering of services revenue from operating activities	114,337	120,050	-	-
Other revenue from operating activities				
Franchise fees:				
Related parties	-	-	4,698	3,945
Other parties	198	258	-	-
Dividends:				
Related parties	-	-	2,500	4,500
Interest:				
Related parties	-	-	1,736	826
Other parties	1,752	1,005	96	92
(Loss)/gain on disposal of assets	(86)	5	-	-
Foreign exchange gains/(losses)	509	762	586	(306)
Other revenue from outside operating activities				
Other	1,718	617	15	-
Total other revenues	4,091	2,647	9,631	9,057
Total revenue from ordinary activities	118,428	122,697	9,631	9,057

3 (Loss)/profit from ordinary activities before income tax expense

(a) (Loss)/profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Borrowing costs:				
Borrowings	120	77	-	-
Finance charges on capitalised leases	579	588	-	-
	699	665	-	-
Depreciation of:				
Plant and equipment	3,589	2,528	-	-
Amortisation of:				
Deferred expenditure	6,334	1,078	-	-
Goodwill	972	902	-	-
Leasehold improvements	6,501	5,067	-	-
Net bad and doubtful debts expense including movements in provision for bad and doubtful debts	757	63	-	-
Net expense from movements in provision for:				
Employee entitlements	5	385	-	-
Interest charges	(85)	27	-	-
Operating lease rental expense:				
Minimum lease payments	51,306	45,007	-	-

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000

3 (Loss)/profit from ordinary activities before income tax expense (continued)

(b) Individually significant expenses included in (loss)/profit from ordinary activities before income tax expense:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
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	1,110	-	-	-
Accelerated amortisation of capitalised set-up costs	3,872	-	-	-

4 Auditors' remuneration

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Audit services:				
Auditors of the Company - KPMG				
2002	609,936	-	62,432	-
2001	85,595	501,420	-	33,500
2000	-	118,000	-	-
	695,531	619,420	62,432	33,500
Other services:				
Auditors of the Company - KPMG				
Accounting services	-	65,182	-	-
Tax advice	103,405	10,288	27,035	6,710
Tax compliance	238,227	121,820	-	-
Other	61,795	-	-	-
	403,427	197,290	27,035	6,710

5 Taxation

(a) Income tax expense

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Prima facie income tax expense calculated at 30% (2001:34%) on the operating profit	(56)	6,434	2,733	2,934
Increase in income tax expense due to:				
Amortisation of goodwill	291	307	-	-
Restatement of deferred tax balances due to changes in tax rates	67	28	16	(17)
Under/(over) provision in prior years	43	199	(63)	85
Sundry items	-	795	3	56
Decrease in income tax expense due to:				
Rebatable dividend income	-	-	(750)	(1,530)
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	(154)	-	-	-
Non-assessable local taxes	(214)	-	-	-
Non-assessable exchange gains	(18)	(116)	-	-
Sundry items	(267)	-	-	-
Income tax expense on operating profit before individually significant income tax items	(388)	7,647	1,939	1,528
Non (assessable)/non deductible deferred set-up costs	1,425	(1,241)	-	-
Non-deductible loss on disposal of investments	285	-	-	-
Tax losses of non-resident controlled entities not carried forward as a future income tax benefit	2,066	382	-	-
Recognition of tax losses of controlled entities not previously recognised as a future income tax benefit	(579)	(1,084)	-	-
Timing differences of controlled entities not previously brought to account	(225)	(991)	94	-
Effect of differing rates of tax on overseas income	637	19	-	-
Income tax expense attributable to profit from ordinary activities	3,221	4,732	2,033	1,528
Income tax expense attributable to profit from ordinary activities is made up of:				
Current income tax provision	4,700	6,487	1,908	1,540
Under/(over) provision in prior year	43	199	31	85
Deferred income tax provision	(4)	474	43	32
Future income tax benefit	(1,518)	(2,428)	51	(129)
	3,221	4,732	2,033	1,528

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000

5 Taxation (continued)

(b) Provision for current income tax
Movements during the year:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Balance at beginning of year	5,512	2,305	1,540	31
Income tax paid				
Operating activities	(8,215)	(3,692)	(2,260)	(116)
	(2,703)	(1,387)	(720)	(85)
Under/(over) provision in prior year	(32)	412	(63)	85
Current year income tax expense on profit from ordinary activities	4,700	6,487	1,908	1,540
	1,965	5,512	1,125	1,540

(c) Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2001:34%) on the following items:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	123	449	-	-
Unrealised foreign exchange losses	84	-	74	-
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	11	33	-	32
Income currently non-assessable for tax but recognised for accounting purposes	333	75	-	-
Sundry items	8	69	-	-
	559	626	74	32

5 Taxation (continued)

(d) Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2001:34%) on the following items:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Provisions and accrued employee entitlements not currently deductible	1,368	1,021	26	24
Unrealised foreign exchange gains	58	380	-	147
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	1,921	1,450	-	-
Tax losses carried forward	1,115	117	-	-
Sundry items	36	62	-	-
	4,498	3,030	26	171

(e) Future income tax benefit not taken to account

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
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	2,724	3,003	-	-
	2,724	3,003	-	-

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**
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	3,063	4,415	(3,906)	(3,760)	(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	29,148	58,884	14,240	-	102,272
Unallocated corporate assets					32,106
Consolidated total assets					134,378
Liabilities					
Segment liabilities	28,719	63,499	15,445	-	107,663
Unallocated corporate liabilities					(60,595)
Consolidated total liabilities					47,068
Acquisitions of non-current assets	2,934	1,298	2,966	-	7,198

6 Segment information (continued)

Geographical segments	Australia & New Zealand	Japan & Asia	Europe & Middle East	Eliminated	Consolidated
	$'000	$'000	$'000	$'000	$'000
2001					
Revenue					
External segment revenue	37,941	73,051	11,758	-	122,750
Inter-segment revenue	10,274	1,966	-	(12,240)	-
Total segment revenue	48,215	75,017	11,758	(12,240)	122,750
Other unallocated revenue					(53)
Total revenue					122,697
Result					
Segment result	6,513	9,165	697	2,548	18,923
Unallocated corporate expenses					-
Profit from ordinary activities before income tax					18,923
Income tax expense					(4,732)
Profit from ordinary activities after income tax					14,191
Net profit					14,191
Depreciation and amortisation	2,462	4,396	825	1,892	9,575
Non-cash expenses other than depreciation and amortisation	139	(40)	31	-	130
Assets					
Segment assets	33,489	70,832	12,644	-	116,965
Unallocated corporate assets					43,052
Consolidated total assets					160,017
Liabilities					
Segment liabilities	32,422	70,591	14,285	-	117,298
Unallocated corporate liabilities					(56,517)
Consolidated total liabilities					60,781
Acquisitions of non-current assets	6,546	18,251	4,110	-	28,907

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% (Class C)	50%
Final - ordinary	3.75	3,168	1 October 2002	30% (Class C)	100%
2001					
Interim - ordinary	3.75	3,115	30 March 2001	34% (Class C)	75%
Final - ordinary	3.75	3,137	2 October 2001	30% (Class C)	100%

	CONSOLIDATED		THE COMPANY	
	2002 $'000	2001 $'000	2002 $'000	2001 $'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:				
Class C (30%) franking credits	6,240	5,572	1,126	468

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	
	2002 $’000	2001 $’000
Earnings reconciliation		
Net (loss)/profit	(3,409)	14,191
Basic earnings	(3,409)	14,191
Diluted earnings	(3,409)	14,191

	Number	Number
Weighted average number of ordinary shares used as the denominator:		
Number for basic earnings per share	83,969,632	78,801,462
Effect of share options on issue	1,917,333	2,668,000
Number for diluted earnings per share	85,886,965	81,469,462

Classification of securities as potential ordinary shares

Options

As at 30 June 2002, the Company had on issue 4,917,333 (2001: 5,668,000) 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.

9 Cash assets

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Cash	6,213	6,075	-	14
Bank short term deposits	40,172	45,375	-	5,521
	46,385	51,450	-	5,535

Bank short term deposits maturing within an average of 60 days and paying interest at a weighted average rate of 4.56% (2001: 4.6%).

10 Receivables

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Current				
Trade debtors	11,002	15,660	-	-
Less: Provision for doubtful trade debtors	(159)	(173)	-	-
Other debtors	370	848	4,698	92
	11,213	16,335	4,698	92
Non-current				
Loans to controlled entities	-	-	71,219	67,205
Loans to related entities	-	-	-	-
	-	-	71,219	67,205

The unsecured loans to controlled entities and related entities bear interest at a floating rate. The weighted average rate at 30 June 2002 was 10.35% (2001: 9.05%).

11 Other current assets

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Prepayments	3,498	4,282	8	3
Deferred expenditure	-	2,224	-	-
Lease deposits	-	1,456	-	-
Other	700	431	-	-
	4,198	8,393	8	3

12 Other financial assets

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Non-current				
Unlisted shares at cost	-	-	19,076	19,076
Related entities	-	-	-	-
Other entities at cost	50	1,120	-	-
	50	1,120	19,076	19,076

The investment in Rumble Group Pty Limited has been written down to $50,000 reflecting a commercial assessment of current value.

		CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		$'000	$'000	$'000	$'000
13	**Property, plant and equipment**				
	Land and buildings				
	At cost	917	935	-	-
	Accumulated depreciation	(20)	(4)	-	-
		897	931	-	-
	Leasehold improvements - owned				
	At cost	26,078	19,725	-	-
	Accumulated amortisation	(10,396)	(5,753)	-	-
		15,682	13,972	-	-
	Leasehold improvements - leased				
	At cost	7,504	8,324	-	-
	Accumulated amortisation	(2,603)	(1,439)	-	-
		4,901	6,885	-	-
	Office furniture and fittings - owned				
	At cost	6,608	9,943	-	-
	Accumulated depreciation	(1,268)	(1,411)	-	-
		5,340	8,532	-	-
	Office furniture and fittings - leased				
	At cost	1,644	1,220	-	-
	Accumulated depreciation	(644)	(411)	-	-
		1,000	809	-	-
	Office equipment - owned				
	At cost	8,474	10,161	-	-
	Accumulated depreciation	(3,961)	(4,640)	-	-
		4,513	5,521	-	-
	Office equipment - leased				
	At cost	1,106	502	-	-
	Accumulated depreciation	(647)	(149)	-	-
		459	353	-	-
	Motor vehicles				
	At cost	35	19	-	-
	Accumulated depreciation	(6)	(2)	-	-
		29	17	-	-
		32,821	37,020	-	-

	CONSOLIDATED 2002 $'000	THE COMPANY 2002 $'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:

	CONSOLIDATED 2002 $'000	THE COMPANY 2002 $'000
Land and buildings		
Carrying amount at beginning of year	931	-
Additions	-	-
Disposals	-	-
Depreciation	(10)	-
Net foreign currency differences on translation of self sustaining operations	(24)	-
Carrying amount at end of year	897	-
Leasehold improvements - owned		
Carrying amount at beginning of year	13,972	-
Additions	5,056	-
Disposals	(4)	-
Amortisation	(5,258)	-
Transfers (to) from other class of asset	3,211	-
Net foreign currency differences on translation of self sustaining operations	(1,295)	-
Carrying amount at end of year	15,682	-
Leasehold improvements - leased		
Carrying amount at beginning of year	6,885	-
Additions	-	-
Disposals	-	-
Amortisation	(1,244)	-
Transfers (to) from other class of asset	(460)	-
Net foreign currency differences on translation of self sustaining operations	(280)	-
Carrying amount at end of year	4,901	-
Office furniture and fittings - owned		
Carrying amount at beginning of year	8,532	-
Additions	1,283	-
Disposals	(34)	-
Depreciation	(1,105)	-
Transfers (to) from other class of asset	(3,066)	-
Net foreign currency differences on translation of self sustaining operations	(270)	-
Carrying amount at end of year	5,340	-
Office furniture and fittings - leased		
Carrying amount at beginning of year	809	-
Additions	205	-
Disposals	-	-
Depreciation	(208)	-
Transfers (to) from other class of asset	198	-
Net foreign currency differences on translation of self sustaining operations	(4)	-
Carrying amount at end of year	1,000	-
Office equipment - owned		
Carrying amount at beginning of year	5,521	-
Additions	1,747	-
Disposals	(55)	-
Depreciation	(2,178)	-
Transfers (to) from other class of asset	(277)	-
Net foreign currency differences on translation of self sustaining operations	(245)	-
Carrying amount at end of year	4,513	-

	CONSOLIDATED 2002 $'000	THE COMPANY 2002 $'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:

	CONSOLIDATED 2002 $'000	THE COMPANY 2002 $'000
Office equipment - leased		
Carrying amount at beginning of year	353	-
Additions	13	-
Disposals	-	-
Depreciation	(299)	-
Transfers (to) from other class of asset	394	-
Net foreign currency differences on translation of self sustaining operations	(2)	-
Carrying amount at end of year	459	-
Motor vehicles		
Carrying amount at beginning of year	17	-
Additions	18	-
Disposals	-	-
Depreciation	(4)	-
Transfers (to) from other class of asset	-	-
Net foreign currency differences on translation of self sustaining operations	(2)	-
Carrying amount at end of year	29	-

		Notes	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
14	**Intangibles**					
	Goodwill - at cost		19,434	19,414	-	-
	Accumulated amortisation		(2,519)	(1,547)	-	-
			16,915	17,867	-	-
15	**Other non-current assets**					
	Lease deposits		18,237	21,142	-	-
	Deferred expenditure		-	4,787	-	-
	Accumulated amortisation		-	(1,192)	-	-
			-	3,595	-	-
	Telephone rights		61	65	-	-
			18,298	24,802	-	-
16	**Payables**					
	Current					
	Trade creditors		6,485	8,993	-	-
	Security deposits		9,311	9,604	-	-
	Deferred income		6,879	6,823	-	-
	Other creditors and accruals		3,330	5,720	1,871	380
			26,005	31,140	1,871	380
	Non-current					
	Trade creditors		3,807	2,808	-	-
	Security deposit		3,103	5,941	-	-
			6,910	8,749	-	-
17	**Interest bearing liabilities**					
	Current					
	Bank loans - secured		148	161	-	-
	Lease liabilities	25	2,563	2,550	-	-
			2,711	2,711	-	-
	Non-current					
	Bank loans - secured		404	604	-	-
	Lease liabilities	25	4,003	6,884	-	-
	Loans from controlled entities - unsecured	32	-	-	865	806
			4,407	7,488	865	806

The bank loan is denominated in Yen and secured by a mortgage over property. The interest rate of the loan is 1.56% (2001: 1.55%).

The unsecured loans from controlled entities bear interest at a floating rate. The weighted average rate at 30 June 2002 was 10.35% (2001: 9.05%).

18 Financing arrangements

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
The Consolidated Entity has access to the following lines of credit:				
Total facilities available:				
Bank guarantees	3,503	3,503	3,503	3,503
Bank overdraft	500	500	500	500
Lease facilities	18,647	21,427	11,428	11,928
Bill acceptance / payroll / other facilities	1,334	1,009	1,334	1,009
	23,984	26,439	16,765	16,940
Facilities utilised at balance date:				
Bank guarantees	3,503	3,503	3,503	3,503
Bank overdraft	500	-	500	-
Lease facilities	10,770	11,915	6,064	5,454
Bill acceptance / payroll / other facilities	-	-	-	-
	14,773	15,418	10,067	8,957
Facilities not utilised at balance date:				
Bank guarantees	-	-	-	-
Bank overdraft	-	500	-	500
Lease facilities	5,104	6,474	5,055	6,474
Bill acceptance / payroll / other facilities	1,334	1,009	1,334	1,009
	6,438	7,983	6,389	7,983

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 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 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000

19 Provisions

	Notes	Consolidated 2002	Consolidated 2001	The Company 2002	The Company 2001
Current					
Dividends	7	3,173	3,137	3,173	3,137
Employee entitlements	24	1,123	1,134	-	-
Interest charges		-	85	-	-
		4,296	4,356	3,173	3,137
Non-current					
Employee entitlements	24	215	199	-	-

20 Contributed equity

	Notes	Consolidated 2002	Consolidated 2001	The Company 2002	The Company 2001
Issued and paid-up capital					
84,325,334 (2001: 83,666,667) ordinary shares, fully paid		85,570	84,582	85,570	84,582
Movements in ordinary share capital					
Balance at the beginning of the financial year		84,582	43,446	84,582	43,446
Shares issued for cash		988	41,136	988	41,136
		85,570	84,582	85,570	84,582

Ordinary shares were issued pursuant to exercise of options as follows:
658,667 shares were issued at $1.50 per share.

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.

21 Reserves

	Notes	Consolidated 2002	Consolidated 2001	The Company 2002	The Company 2001
Foreign currency translation		(433)	2,739	-	-
Movements during the financial year					
Foreign currency translation					
Balance at beginning of financial year		2,739	(530)	-	-
Deferred exchange gains arising from monetary items considered part of the investment in self-sustaining foreign operations		1,116	1,051	-	-
Translation adjustment on controlled foreign entities' financial statements		(4,288)	2,218	-	-
Balance at end of financial year		(433)	2,739	-	-

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.

22 Retained profits

	Notes	Consolidated 2002	Consolidated 2001	The Company 2002	The Company 2001
Retained profits at the beginning of the financial year		11,915	3,976	1,605	755
Net (loss)/profit attributable to members of the parent entity		(3,409)	14,191	7,077	7,102
Dividends		(6,333)	(6,252)	(6,333)	(6,252)
Retained profits at the end of the financial year		2,173	11,915	2,349	1,605

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
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
2001								
Financial assets								
Cash		4.64%	322	45,053	-	-	6,075	51,450
Receivables	10		-	-	-	-	16,335	16,335
Investments	12		-	-	-	-	1,120	1,120
			322	45,053	-	-	23,530	68,905
Financial liabilities								
Bank overdrafts and loans		1.55%	-	161	604	-	-	765
Payables	16		-	-	-	-	39,889	39,889
Lease liabilities	25	7.00%	-	2,550	6,884	-	-	9,434
Dividends payable	19		-	-	-	-	3,137	3,137
Employee entitlements	24		-	-	-	-	1,333	1,333
			-	2,711	7,488	-	44,359	54,558
			322	42,342	(7,488)	-	(20,829)	14,347

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	
	2002	2001	2002 $'000	2001 $'000
Buy Japanese yen				
Not later than one year	0.663	-	2,000	-

As these contracts are hedging anticipated sales and purchases any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The unrecognised gains and losses on hedges of anticipated foreign currency purchases and sales are:

	CONSOLIDATED			
	2002 Gains $'000	2002 Losses $'000	2001 Gains $'000	2001 Losses $'000
Not later than one year	3	-	-	-

23 Additional financial instruments disclosure (continued)

(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

Listed shares included in "Investments" are determined by valuing them at the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability.

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			
	2002	2001	2002	2001
	Carrying amount $'000		Net fair value $'000	
Financial assets				
Cash	47,316	51,450	47,316	51,450
Receivables	11,213	16,335	11,213	16,335
Investments:				
Shares in other corporations - unlisted	50	1,120	50	1,120
Financial liabilities				
Bank overdrafts and loans	1,483	765	1,483	765
Payables	32,915	39,889	32,915	39,889
Lease liabilities	6,566	9,434	6,566	9,434
Dividends payable	3,173	3,137	3,173	3,137
Employee entitlements	1,338	1,333	1,338	1,333

	CONSOLIDATED	
	2002 $'000	2001 $'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	2,003	-

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000

24 Employee entitlements

	Note	2002	2001	2002	2001
Aggregate employee entitlements					
- Current	19	1,123	1,134	-	-
- Non-current	19	215	199	-	-
		1,338	1,333	-	-

Number of employees	**No.**	**No.**	**No.**	**No.**
Number of employees at the year end	350	378	-	-

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. The exercise of any options will be dependent upon Mr Moufarrige's continued employment as CEO and is tied to Servcorp's future share price.

Rights attaching to options
Each option will give Mr Moufarrige the right to be issued one ordinary share in Servcorp upon valid exercise of the option and payment of the exercise price. Shares issued on the exercise of options will rank equally in all respects with the ordinary shares then on issue.

Exercise price
The exercise price will be $6.00 per option.

Entitlement to exercise options
Options will be exercisable in three equal tranches of 1,000,000 options each subject to Servcorp's future share price, as follows:

Tranche	Number of options	Future share price	First exercise date
First	1,000,000	$8.00	24 months from date of issue
Second	1,000,000	$10.00	36 months from date of issue
Third	1,000,000	$12.00	48 months from date of issue

The future share price must be achieved after 21 months (in the case of the first tranche), 33 months (in the case of the second tranche) and 45 months (in the case of the third tranche) from the date of issue of the options, on at least 10 days in any 20 consecutive trading days.

The market value of shares under these options at 30 June 2002 was $2.00.

Last exercise date
Subject to the provisions set out above, the options will be exercisable at any time within 8 years of the issue date, and if not exercised, the options lapse.

Lapse of options
All unexercised options in a tranche will lapse 8 years after issue date or, subject to the exception detailed below, the date Mr Moufarrige ceases to hold the office of CEO, whichever is the earlier.

If Mr Moufarrige dies or becomes totally and permanently disabled, the Directors have the discretion to permit Mr Moufarrige (or his legal personal representative) to exercise some or all of his options which were exercisable at that date, notwithstanding that they would otherwise have lapsed.

Transferability
The options may be exercised only by Mr Moufarrige (or, in the case of death, his legal personal representative) and may not be transferred to any other person.

24 Employee entitlements (continued)

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 an employee of the Company or any of its controlled entities.

The market value of shares under these options at 30 June 2002 was $2.00.

No options were issued under either of these schemes during the year ended 30 June 2002.

90,000 (2001: 40,000) options expired under the Executive Share Option Scheme and 2,000 (2001: 17,000) options expired under the Employee Share Option Scheme during the year ended 30 June 2002.

438,000 (2001: Nil) ordinary shares were issued under the Executive Share Option Scheme and 34,000 (2001: Nil) were issued under the Employee Share Option Scheme during the year ended 30 June 2002.

Unissued ordinary shares of the Company under option to executives and employees as at 30 June 2002 are:

Expiry date	Exercise price	Number of options 2002	2001
29 November 2004	$1.50	450,000	600,000
15 December 2004	$1.50	1,054,000	1,468,000
21 June 2009	$6.00	3,000,000	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 2002 are as follows:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Employer contributions to the fund	666	661	-	-
Employer contributions to other funds	17	13	-	-
Employer contributions payable to the fund	1	-	-	-

25 Commitments

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Capital expenditure commitments					
Contracted but not provided for and payable:					
Not later than one year		43	1,550	-	-
Later than one year but not later than five years		-	-	-	-
Later than five years		-	-	-	-
		43	1,550	-	-
Operating lease commitments					
Future operating lease rentals not provided for in the financial statements and payable:					
Not later than one year		44,070	47,398	-	-
Later than one year but not later than five years		91,601	114,140	-	-
Later than five years		52,349	68,796	-	-
		188,020	230,334	-	-

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

	Note	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Finance lease commitments					
Finance lease rentals are payable as follows:					
Not later than one year		3,010	3,267	-	-
Later than one year but not later than five years		4,373	7,639	-	-
Later than five years		-	-	-	-
		7,383	10,906	-	-
Less: Future lease finance charges		817	1,472	-	-
		6,566	9,434	-	-
Lease liabilities provided for in the financial statements:					
Current	17	2,563	2,550	-	-
Non-current	17	4,003	6,884	-	-
Total lease liability		6,566	9,434	-	-

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.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000

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.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.

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Drive Away Program				
Unredeemed drive away liability	327	-	-	-
Frequent Flyer Program				
Unredeemed frequent flyer liability	-	473	-	-

27 Particulars in relation to controlled entities

	Country of Incorporation	2002 %	2001 %
Name			
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 Digital Strategy Pty Limited	Australia	-	100
Servcorp Smart Homes Pty Limited	Australia	100	100
XSQ Pty Ltd	Australia	100	100
Servcorp Virtual 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 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 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

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 (loss)/profit from the acquisition date or up to the date of disposal:

	Consideration $'000	The consolidated entity's interest %
Acquisitions 2002		
Servcorp Virtual Pty Ltd The entity was acquired for cash on 7 September 2001.	-	100
Acquisitions 2001		
Servcorp Business Services (Shanghai) Co. Ltd The entity was acquired for cash on 1 July 2000. The consideration was paid prior to 1 July 2000.	414	100
Servcorp LLC The entity was acquired for cash on 26 July 2000.	-	49
Management International KK The entity was acquired for cash on 21 August 2000.	-	100
Servcorp Marina Pte Ltd The entity was acquired for cash on 23 August 2000.	-	100
Servcorp Communications Limited The entity was acquired for cash on 4 September 2000.	-	100
Servcorp Digital Strategy Pty Limited The entity was acquired for cash on 21 November 2000.	-	100
Servcorp Marunouchi KK The entity was acquired for cash on 18 January 2001.	-	100
Company Headquarters Limited The entity was acquired for cash on 7 February 2001.	-	100
Servcorp Smart Homes Pty Limited The entity was acquired for cash on 2 March 2001.	-	100
Servcorp Brussels SPRL The entity was acquired for cash on 16 May 2001.	-	100
XSQ Pty Ltd The entity was acquired for cash on 1 May 2001.	-	100
Disposals 2002		
Servcorp Digital Strategy Pty Limited The entity was sold for cash effective 1 October 2001. No profit or loss was made on disposal.	-	-
Disposals 2001		
Nil		

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'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:

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Cash	6,213	11,329	-	14
Short term deposits	40,172	40,121	-	5,521
	46,385	51,450	-	5,535

(b) Reconciliation of operating (loss)/profit after income tax to net cash provided by operating activities

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Operating (loss)/profit after income tax	(3,409)	14,191	7,077	7,102
Add/(less) non-cash items:				
Amounts set aside to provisions	80	130	-	-
Depreciation and amortisation	17,396	9,575	-	-
(Profit)/loss on sale of assets	80	(5)	-	-
Income taxes payable	(3,328)	3,167	(415)	1,509
Deferred taxes	(1,679)	(2,432)	188	(98)
Unrealised foreign exchange gain	22	(818)	91	307
Write-down in Rumble investment	950	-	-	-
Net cash provided by operating activities before change in assets and liabilities	10,112	23,808	6,941	8,820
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial period:				
Decrease/(increase) in prepayments	1,679	(74)	(5)	(86)
Decrease/(increase) in trade debtors	4,056	(6,288)	-	-
Increase in deferred expenses	(1,367)	(5,025)	-	-
Increase in deferred income	1,522	554	-	-
(Decrease)/increase in client security deposits	(2,393)	2,866	-	-
(Decrease)/increase in accounts payable	(2,616)	8,240	(30)	(12)
Net cash provided by operating activities	10,993	24,081	6,906	8,722

29 Notes to the statements of cash flows (continued)

(c) Acquisitions/disposal of entities
During the financial year the Consolidated Entity purchased or disposed of interests in the entities detailed in Note 28. Financial details of the acquisitions and disposals are as follows:

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Consideration	-	* 414	-	-
Cash acquired	-	(641)	-	-
(Inflow)/outflow of cash	-	(227)	-	-
Fair value of net assets of entity acquired:				
Property, plant and equipment	-	1,715	-	-
Future income tax benefit	-	-	-	-
Cash	-	641	-	-
Inventories	-	-	-	-
Trade debtors	-	160	-	-
Other accounts receivable	-	94	-	-
Other non-current assets	-	160	-	-
Trade creditors	-	(179)	-	-
Borrowings	-	(2,099)	-	-
Provisions	-	(11)	-	-
Other payables	-	(268)	-	-
	-	213	-	-
Goodwill on acquisition	-	201	-	-
Consideration (equity)	-	-	-	-
Consideration (cash)	-	*414	-	-

* Note: consideration was paid in the previous period.

(d) Non-cash financing and investment activities

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
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	7,290	-	-

(e) Financing facilities
Refer Note 18.

	THE COMPANY	
	2002	2001

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:

	2002	2001
\$ 40,000 - \$ 49,999	2	2
\$ 80,000 - \$ 89,999	1	1
\$ 150,000 - \$ 159,999	1	1
\$ 230,000 - \$ 239,999	1	1
\$ 300,000 - \$ 309,999	1	-
\$ 320,000 - \$ 329,999	-	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	
	2002 \$	2001 \$	2002 \$	2001 \$
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	882,286	891,480	237,600	240,528

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 2002	CONSOLIDATED 2001	THE COMPANY 2002	THE COMPANY 2001
$ 100,000 - $ 109,999	-	2	-	-
$ 110,000 - $ 119,999	3	3	-	-
$ 120,000 - $ 129,999	-	1	-	-
$ 130,000 - $ 139,999	2	-	-	-
$ 140,000 - $ 149,999	1	-	-	-
$ 150,000 - $ 159,999	4	5	-	-
$ 160,000 - $ 169,999	-	1	-	-
$ 230,000 - $ 239,999	1	1	-	-
$ 300,000 - $ 309,999	1	-	-	-
$ 320,000 - $ 329,999	-	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 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
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	1,913,517	1,480,167	54,000	54,000

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	
	2002	**2001**
Servcorp Limited:		
Ordinary shares	47,697,499	46,999,499
Options over ordinary shares	3,600,000	3,750,000

Directors' transactions in shares and share options

During the year Mr B Corlett exercised options over 150,000 ordinary shares of the Company at an exercise price of $1.50 per share.

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 is 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 is 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 $136,876, at arm's length terms, in consulting fees.

During the year the Consolidated Entity sold the wholly owned subsidiary Servcorp Digital Strategy Pty Limited to Sovori Pty Ltd for a consideration of $2. 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 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
R Holliday-Smith A Moufarrige B Corlett	Rumble Group Pty Limited	Investment Consulting	- 137	1,000 303	- -	- -
A Moufarrige B Pashby	Tekfon Pty Ltd	Premises rental	20	26	-	-
A Moufarrige	Enideb Pty Ltd	Franchisee	187	225	-	-
A Moufarrige	SDS (Digital Strategy) Pty Ltd	Telecommunication user	699	-	-	-

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

	CONSOLIDATED 2002 $'000	CONSOLIDATED 2001 $'000	THE COMPANY 2002 $'000	THE COMPANY 2001 $'000
Current receivable				
Enideb Pty Ltd	16	12	-	-
SDS (Digital Strategy) Pty Ltd	420	-	-	-
Current payable				
Tekfon Pty Ltd	-	5	-	-

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 2002 $'000	THE COMPANY 2001 $'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 (2001: 9.05% pa) on the outstanding balance.		
Interest brought to account by the Company in relation to these loans during the year:		
Net interest revenue	1,736	826
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 - current		
Other loans	71,219	67,205
Loans comprise funding for new office locations, the transfer of funds for investment purposes, royalties, dividends and interest.		
Payables - current		
Trade creditors	1,650	129
Payables - current comprise day-to-day funding of expenses.		
Payables - non-current		
Other loans	865	806
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	2,500	4,500
Royalties		
Royalties received or due and receivable by the Company from wholly-owned controlled entities	4,698	3,945

Directors' declaration

In the opinion of the directors of Servcorp Limited:

(a) the financial statements and notes, set out on pages 27 to 67, 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 2002 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 23rd day of September 2002.

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 2002, 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 27 to 68. 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 2002, 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, 23 September 2002

Shareholder information

The shareholder information set out below was applicable as at 3 September 2002.

Substantial shareholders

The number of shares held by substantial shareholders as at 3 September 2002 were:

Shareholder	Ordinary
Sovori Pty Limited	47,447,499
Commonwealth Bank of Australia	14,544,384
Deutsche Australia Limited	9,314,663
ING Australia Limited	7,551,257

Class of shares and voting rights

At 3 September 2002 there were 540 holders of the ordinary shares of the Company.

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.

At 3 September 2002, there were 45 holders of options over 4,742,333 unissued ordinary shares granted to vendors under the pre-float reconstruction, to employees and directors under Executive and Employee Share Option Schemes and to the Chief Executive Officer.

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

	Number of holders	
Category	**Ordinary shares**	**Options**
1 - 1,000	138	1
1,001 - 5,000	251	5
5,001 - 10,000	73	11
10,001 - 100,000	56	22
100,001 - and over	22	6

At 3 September 2002 there were sixteen holders of ordinary shares holding less than a marketable parcel, based on the closing market price at that date.

On-market buy-back

There is no current on-market buy-back.

Shareholder information

continued

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
ANZ Nominees Limited	207,106	0.245%
Citicorp Nominees Pty Limited (CFS Future Leaders Fund)	8,805,563	10.422%
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund)	3,079,536	3.645%
Citicorp Nominees Pty Limited (CFS Imputation Fund)	1,616,500	1.913%
Citicorp Nominees Pty Limited	750,265	0.888%
Colonial Investment Services Limited (Pet One)	382,570	0.453%
Commonwealth Custodial Services Limited	2,264,831	2.681%
Corlett R B	220,000	0.260%
Fortis Clearing Nominees P/L	300,919	0.356%
Government Superannuation Office (State Super Fund)	639,828	0.757%
Gumnut Farms Pty Ltd	133,600	0.158%
Huntley Investment Company Limited	140,365	0.166%
JP Morgan Nominees Australia Limited	12,756,684	15.098%
Moufarrige A G	700,000	0.828%
National Nominees Limited	517,237	0.612%
RBC Global Services Australia Nominees Pty Limited (AX)	1,265,532	1.498%
RBC Global Services Australia Nominees Pty Limited (Bkcust)	122,158	0.145%
Sovori Pty Limited	46,561,697	55.109%
UBS Warburg Private Clients Nominees Pty Ltd	187,000	0.221%
Victorian Workcover Authority	512,969	0.607%
Totals for Top 20	**81,164,360**	**96.063%**

Options

Category	Number on issue	Number of holders
Vendor	248,333	4
Executive and employee	1,494,000	40
CEO	3,000,000	1

The name of the holder and number of options held by persons holding 20% or more of each category of option:

Optionholder	Number of options held
Vendor	
Dayore Pty Limited	65,000
Gumnut Farms Pty Ltd	50,000
Webb-Speight M	100,000
CEO	
A G Moufarrige	3,000,000

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 Exchange Square, 18 Bridge Street, Sydney at 10am on Friday 8 November 2002.

Acknowledgements:
Illustrations by Steve Panozzo,
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