Appendix 4E

Preliminary final report

Lodged with ASX under Listing Rule 4.3A

SERVCORP LIMITED

ABN	Half yearly	Preliminary final	Financial year ended ('current period')
97 089 222 506		√	30 June 2003

(Previous corresponding period: year ended 30 June 2002)

Results for announcement to the market

				$A'000
Revenues from ordinary activities	down	4%	to	113,761
Profit from ordinary activities after tax attributable to members	up	-	to	2,455
Net profit for the period attributable to members	up	-	to	2,455

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	3.75c	3.75c
Interim dividend	3.75c	3.75c
Previous corresponding period - final dividend	3.75c	3.75c
Previous corresponding period - interim dividend	3.75c	1.875c

Record date for determining entitlements to the dividend	5 September 2003

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Servcorp Limited
ABN 97 089 222 506
Management Discussion & Analysis
Year Ended 30 June 2003

Servcorp Limited recorded an operating profit before significant items and taxation for the 12 months to 30 June 2003 of $8,166,000, consistent with the update to the market provided on 29 April 2003. The operating profit before significant items and taxation comprised a profit of $8,997,000 from mature locations and a loss of $831,000 from the immature locations of Nihonbashi in Tokyo and PWC Tower in Auckland.

The Board of Directors determined to make several significant adjustments to the carrying value of assets and liabilities throughout the business to reduce asset carrying amounts to their recoverable amount and to provide for certain closure costs, reflecting recent developments and the lack of profitability of certain locations. The impact of these significant adjustments is a resultant profit before tax of $5,251,000 and net profit after tax of $2,455,000.

These significant adjustments include:

- $1.9M in costs associated with the closure of the Exchange Square site at 20 Bridge Street. Note that settlement has been reached with the landlord and all of the terms of the settlement are fully reflected in the financial statements to 30 June 2003
- $0.6M in immovable fixed assets in Brussels have been written down to zero, reflecting the current lack of profitability in that location
- $0.4M in redundancy costs for Bryan Pashby, previously an executive director of the company who will remain a non-executive director until December 2003.

Operating Summary

During the year steps were taken to increase profits in markets where demand continued to be sluggish. Operating costs were monitored closely and reduced where possible, and active steps were taken to drive revenue gains from the existing client base.

One additional floor in Tokyo was opened during the year, and a new floor was opened in Singapore replacing an older floor whose lease had expired, the effect of which was an increase in total office suites from 1,888 at June 2002 to 1,898 at June 2003. Occupancy throughout the period remained constant at approximately 75%.

The strongest revenue generating regions continue to be Japan and Asia (60%), mainly Japan; and Australia and New Zealand (30%), mainly Australia. The majority of locations outside of Europe are profitable. Europe continues to be challenging, reflecting both an underlying lack of demand and strong competitive pressures.

During the period the Virtual Office client base grew. The focus on technical innovation continues in providing our clients superior products and improving internal operating efficiencies. The rollout of Servcorp Hottdesk[R] was completed successfully in Australia and Japan, and will be rolled out to all other locations within the Servcorp network over the coming 12 months.

Financial Summary

Operating Revenue for the year was $113.8M, representing a 4% decrease against the prior year. During the period the Australian dollar appreciated against the majority of international currencies, which had considerable effect given that over 70% of revenue is derived outside Australia. After adjusting the currency effect, revenue grew by 2% against the prior year, reflecting an improvement in occupancy in locations that were immature in 2001/02.

During the year 4.8M shares were cancelled following an on-market share buy-back. The average purchase price was $1.10, consuming $5.3M in cash. The company continues to generate positive operating cash flow. Cash generated for the year before payment of income taxes and dividends and the share buy-back was $9.4M.

Cash balances and interest bearing financial assets at 30 June 2003 totalled $39.1M, compared to $46.4M at 30 June 2002, whilst interest bearing debt at 30 June 2003 was $4.0M, down from $7.2M at 30 June 2002.

Management Discussion & Analysis cont-

Dividend

The Directors continue to have confidence in the outlook for the Company, and accordingly have declared a fully franked dividend of 3.75 cents per share, with a record date of 5 September 2003, payable on 1 October 2003.

At this stage, the Directors' view is that there is no reason why our current dividend policy should change in the future.

Outlook

Whilst many challenges remain, we can look forward to this coming financial year with a little more confidence. Many of our competitors are now reducing their size, for instance in the last quarter 10% of all serviced offices either closed or appointed administrators in the Paris region. The downward pressure on prices continues as many operators, with no underlying IT infrastructure, battle to survive.

We have recommenced growing our business in Japan and China. Other opportunities flowing from the demise of global competitors have been and will continue to be considered when they arise, however any acquisition will only be made when all aspects of the deal meet our investment criteria.

The new financial year has shown a slight increase in demand and we anticipate showing pre-tax profits on mature floors of approximately $4.5M for the first half and $6.5M for the second half, which would represent an increase of approximately 20% on mature floor profitability over the prior year. The profit on mature floors of course will be tempered by initial losses of any new locations that we open.

Statement of financial performance

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2003

	Note	CONSOLIDATED 2003 $'000	2002 $'000
Revenues from rendering of services		111,327	114,337
Other revenues from ordinary activities		2,434	4,091
Total revenues	2	113,761	118,428
Service expenses		(35,552)	(36,764)
Marketing expenses		(5,046)	(5,367)
Occupancy expenses		(56,053)	(58,989)
Administrative expenses		(9,225)	(10,122)
Borrowing costs expense	3	(451)	(699)
Other expenses from ordinary activities		(2,183)	(6,675)
Total expenses		(108,510)	(118,616)
Profit/(loss) from ordinary activities before income tax expense		5,251	(188)
Income tax expense relating to ordinary activities	4	(2,796)	(3,221)
Net profit/(loss) attributable to members of the parent entity	20	2,455	(3,409)
Non-owner transaction changes in equity			
Net movement in foreign currency translation reserve	19	(5,188)	(3,172)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(5,188)	(3,172)
Total changes in equity other than those resulting from transactions with owners as owners		(2,733)	(6,581)
Basic earnings per share Ordinary shares	7	$0.029	($0.04)
Diluted earnings per share Ordinary shares	7	$0.029	($0.04)

The statement of financial performance is to be read in conjunction with the notes to the Appendix 4E.

Statement of financial position

Servcorp Limited and its controlled entities

as at 30 June 2003

	Note	CONSOLIDATED 2003 $'000	2002 $'000
Current assets			
Cash assets	8	26,125	46,385
Receivables	9	10,055	11,213
Other	10	3,929	4,198
Total current assets		40,109	61,796
Non-current assets			
Other financial assets	11	13,098	50
Property, plant and equipment	12	23,964	32,821
Intangibles	13	15,943	16,915
Deferred tax assets	4	4,839	4,498
Other	14	15,829	18,298
Total non-current assets		73,673	72,582
Total assets		113,782	134,378
Current liabilities			
Payables	15	23,953	26,005
Current tax liabilities	4	949	1,965
Provisions	17	1,179	4,296
Interest bearing liabilities	16	1,933	2,711
Total current liabilities		28,014	34,977
Non-current liabilities			
Payables	15	5,541	6,910
Interest bearing liabilities	16	2,096	4,407
Provisions	17	423	215
Deferred tax liabilities	4	979	559
Total non-current liabilities		9,039	12,091
Total liabilities		37,053	47,068
Net assets		76,729	87,310
Equity			
Contributed equity	18	80,896	85,570
Reserves	19	(5,621)	(433)
Retained profits	20	1,454	2,173
Total equity		76,729	87,310
Net tangible asset backing per ordinary security		$0.73	$0.84

The statement of financial position is to be read in conjunction with the notes to the Appendix 4E.

Statement of cash flows

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2003

	Note	CONSOLIDATED 2003 $'000	2002 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		107,206	114,084
Cash payments in the course of operations		(92,182)	(95,947)
Dividends & royalties received		-	-
Interest received		1,541	1,822
Borrowing costs paid		(433)	(751)
Income taxes paid		(4,114)	(8,215)
Net cash provided by operating activities	22(b)	12,018	10,993
Cash flows from investing activities			
Payments for financial assets		(12,998)	-
Payments for property, plant and equipment		(5,247)	(7,030)
Loans to other entities		-	-
Loans to controlled entities		-	-
Loans repaid by controlled entities		-	-
Proceeds from disposal of property, plant and equipment		12	
Net cash used in investing activities		(18,233)	(7,030)
Cash flows from financing activities			
Proceeds from issue of shares		650	988
Share buy back		(5,324)	-
Lease payments		(2,156)	(3,198)
Dividends paid		(6,346)	(6,298)
Net cash (used in)/provided by financing activities		(13,176)	(8,508)
Net (decrease)/increase in cash held		(19,391)	(4,545)
Cash at the beginning of the financial year		46,385	51,450
Effects of exchange rate fluctuation on the balances of cash held in foreign currencies		(869)	(520)
Cash at the end of the financial year	22(a)	26,125	46,385

The statement of cash flow is to be read in conjunction with the notes to the Appendix 4E.

Notes to the Appendix 4E

for the financial year ended 30 June 2003

1 Statement of significant accounting policies

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

(a) Basis of preparation

The financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the ASX Listing Rules.

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.

(b) Principles of consolidation

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

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:

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

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

Leased plant and equipment

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

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

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

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

(l) Accounts payable

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

(m) Bank loans

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

(n) Derivatives

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

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.

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.

(o) Employee entitlements

Wages, salaries and annual leave

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

Long service leave

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

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

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

(p) Lease incentives

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

(q) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

(r) Changes in accounting policy

Employee benefits

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

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

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

Provisions, contingent liabilities and contingent liabilities

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

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

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

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

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

Proforma restatement of retained profits and provision for diviends.

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

	CONSOLIDATED	
	2003	2002
	$'000	$'000

2 Revenue from ordinary activities

	2003 $'000	2002 $'000
Rendering of services revenue from operating activities	111,327	114,337
Other revenue from operating activities		
Franchise fees:		
Other parties	173	198
Interest:		
Other parties	1,846	1,752
Loss on disposal of assets	(652)	(86)
Foreign exchange gains	660	509
Other revenue from outside operating activities		
Other	407	1,718
Total other revenues	2,434	4,091
Total revenue from ordinary activities	113,761	118,428

3 Profit from ordinary activities before income tax expense

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

	2003 $'000	2002 $'000
Borrowing costs:		
Borrowings	51	120
Finance charges on capitalised leases	400	579
	451	699
Depreciation of:		
Plant and equipment	4,226	3,589
Amortisation of:		
Deferred expenditure	-	6,334
Goodwill	972	972
Leasehold improvements	6,320	6,501
Net bad and doubtful debts expense including movements in provision for bad and doubtful debts	659	757
Net expense from movements in provision for:		
Employee entitlements	159	5
Interest charges	-	(85)
Operating lease rental expense:		
Minimum lease payments	48,657	51,306

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

	2003 $'000	2002 $'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	622	1,110
Accelerated amortisation of capitalised set-up costs	-	3,872
Closure costs at Exchange Square	1,866	-
Redundancy costs	427	-

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000

4 Taxation

(a) Income tax expense

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

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

	CONSOLIDATED 2003 $'000	2002 $'000

4 Taxation (continued)

(d) Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002:30%) on the following items:

	2003 $'000	2002 $'000
Provisions and accrued employee entitlements not currently deductible	1,383	1,368
Unrealised foreign exchange gains	189	58
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	2,969	1,921
Tax losses carried forward	234	1,115
Sundry items	64	36
	4,839	4,498

(e) Future income tax benefit not taken to account

	2003 $'000	2002 $'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	3,677	2,724
	3,677	2,724

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

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

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

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

5 Segment information

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

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

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

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

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

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

5 Segment information (continued)

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

6 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
2003					
Interim - ordinary	3.75	3,178	8 April 2003	30% (Class C)	100%
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%

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

Final - ordinary	3.75	2,998	1 October 2003	30% (Class C)	100%

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

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. 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.

7 Earnings per share

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

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

Classification of securities as potential ordinary shares

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

		CONSOLIDATED	
		2003	2002
		$'000	$'000
8	**Cash assets**		
	Cash	11,258	6,213
	Bank short term deposits	14,867	40,172
		26,125	46,385
9	**Receivables**		
	Current		
	Trade debtors	9,693	11,002
	Less: Provision for doubtful trade debtors	(138)	(159)
	Other debtors	500	370
		10,055	11,213
10	**Other current assets**		
	Prepayments	2,356	3,498
	Lease deposits	492	-
	Other	1,081	700
		3,929	4,198
11	**Other financial assets**		
	Non-current		
	Other entities at cost	50	50
	Investment in floating rate notes	2,911	-
	Investment in fixed rate bonds	6,042	-
	Investment in reset preference shares	4,095	-
		13,098	50
12	**Property, plant and equipment**		
	Land and buildings		
	At cost	775	917
	Accumulated depreciation	(29)	(20)
		746	897
	Leasehold improvements - owned		
	At cost	23,395	26,078
	Accumulated amortisation	(12,925)	(10,396)
		10,470	15,682
	Leasehold improvements - leased		
	At cost	6,895	7,504
	Accumulated amortisation	(3,745)	(2,603)
		3,150	4,901
	Office furniture and fittings - owned		
	At cost	6,108	6,608
	Accumulated depreciation	(1,983)	(1,268)
		4,125	5,340
	Office furniture and fittings - leased		
	At cost	1,610	1,644
	Accumulated depreciation	(966)	(644)
		644	1,000
	Office equipment - owned		
	At cost	9,557	8,474
	Accumulated depreciation	(5,429)	(3,961)
		4,128	4,513

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000
12 Property, plant and equipment (continued)		
Office equipment - leased		
At cost	1,080	1,106
Accumulated depreciation	(915)	(647)
	165	459
Motor vehicles		
At cost	84	35
Accumulated depreciation	(20)	(6)
	64	29
Capital works in progress		
At cost	472	-
	23,964	32,821

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2003 $'000	2002 $'000
Land and buildings		
Carrying amount at beginning of year	897	931
Additions	-	-
Disposals	-	-
Depreciation	(12)	(10)
Net foreign currency differences on translation of self sustaining operations	(139)	(24)
Carrying amount at end of year	746	897
Leasehold improvements - owned		
Carrying amount at beginning of year	15,682	13,972
Additions	2,068	5,056
Disposals	(634)	(4)
Amortisation	(5,028)	(5,258)
Transfers (to) from other class of asset	-	3,211
Net foreign currency differences on translation of self sustaining operations	(1,618)	(1,295)
Carrying amount at end of year	10,470	15,682
Leasehold improvements - leased		
Carrying amount at beginning of year	4,901	6,885
Additions	-	-
Disposals	(118)	-
Amortisation	(1,291)	(1,244)
Transfers (to) from other class of asset	-	(460)
Net foreign currency differences on translation of self sustaining operations	(342)	(280)
Carrying amount at end of year	3,150	4,901
Office furniture and fittings - owned		
Carrying amount at beginning of year	5,340	8,532
Additions	397	1,283
Disposals	(132)	(34)
Depreciation	(1,100)	(1,105)
Transfers (to) from other class of asset	(2)	(3,066)
Net foreign currency differences on translation of self sustaining operations	(378)	(270)
Carrying amount at end of year	4,125	5,340

	CONSOLIDATED	
	2003	2002
	$'000	$'000

12 Property, plant and equipment (continued)

	2003 $'000	2002 $'000
Office furniture and fittings - leased		
Carrying amount at beginning of year	1,000	809
Additions	-	205
Disposals	-	-
Depreciation	(329)	(208)
Transfers (to) from other class of asset	-	198
Net foreign currency differences on translation of self sustaining operations	(27)	(4)
Carrying amount at end of year	644	1,000
Office equipment - owned		
Carrying amount at beginning of year	4,513	5,521
Additions	2,237	1,747
Disposals	(52)	(55)
Depreciation	(2,297)	(2,178)
Transfers (to) from other class of asset	2	(277)
Net foreign currency differences on translation of self sustaining operations	(275)	(245)
Carrying amount at end of year	4,128	4,513
Office equipment - leased		
Carrying amount at beginning of year	459	353
Additions	20	13
Disposals	-	-
Depreciation	(287)	(299)
Transfers (to) from other class of asset	-	394
Net foreign currency differences on translation of self sustaining operations	(27)	(2)
Carrying amount at end of year	165	459
Motor vehicles		
Carrying amount at beginning of year	29	17
Additions	52	18
Disposals	-	-
Depreciation	(14)	(4)
Transfers (to) from other class of asset	-	-
Net foreign currency differences on translation of self sustaining operations	(3)	(2)
Carrying amount at end of year	64	29
Capital works in progress		
Carrying amount at beginning of year	-	-
Additions	472	-
Disposals	-	-
Depreciation	-	-
Transfers (to) from other class of asset	-	-
Net foreign currency differences on translation of self sustaining operations	-	-
Carrying amount at end of year	472	-

		Notes	CONSOLIDATED 2003 $'000	2002 $'000
13	**Intangibles**			
	Goodwill - at cost		19,434	19,434
	Accumulated amortisation		(3,491)	(2,519)
			15,943	16,915
14	**Other non-current assets**			
	Lease deposits		15,776	18,237
	Other		53	61
			15,829	18,298
15	**Payables**			
	Current			
	Trade creditors		5,238	6,485
	Security deposits		8,121	9,311
	Deferred income		6,640	6,879
	Other creditors and accruals		3,954	3,330
			23,953	26,005
	Non-current			
	Trade creditors		2,834	3,807
	Security deposits		2,707	3,103
			5,541	6,910
16	**Interest bearing liabilities**			
	Current			
	Bank loans - secured		125	148
	Lease liabilities		1,808	2,563
			1,933	2,711
	Non-current			
	Bank loans - secured		217	404
	Lease liabilities		1,879	4,003
			2,096	4,407
17	**Provisions**			
	Current			
	Dividends	7	-	3,173
	Employee entitlements		1,179	1,123
			1,179	4,296
	Non-current			
	Employee entitlements		423	215
	Reconciliations			
	Reconciliations of the carrying amounts of each class of provision, except for employee benefits are set out below:			
	Dividends			
	Carrying amount at beginning of year		3,173	
	Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		(3,173)	
	Provisions made during the year:			
	Final dividend 2002		3,168	
	Interim dividend 2003		3,178	
	Payments made during the period		(6,346)	
	Carrying amount at the end of year		-	

	Notes	CONSOLIDATED 2003 $'000	2002 $'000

18 Contributed equity

		2003 $'000	2002 $'000
Issued and paid-up capital			
79,955,354 (2002: 84,325,334) ordinary shares, fully paid		80,896	85,570
Movements in ordinary share capital			
Balance at the beginning year		85,570	84,582
84,325,334 (2002: 83,666,667) shares		-	-
Shares issued			
433,333 (2002: 658,667) from the exercise of options under Share Option Plans		650	988
Shares bought back			
4,803,313 (2002: Nil) shares		(5,324)	-
Balance at end of year		80,896	85,570

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

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

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

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

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

19 Reserves

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

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

		Notes	CONSOLIDATED 2003 $'000	2002 $'000
20	**Retained profits**			
	Retained profits at the beginning of the financial year		2,173	11,915
	Net profit/(loss) attributable to members of the parent entity		2,455	(3,409)
	Net effect on dividends from:			
	Initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		3,168	-
	Dividends recognised during the year		(6,342)	(6,333)
	Total dividends		(3,174)	(6,333)
	Retained profits at the end of the financial year		1,454	2,173

21 Contingent liabilities

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

Previous Executive Director's Redundancy

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

	2003	2002
Director's redundancy liability	225	-

Drive Away Program

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

	2003	2002
Unredeemed drive away liability	254	327

	CONSOLIDATED 2003 $'000	2002 $'000

22 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:

	2003 $'000	2002 $'000
Cash	11,258	6,213
Short term deposits	14,867	40,172
	26,125	46,385

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

	2003 $'000	2002 $'000
Operating profit/(loss) after income tax	2,455	(3,409)
Add/(less) non-cash items:		
Amounts set aside to provisions	92	80
Depreciation and amortisation	11,518	17,396
(Profit)/loss on sale of assets	650	80
Income taxes payable	(1,052)	(3,328)
Deferred taxes	(290)	(1,679)
Unrealised foreign exchange gain	(509)	22
Write-down in Rumble investment	-	950
Net cash provided by operating activities before change in assets and liabilities	12,864	10,112
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial period:		
Decrease in prepayments	778	1,679
Decrease in trade debtors	312	4,056
Increase in other assets	(1,391)	(1,367)
Increase in deferred income	497	1,522
Decrease in client security deposits	(332)	(2,393)
Decrease in accounts payable	(710)	(2,616)
Net cash provided by operating activities	12,018	10,993

(c) Non-cash financing and investment activities

	2003 $'000	2002 $'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

23 Control over entities

Control was not gained or lost over any entity during the current period having a material effect on the profit for the period.

24 Material interest in entities

There are no material interests in entities which are not controlled entities.

25 Details of associates and joint venture entities

There are no associates or joint venture entities.

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX

Identify other standards used	

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts that are in the process of being audited.

5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

6 The entity has a formally constituted audit committee.

Sign here: .... Date: 26 August 2003
Director

Print name: A G Moufarrige