SERVCORP
Smart Office®

Servcorp Limited
ABN 97 089 222 506

its a jungle out there

but our aim remains the same

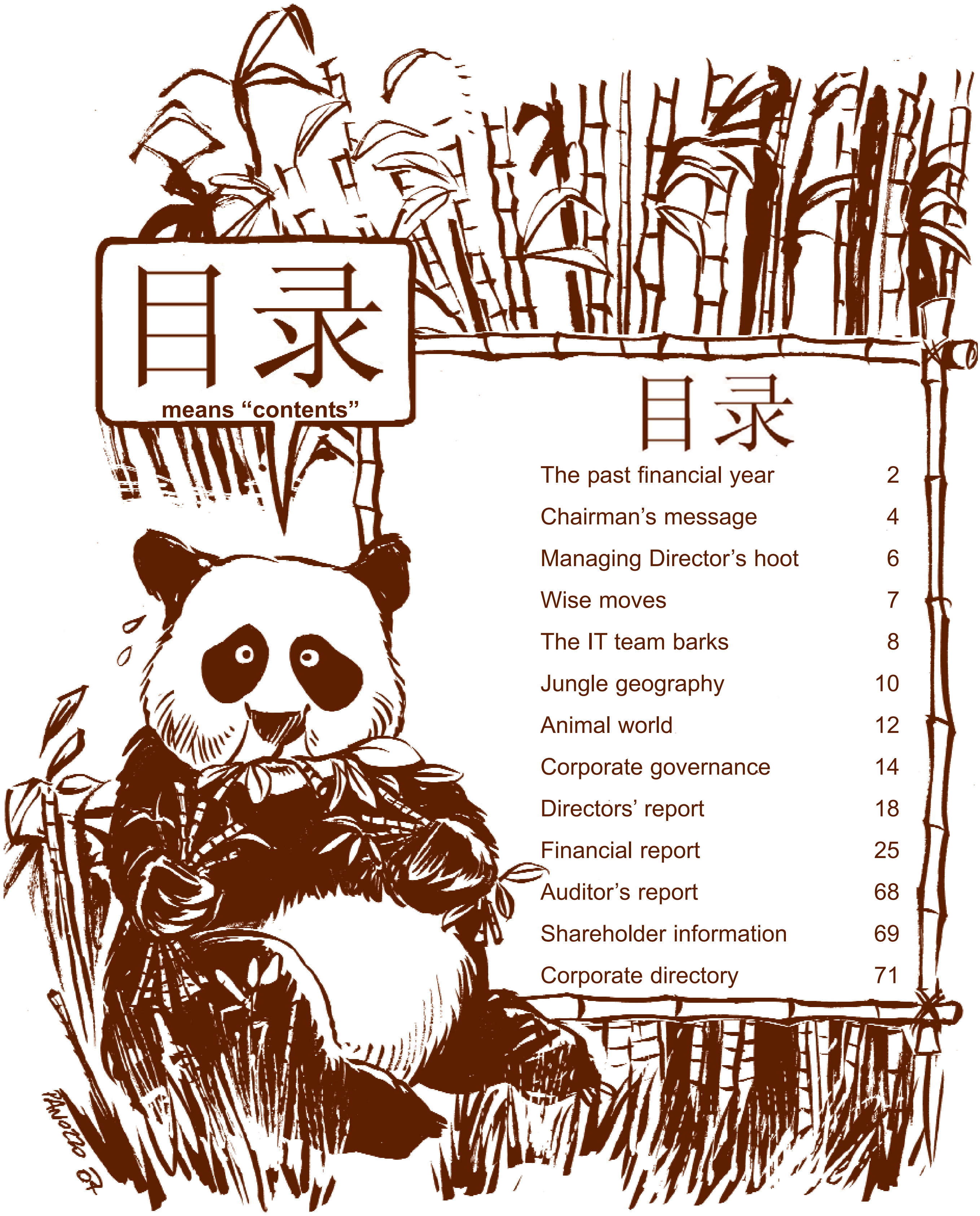
Servcorp's aim is to be the World's Finest Serviced Office Operator.

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

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

Success is built on over **25 years** experience, a profitable track record, a strong financial capability, an energetic team and a commitment to our clients.

busy beavers building shareholder value



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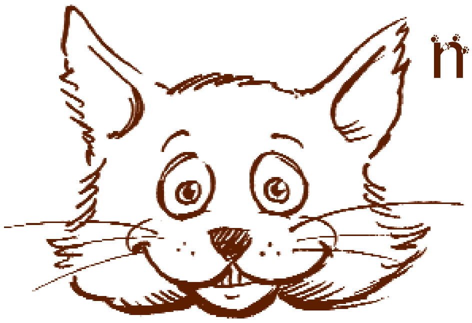
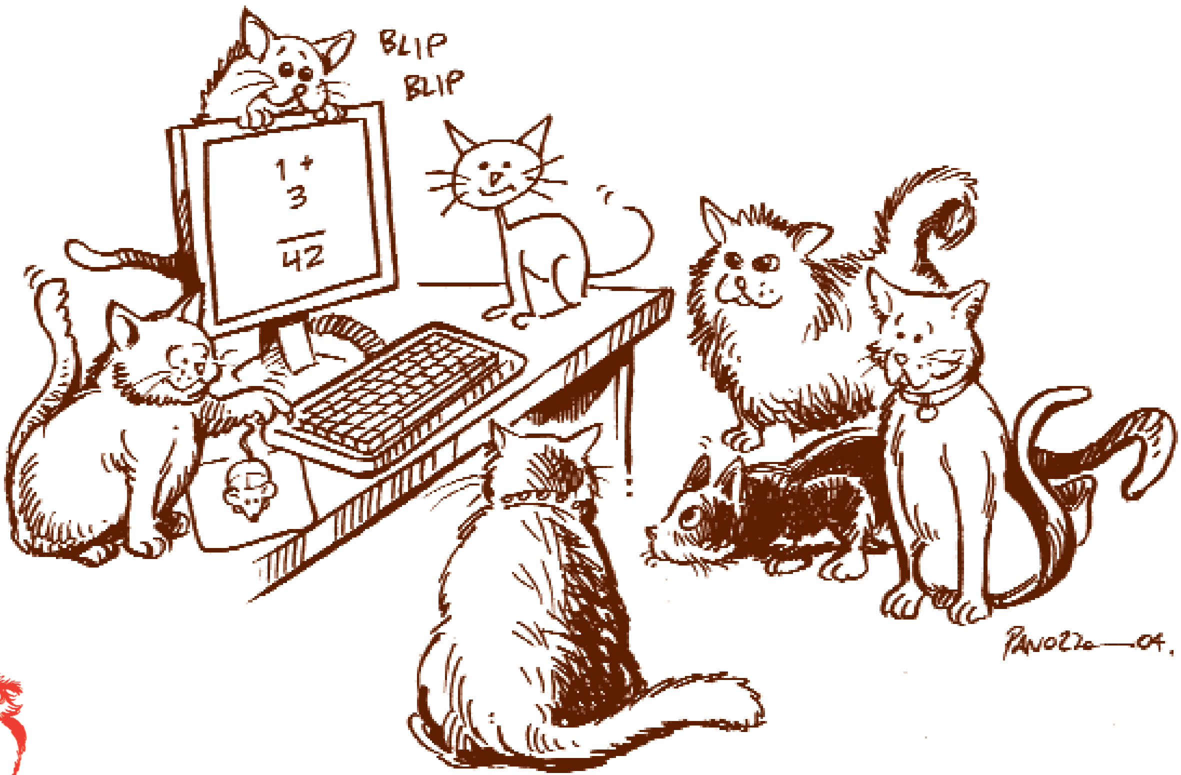
what a purrfect year

now the real work starts



	8 months June 2000 $'000	12 months June 2001 $'000	12 months June 2002 $'000	12 months June 2003 $'000	12 months June 2004 $'000
Revenue	58,665	122,697	118,428	113,761	107,513
EBT	8,976	18,923	(188)	5,251	13,650
NPAT	6,851	14,191	(3,409)	2,455	9,443
Cash flow from operating activities (net of tax)	13,831	24,081	10,993	12,018	18,890
Cash & interest earning financial assets	11,907	51,450	46,385	39,173	44,317



back to stability and profit growth

mature location profit

$14.9m

immature location loss

-$1.3m

mature location profit
projected 2005

$18.0m

clients in residence
virtual and serviced office

5,753

12 months growth in clients

11.3%

projected 2005 11% growth

revenue

12 months to June 2003 $113.7m

12 months to June 2004

$107.5m

- 5.5%

Projected revenue growth 2005 10%

chairman's message

2004 has been a rewarding year for Servcorp.

During the difficult years of 2002 and 2003 we accepted the challenges that came our way, focused on our strengths and maintained faith in the ability of our people and our product. In 2004, the commitment shown in those prior years bore fruit, and the future is very promising.

Revenue for the year was $107.51 million. This was down on last year in Australian dollar terms, but once again this is a reflection of the strength of the currency not a reflection of Servcorp's revenue trends. In local currency terms, revenue continued to increase in 2004, up 2.9% on 2003.

Net profit before tax exceeded the Directors' forecasts, increasing an impressive 160% to $13.65 million.

Our mature floors contributed $14.91 million. The underlying strength in these numbers is that all geographic sectors contributed to this improvement. Most pleasing is the speed at which our immature floors are moving into profitability, returning losses for the year of only $1.26 million.

Servcorp has always focused on generating positive operating cash flow. In 2004 cash generated from operating activities before tax increased by 40% to $22.52 million. Cash and interest earning financial assets increased by $5.14 million to $44.32 million and interest bearing debt decreased by $1.51 million to $2.52 million.

The Directors have declared a fully franked final dividend of 3.75 cents per share, bringing total fully franked dividends for the year to 7.50 cents or $6.01 million.

Servcorp is the global leader in providing serviced offices and superior IT and business solutions. We are financially strong and will utilise this advantage to grow our business in 2005.

On behalf of the Directors I thank our CEO, Alf Moufarrige, his management team and all the Servcorp team members for their dedication. They have been resolute in the years of adversity and we are pleased their loyalty is showing reward. Servcorp is well placed to reap the potential for great success in the years ahead.

Bruce Corlett

what a hoot

by the Chief Executive

2004, what a hoot for Servcorp. All the tough decisions and cost cutting created a real profit and opened many opportunities for us to expand. We were of course helped by a broad-based revival in most markets.

We successfully opened Shinagawa in Tokyo as well as Beijing and have signed to open Nagoya and Osaka between now and February 2005. It is possible we will open two new locations in Tokyo, one in Shanghai, one in Bangkok, one in Paris and one in the Middle East. We hope these are wise decisions; I believe so.

We comfortably beat all of our targets.

When one considers that we opened two locations in the past 12 months and intend to open six in the next 12 months, our capacity will have increased by approximately 25%.

I am projecting a profit on mature floors this year of AUD$18 million, AUD$8 million in the first half and AUD$10 million in the second half, together with an increase in turnover of approximately 10%. The profit on mature floors will of course be tempered by initial losses on new locations.

I must thank our teams who have worked long and diligently through the hard times.

I expect to see Servcorp continue to expand, as we seem to have a competitive edge in service and a substantial IT lead that gives our clients a commercial advantage.

A G Moufarrige

supporting the community
another wise decision

Servcorp continues to support the Joan Salter Fund which is managed by the Rotary Club of Sydney. The Fund currently has a balance of about $570,000 and our aim is to raise over $250,000 to support the Fund in the 2004/2005 year.

The Joan Salter Fund's focus is to assist with continuing research into the prevention and cure of cancer and it has a particular interest in assisting young, seriously or terminally ill members of the community.

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

1. Continued to support the Salvation Army.
2. Continued to support the MS Society.
3. Been heavily involved in researching a medical probe to reduce blood loss in major liver resections which may lead to a cure to liver cancer. This product is at live testing stage and is being undertaken by St George Hospital.
4. Heavily supported MRC Holdings which is working on research for the inhibition of cancer tumours.
5. Supported the Cancer Council of NSW Posh Auction.

In 2004 the Joan Salter Fund, Sydney Rotary and the Cancer Council of NSW, established the Sydney Rotary Research Fellowship into the causes and prevention of cancer stemming from lifestyle choices. We have committed $150,000 to this project over three years.

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

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

"Look for bubbles at midnight"

Most Treasured Honour
Paul Harris Fellow
received in 1999

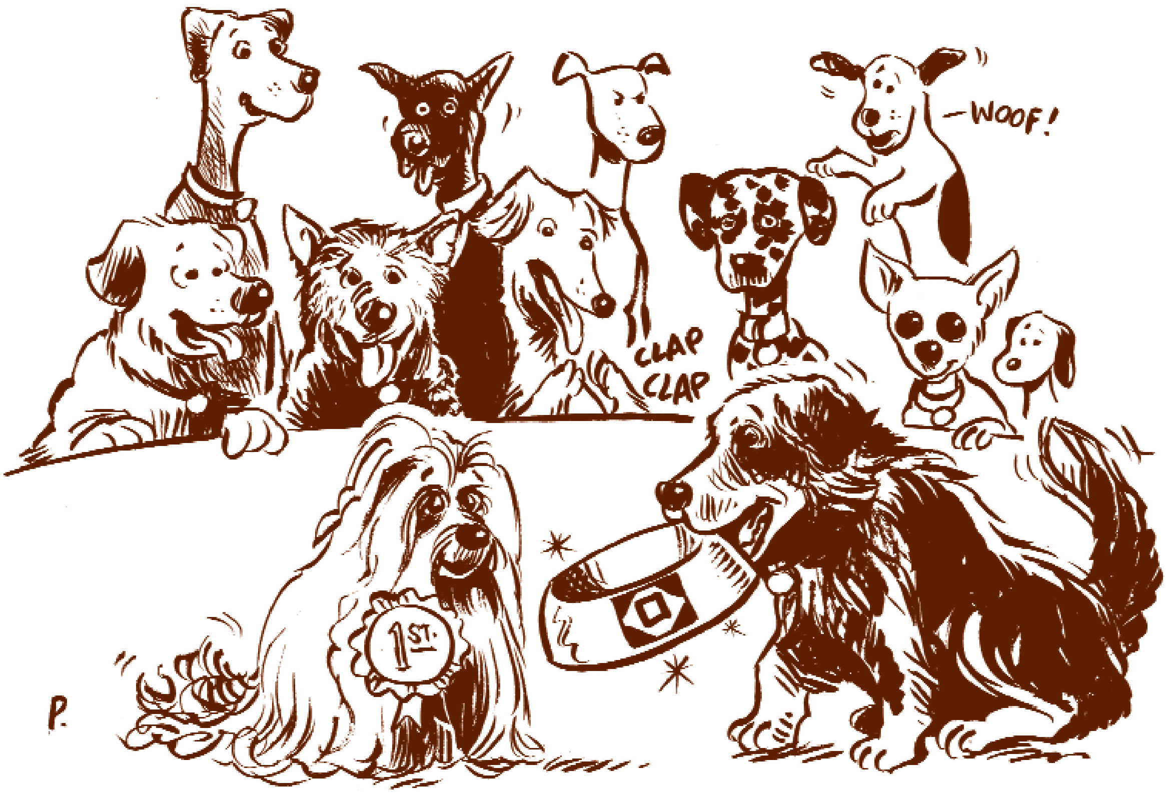
Joan

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

something to bark about

In 2004 Servcorp continued its development path to build innovative solutions for a multi-tenant environment and has gone one step further, integrating the management of all our systems.

Servcorp has successfully rolled out the industry's only real time on-line booking system through Servcorp Hottdesk® and has successfully rolled out IP telephony to Tokyo, Sydney, Singapore, Beijing, Auckland, Brisbane and Brussels. We have built, and are in the final stage of testing, what we have called ‘single point of entry’, integrating the management of these new systems with our existing infrastructure and information technology lead, preparing Servcorp for growth and maximising efficiency and profitability. All these systems have been designed and built for Servcorp and Servcorp clients to provide a competitive advantage in serviced and virtual offices.



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

our IT solutions set you free!

At Servcorp you are not tied down while you wait for IT help!
Building innovative systems is one thing but having a team trained to maximize Servcorp clients' experience is the key to Servcorp's IT success. Our team is smiling because Servcorp is ready for growth with excellent management and a brilliantly trained IT team.

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

Worksmart Screen Console

Debtors

Servcorp Hottdesk®

Call Accounting

Servcorp Smart Office®

Announcing: Single Point of Entry

Whistle and our 41 strong helpdesk is at your beck and call

jungle geography

Australia

Adelaide
Level 24, Santos House
91 King William Street

Brisbane
Levels 24 & 30, AMP Place
10 Eagle Street

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

Melbourne
Level 25, Optus Centre
367 Collins Street

Level 40, 140 William Street

Level 50, 101 Collins Street

North Ryde
Level 9, Avaya House
123 Epping Road

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

Perth
Level 28, AMP Tower
140 St Georges Terrace

Sydney
Levels 25 & 29, Chifley Tower
2 Chifley Square

Level 57, MLC Centre
Martin Place

Level 17, BNP Paribas Centre
60 Castlereagh Street

New Zealand

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

Level 27, PWC Tower
Quay Street

France

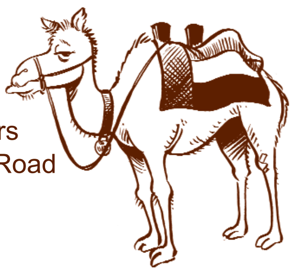
Paris
Levels 2, 3 & 4
17 Square Edouard VII

Belgium

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

UAE

Dubai
Levels 41 & 42
Emirates Towers
Sheikh Zayed Road



Asia

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

Beijing, China
Level 6, Office Tower W2
The Towers, Oriental Plaza
No1 East Chang An Avenue
Dong Cheng District

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

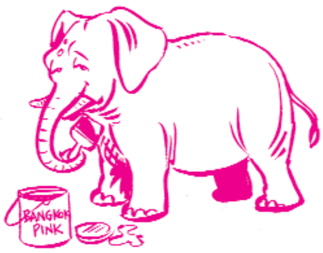
Kuala Lumpur, Malaysia
Level 36, Menara Citibank
165 Jalan Ampang

Singapore
Levels 30 & 31,
Six Battery Road

Penthouse Level,
Suntec Tower Three
8 Temasek Boulevard

Bangkok, Thailand
Level 23, CP Tower
313 Silom Road

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



new locations to open in 2005/2006

Japan

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

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

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

Level 14, Hibiya Central Building
1-2-9 Nishi Shimbashi
Minato-ku

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

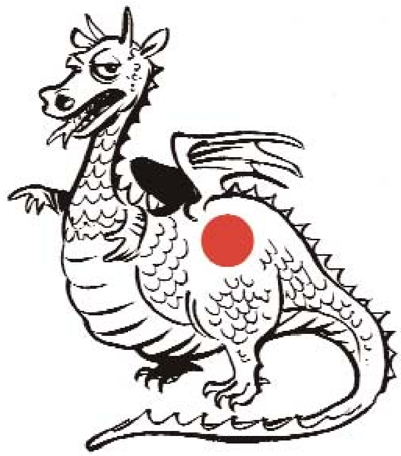
Level 15, JT Building
2-2-1 Toranomon
Minato-ku

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

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

Level 28, Shinagawa Intercity Building
2-15-1 Konan
Minato-ku

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



Nagoya City

Bangkok

Osaka

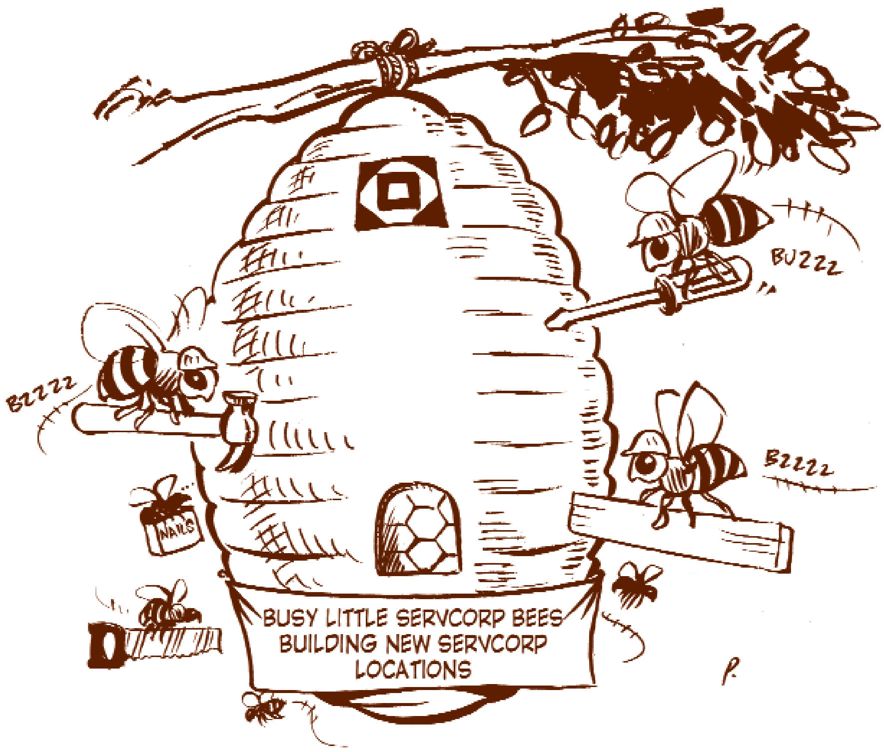
Singapore

Shanghai

Paris

The Middle East

Tokyo



animal world

the board

Bruce Corlett

Chairman

Rick Holliday-Smith

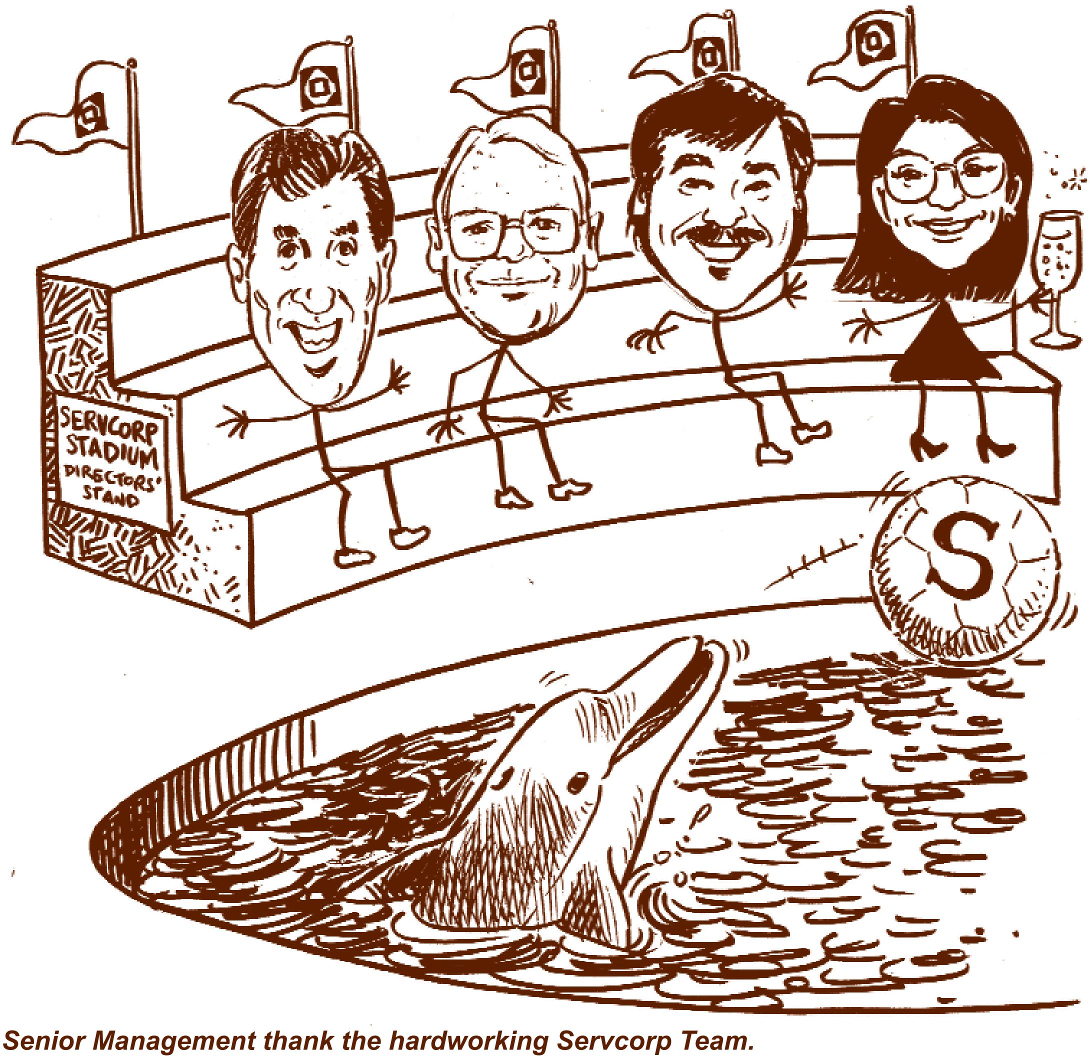
Non-Executive Director

Julia King

Non-Executive Director

Alf Moufarrige

MD & CEO



The Board and Senior Management thank the hardworking Servcorp Team.

They make SERVCORP the best!

our management team

Taine Moufarrige BA,LLB
Alternate Director
GM Australia, New Zealand & Middle East

Marcus Moufarrige BCom
GM Asia & CIO

Susie Martin BEc
GM Japan & Europe

Greg Pearce BCom, CA
Company Secretary

Thomas Wallace BBS, ACA
Chief Financial Officer

Richard Baldwin Dip Ag, Dip Oen
GM I.T.S.

Sharon Tindale Dip Bus (Val), AAPI, LREA
International Sales and Marketing Manager

Steve Gainer
Senior Manager Japan

Liane Gorman
Senior Manager Concepts

Olga Vlietstra BA
Senior Manager Europe

Kikue Aoki
Senior Manager Japan

Kureha Ogawa BA
Senior Manager Japan

in the corporate world only the fittest survive

corporate governance

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

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

Role of the Board

The Board's primary responsibilities are:

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

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

Composition of the Board

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

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

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

The non-executive directors bring to the Board an appropriate range of skills, experience and expertise to ensure that Servcorp is run in the best interest of all stakeholders. The Board will continue to be made up of a majority of independent non-executive directors. The performance of non-executive directors was not reviewed during the year. A review will take place in 2005.

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

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

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

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

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

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

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

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

Codes of conduct, outlining the standards of personal and corporate behavior to be observed, form part of Servcorp's Management Manual.

Director and officer dealings in Company shares
Servcorp policy prohibits directors, officers and senior executives from dealing in Company shares or exercising options:

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

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

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

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

Continuous disclosure

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

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

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

Communication with stakeholders

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

Servcorp encourages effective participation at general meetings. The Company's auditors are invited to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Servcorp does not currently utilise its website to communicate with shareholders. In keeping with the best practice recommendations of the ASX Corporate Governance Council, Servcorp is developing a corporate governance section as part of its new website to facilitate disclosure of corporate policies and significant information. The new website will be launched by the end of the calendar year.

Committees

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

The Company did not have a Remuneration Committee during the year, as efficiencies were not forthcoming from a formal committee structure. The Managing Director, Mr A Moufarrige, and the Chairman, Mr B Corlett, meet as required to discuss senior executives' performance and remuneration issues, and make recommendations to the Board on remuneration packages and policies. Remuneration policies are outlined in the Directors' report on page 22. In keeping with good corporate governance practice the Board has assessed the need to constitute a Remuneration Committee. A Remuneration Committee will be constituted in the 2005 year in accordance with best practice recommendations.

Audit and Risk Management Committee

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

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

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

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

The external auditors, the Managing Director, the Chief Financial Officer and other senior management are invited to Audit Committee meetings at the discretion of the Committee. The Chief Executive Officer and Chief Financial Officer provide a Management Questionnaire as assurance to the Audit Committee and the Board for half-year and full-year results. They also have given the directors a declaration under section 295A of the Corporations Act 2001, and in accordance with best practice recommendations 4.1 and 7.2.

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

The responsibilities of the Audit and Risk Management Committee include:

- reviewing the financial report and other financial information distributed externally
- reviewing accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- reviewing external audit reports to ensure that where major deficiencies or breakdown in controls or procedures have been identified appropriate and prompt remedial action is taken by management
- reviewing the Company's policies and procedures for convergence with International Financial Reporting Standards for reporting periods beginning on 1 July 2005
- reviewing the nomination, independence and performance of the auditor
- liaising with the external auditors and ensuring that the statutory annual audit and half-yearly review 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 the 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

A formal charter had been adopted for the Audit Committee. This is being amended to incorporate risk management.

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

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

Auditor independence

The Company's auditors Deloitte Touche Tohmatsu (Deloitte) were appointed at the annual general meeting of the Company on 6 November 2003. The Lead Partner, Mr P G Forrester, will be due for rotation following completion of the audit for the year ending 30 June 2008.

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

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 2004 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 25 years of experience in the serviced office industry. Alf is primarily responsible for Servcorp’s expansion, profitability, cash generation and currency management.
Mr R Bruce Corlett	**Chairman and independent non-executive Director** Member of Audit Committee Chairman of Governance Committee Appointed October 1999 Over the past 30 years Bruce has been a director of many publicly listed companies including TNT Limited, Advance Bank Limited and the Australian Maritime Safety Authority. Bruce is currently a director of a number of companies including Chairman of Adsteam Marine Limited, a director of Stockland Trust Group and Chairman of Trust Company of Australia Limited.
Mr Roderic Holliday-Smith	**Independent non-executive Director** Chairman of Audit Committee Member of Governance Committee Appointed October 1999 Rick has spent over 11 years in Chicago in the roles of Divisional President of global trading and sales for NationsBank, N.A. and, prior to that, Chief Executive Officer of Chicago Research and Trading Group Limited. Rick also spent over 4 years in London as Managing Director of HongKongBank Limited, a wholly owned merchant banking subsidiary of HSBC Bank. Rick is currently Chairman of SFE Corporation Limited and Exco Resources NL. He is a director of MIA Group Limited and Aegis Partners Pty Limited. Rick has a Bachelor of Arts (Hons) from Macquarie University, is a Chartered Accountant and is a Fellow of the Australian Institute of Company Directors.

Directors (continued)

Name	Experience, qualifications and special responsibilities
Ms Julia King	**Independent non-executive Director** Member of Audit Committee Appointed August 1999 Julia was Chief Executive Officer of the LVMH Fashion Group in Oceania. Prior to that Julia was Managing Director of Lintas, a multinational advertising agency. Julia has worked in strategic marketing for more than thirty years and is currently a non-executive director of John Fairfax Holdings Limited, Opera Australia and Carla Zampatti. For the Australian Government Julia has worked on the Task Force for the restructure of the wool industry and been a member of the Council of the National Library.
Mr Bryan Pashby	**Non-executive Director; previously Commercial Director** Appointed August 1999 Resigned March 2004 Bryan's career spans forty-three years of accounting and management. Prior to joining Servcorp, Bryan worked for Lend Lease Corporation in a number of management and accounting positions. Bryan joined Servcorp in 1991. He has managed three Servcorp floors and has been instrumental in their success. In 1995 Bryan was appointed to the position of Company Secretary for all of Servcorp's Australian businesses and in 1997 took on the finance role for all of the Servcorp businesses in Australia and overseas. In 1999 Bryan was appointed to the position of Finance Director. Upon the appointment of a Chief Financial Officer in January 2000, Bryan was appointed Commercial Director. Bryan ceased his executive role with Servcorp in June 2003 and resigned as a director on 26 March 2004.
Mr Taine Moufarrige	**Alternate to Mr Alf Moufarrige** General Manager Australia, New Zealand & the Middle East Appointed April 2000 Prior to joining Servcorp, Taine practiced as a solicitor. Taine joined Servcorp in 1996 as a trainee manager following which he became a manager and subsequently was appointed to his current position of General Manager in 2000. Taine played a key role in establishing Servcorp's Paris location. Taine holds a Bachelor of Laws from Bond University and a Bachelor of Arts from Macquarie University.

Principal activities

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

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

Review and results of operations

Operating profit after tax for the financial year was $9.44 million (2003: $2.45 million). Operating revenue was $107.51 million (2003: $113.76 million).

The operating profit after tax included significant expenses totalling $2.00 million (2003: $2.91 million). These expenses were costs directly related to the closure and relocation of floors.

At the end of the financial year, Servcorp (including franchise locations) operated 49 floors, in 34 locations, spanning 11 countries. The Consolidated Entity operates in Australia, New Zealand, Japan, South-East Asia, China, France, United Arab Emirates and Belgium.

During the year new locations have been established in:

City	Location	Offices	Opened
Tokyo	Shinagawa Intercity Building, Level 28	64	November 2003
Beijing	The Towers, Oriental Plaza, Level 6	48	June 2004

The number of office suites operated by the Consolidated Entity has increased to 1,913 with an average occupancy of 82%.

Expansion plans underway at present are new locations in Nagoya, Osaka and Shanghai.

Further opportunities are being evaluated in Kuala Lumpur, Bangkok, Singapore, Tokyo, Paris, the Middle East and Sydney.

Currently the Consolidated Entity has cash and interest earning financial assets in excess of $44 million and is well placed to take advantage of expansion opportunities when the timing is considered favourable.

State of affairs

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

Events subsequent to balance date

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

On 25 August 2004 the directors declared a fully franked final dividend of 3.75 cents per share, payable on 1 October 2004.

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 previous financial year:					
2003					
Final - ordinary shares	3.75	2,998	1 October 2003	100%	30%
In respect of the current financial year:					
2004					
Interim - ordinary shares	3.75	3,005	8 April 2004	100%	30%

On 25 August 2004 the directors declared a fully franked final dividend, in respect of the current financial year, of 3.75 cents per share, payable on 1 October 2004.

Directors' meetings

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

Director	Board Meetings	Audit Committee	Governance Committee
Number of meetings held:	9	3	1
Number of meetings attended:			
B Corlett	9	3	1
R Holliday-Smith	9	3	1
J King	9	3	n/a
A Moufarrige	9	n/a	n/a
B Pashby#	4	n/a	n/a
T Moufarrige (alternate)*	-	n/a	n/a

 # - B Pashby resigned as a director on 26 March 2004. 6 Board meetings were held while he was a director.
** - T Moufarrige attended 7 Board meetings during the year but none in his capacity as an alternate director.*

The details of the function and membership of the committees are presented in the Corporate Governance statement on pages 16 and 17.

Directors' and executives' remunerations

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

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

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

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

	Salary and fees $	Bonuses $	Non-monetary benefits $	Super contribution $	Other benefits $	Total $
Directors						
Non-executive						
B Corlett	80,000	-	-	7,200	-	87,200
R Holliday-Smith	45,000	-	-	4,050	-	49,050
J King	45,000	-	-	4,050	-	49,050
B Pashby	137,807	-	-	7,543	-	145,350
Executive						
A Moufarrige	213,504	-	102,137	16,740	-	332,381
T Moufarrige	147,665	-	5,537	13,118	-	166,320
Executive officers (excluding directors)						
Consolidated and the Company						
S Martin	149,054	34,987	9,680	-	-	193,721
M Moufarrige	146,555	-	6,132	13,118	-	165,805
G Pearce	127,851	-	20,167	13,155	-	161,173
S Tindale	142,370	-	-	12,618	-	154,988
R Baldwin	140,759	-	-	12,500	-	153,259

Notes:

1) Directors and officers indemnity insurance has not been included in the above figures since it is impractical to determine an appropriate allocation basis. The policy prohibits the Company from disclosing the amount of the premium paid.
2) Subsequent to the resignation of B Pashby in March 2004, consulting fees of $18,000 were paid to an entity associated with him. This amount is not included in the above figures.

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

During the year no directors exercised options over ordinary shares of the Company. Since the end of the financial year the following directors exercised options over ordinary shares of the Company at an exercise price of $1.50 per share:

J King	150,000 options
T Moufarrige	150,000 options

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

Options

Options on issue

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

Expiry date	Type	Exercise price	Number of shares
29 November 2004	B	$1.50	300,000
15 December 2004	B	$1.50	466,000
21 May 2009	B	$2.00	30,000

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

(a) 5 years from the date of issue;

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

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

Options granted

During the year or since the end of the financial year, the Company has granted options over unissued ordinary shares of the Company as follows:

Expiry date	Type	Exercise price	Number of shares
21 May 2009	B	$2.00	30,000

Options exercised

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
B	623,000	$1.50	-

Directors' interests

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

	Servcorp Limited	
	Ordinary shares	Options over ordinary shares
A Moufarrige	48,127,023	-
B Corlett	326,502	-
R Holliday-Smith	100,000	150,000
J King	87,500	-
B Pashby	-	150,000
T Moufarrige (alternate director)	183,500	-

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current and former 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 particular and significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

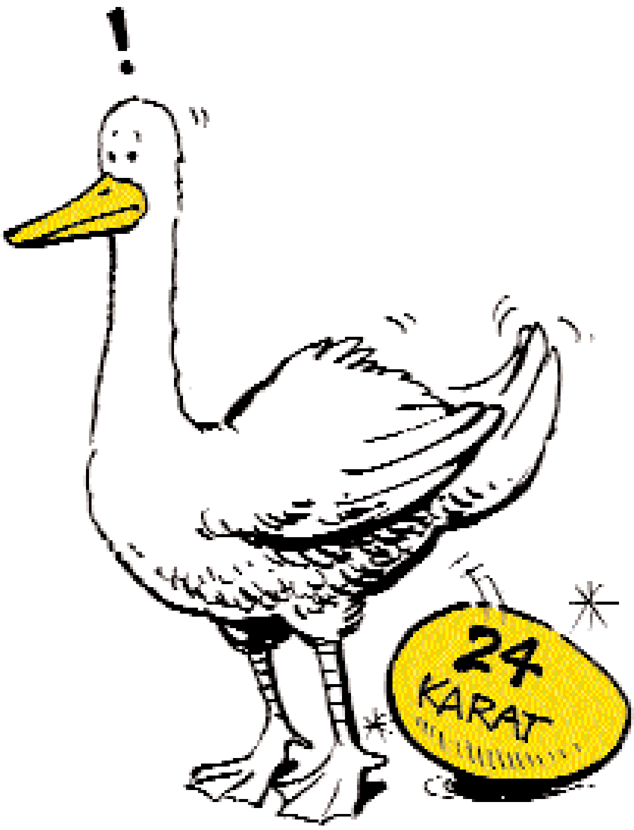
Rounding off

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

Dated at Sydney this 17th day of September 2004.

Signed in accordance with a resolution of the directors

A G Moufarrige
Director



2004 financial report

Statements of financial performance

Servcorp Limited and its controlled entities

for the financial year ended 30 June 2004

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Revenues from rendering of services		104,247	111,327	-	-
Other revenues from ordinary activities		3,266	2,434	8,787	11,842
Total revenues	2	107,513	113,761	8,787	11,842
Service expenses		(31,860)	(35,552)	(7)	(17)
Marketing expenses		(5,320)	(5,046)	-	-
Occupancy expenses		(46,702)	(56,053)	-	-
Administrative expenses		(8,704)	(9,225)	(674)	(459)
Borrowing costs expense	3(a)	(225)	(451)	-	(4)
Marketing support expense		-	-	-	(2,741)
Provision for diminution in value of loan to controlled entities		-	-	-	(2,783)
Other expenses from ordinary activities		(1,052)	(2,183)	-	-
Total expenses		(93,863)	(108,510)	(681)	(6,004)
Profit from ordinary activities before income tax expense		13,650	5,251	8,106	5,838
Income tax expense relating to ordinary activities	5(a)	(4,207)	(2,796)	(1,409)	(1,626)
Net profit attributable to members of the parent entity	22	9,443	2,455	6,697	4,212
Non-owner transaction changes in equity Net movement in foreign currency translation reserve	21	812	(5,188)	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		812	(5,188)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		10,255	(2,733)	6,697	4,212
Basic earnings per share Ordinary shares	8	$0.118	$0.029	-	-
Diluted earnings per share Ordinary shares	8	$0.116	$0.029	-	-

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 2004

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Current assets					
Cash assets	9	38,396	26,125	-	1
Receivables	10	11,756	10,055	17,968	11,613
Other financial assets	12	5,921	-	-	-
Other	11	3,184	3,929	27	214
Total current assets		59,257	40,109	17,995	11,828
Non-current assets					
Receivables	10	-	-	57,882	62,630
Other financial assets	12	-	13,098	19,076	19,076
Property, plant and equipment	13	22,496	23,964	-	-
Intangibles	14	15,265	15,943	-	-
Deferred tax assets	5(d)	5,774	4,839	1,285	37
Other	15	17,594	15,829	-	-
Total non-current assets		61,129	73,673	78,243	81,743
Total assets		120,386	113,782	96,238	93,571
Current liabilities					
Payables	16	25,947	23,953	6,872	3,499
Interest bearing liabilities	17	1,778	1,933	2	-
Current tax liabilities	5(b)	2,638	949	2,037	682
Provisions	19	2,023	1,179	-	-
Total current liabilities		32,386	28,014	8,911	4,181
Non-current liabilities					
Payables	16	4,823	5,541	-	-
Interest bearing liabilities	17	741	2,096	2,009	5,040
Deferred tax liabilities	5(c)	675	979	56	67
Provisions	19	495	423	-	-
Total non-current liabilities		6,734	9,039	2,065	5,107
Total liabilities		39,120	37,053	10,976	9,288
Net assets		81,266	76,729	85,262	84,283
Equity					
Contributed equity	20	81,182	80,896	81,182	80,896
Reserves	21	(4,809)	(5,621)	-	-
Retained profits	22	4,893	1,454	4,080	3,387
Total equity		81,266	76,729	85,262	84,283

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 2004

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		107,658	107,206	371	384
Cash payments in the course of operations		(86,537)	(92,182)	(843)	(3,081)
Dividends & royalties received		-	-	7,158	9,426
Interest received		1,632	1,541	1,285	1,760
Borrowing costs paid		(231)	(433)	-	(4)
Income taxes paid		(3,632)	(4,114)	(2,714)	(2,088)
Net cash provided by operating activities	29(b)	18,890	12,018	5,257	6,397
Cash flows from investing activities					
Proceeds from refund of lease deposits		1,139	-	-	-
Proceeds from disposal of property, plant and equipment		352	12	-	-
Proceeds from disposal of financial assets		7,161	-	-	-
Payments for financial assets		-	(12,998)	-	-
Payments for property, plant and equipment		(6,868)	(5,247)	-	-
Payments for lease deposits		(1,573)	-	-	-
Loans from controlled entities		-	-	6,675	-
Loans to controlled entities		-	-	(14,477)	(43,799)
Loans repaid by controlled entities		-	-	14,165	48,423
Loans repaid to controlled entities		-	-	(5,905)	-
Net cash provided by/(used in) investing activities		211	(18,233)	458	4,624
Cash flows from financing activities					
Proceeds from issue of shares		286	650	286	650
Share buy back		-	(5,324)	-	(5,324)
Lease payments		(1,978)	(2,156)	-	-
Dividends paid		(6,004)	(6,346)	(6,004)	(6,346)
Net cash used in financing activities		(7,696)	(13,176)	(5,718)	(11,020)
Net increase/(decrease) in cash held		11,405	(19,391)	(3)	1
Cash at the beginning of the financial year		26,125	46,385	1	-
Effects of exchange rate fluctuation on the balances of cash held in foreign currencies		519	(869)	-	-
Cash at the end of the financial year	29(a)	38,049	26,125	(2)	1

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

Notes to the financial statements

for the financial year ended 30 June 2004

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 the Corporations Act 2001, Accounting Standards, Urgent Issues Group Consensus Views, and complies with other requirements of the law.

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

These accounting policies have been consistently applied by each entity in the Consolidated Entity and are consistent with those in the previous year.

Where necessary, comparative information has been reclassified for consistency purposes.

(b) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its controlled entities. The controlled entities are listed in Note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

(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 consumption tax 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 revenue

Interest income is recognised as it accrues.

Disposal of assets

The profit and loss on disposal of assets is brought to account when ownership passes to a party external to the Consolidated Entity.

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

(e) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions or at the hedge rates where applicable. 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 of exchange 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, are carried forward in the statements of financial position as a deferred tax asset or a provision for deferred income tax.

Deferred tax assets are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Deferred tax assets 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.

The directors elected that the Company and all its wholly-owned Australian resident entities would join a tax consolidation group for income tax purposes with effect from 1 July 2002. Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the current and deferred tax assets and liabilities of the Company are not affected by any amounts owing from or to subsidiary entities as these amounts are recognised as intercompany receivables and payables.

Goods and services tax

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

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

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

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

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

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

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

(i) Receivables

Trade debtors

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

(j) Other financial assets

Controlled entities

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

Other companies

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

Interest bearing financial instruments

Current

Investments in interest bearing financial instruments held for sale are measured at fair market value. Income from these instruments are brought to account in the statements of financial performance as accrued.

Non-current

Investments in non-current interest bearing instruments not held for sale are carried at cost on the basis that they will be held until maturity. Income from these instruments are brought to account in the statements of financial performance as accrued.

(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 estimated useful lives used for each class of asset is as follows:

• Buildings	40 years
• Leasehold improvements	6.7 years
• Office equipment	3-4 years
• Office furniture and fittings	7.7 years
• Motor vehicles	6.7 years

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

(k) Property, plant and equipment (continued)

Leased plant and equipment

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

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

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

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

(l) Accounts payable

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

(m) Bank loans

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

(n) Foreign currency hedge contracts

The Company actively manages foreign currency exposure of revenue transactions generated offshore. Foreign exchange contracts taken out to manage foreign exchange exposure are designated to underlying transactions at the inception of the hedge. Foreign exchange risk is managed within the acceptable risk limits, agreed procedures and in compliance with policy guidelines as approved from time to time by the Board.

Gains and losses that arise on a hedged instrument are deferred and included in the measurement of the hedged anticipated revenue. The unhedged portion of offshore revenue transactions are translated at the average rate for the month.

In the event of early termination of a foreign currency hedge of an anticipated transaction, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- deferred and included in the measurement of the transaction when it takes place, where the anticipated transaction is still expected to occur; or
- recognised in net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

(o) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before the reporting date.

Make good costs

A provision is made for make good costs on leases that are expected to terminate within eighteen months of balance date, where those make good costs can be reliably measured, and can be reasonably expected to occur.

(p) Employee benefits

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 reporting date. The provisions have been calculated at undiscounted amounts based on expected 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 Consolidated Entity resulting from employees' services provided up to the reporting 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 has granted options to certain executives and employees under executive and employee share option schemes. Further information is set out in Notes 24 and 31 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

Floor rental is expensed in the accounting period in which it is due and payable in accordance with lease agreements entered into with landlords. Where a rent free period or other lease incentives exist under the terms of a lease agreement, the aggregate rent payable over the lease term is calculated and a charge is made to the statements of financial performance proportionately to reflect the benefit on a straight line basis over the term of the lease.

(r) Earnings per share (EPS)

Basic earnings per share

Basic EPS is 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 is calculated by only adjusting the basic EPS earnings by the effect of conversion to ordinary shares of the associated 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.

(s) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(t) Adoption of new accounting standard

Directors and Executive Disclosures by Disclosing Entities

The Consolidated Entity has applied AASB1046 "Director and Executive Disclosures by Disclosing Entities" (issued June 2004) for the first time from 1 July 2003.

Disclosure of remuneration is classified by each component of remuneration of specified Directors and Executives instead of classifications by bandings. Equity-based compensation is measured at fair value at grant date.

Disclosure requirements for loans and other transactions with Directors have also been extended to cover specified executives.

(u) Impact of adopting Australian equivalent of International Financial Reporting Standards (A-IFRS)

For the year ending 30 June 2006, the Consolidated Entity must comply with A-IFRS as issued by the Australian Accounting Standards Board. Accordingly, Servcorp Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

This financial report has been prepared in accordance with current Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and A-IFRS identified to date as potentially having a significant effect on the Consolidated Entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and A-IFRS as the company continues to assess the full impact of the adoption of A-IFRS on its financial reporting. An exhaustive list would require identification of all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

At the date of this report, the Directors of Servcorp Limited are in the process of finalising a high-level assessment of the impact of A-IFRS on the Consolidated Entity, and determining how the transition to A-IFRS will be fully implemented. The directors continue to monitor the developments in A-IFRS and the potential impact it will have on the Consolidated Entity. The directors expect to complete an impact study, and expect to commence a plan to prepare the Consolidated Entity to be A-IFRS compliant shortly.

Regulatory bodies that promulgate Australian GAAP and A-IFRS have significant ongoing projects that could affect the differences between Australian GAAP and A-IFRS, and the impact of these differences relative to the Consolidated Entity's financial reports in the future. The potential impacts on the Consolidated Entity's financial performance and financial position on the adoption of A-IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004. The impact of A-IFRS on future years will depend on the particular circumstances prevailing in those years. The Consolidated Entity has not quantified the effects of the potential implications discussed below. Accordingly, no assurances can be made that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with A-IFRS.

Significant potential implications of the conversion to A-IFRS on the Consolidated Entity are as follows:

First Time Adoption of A-IFRS

On first time adoption of A-IFRS, the Consolidated Entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As most adjustments on first time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the Consolidated Entity on first time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from necessary restatement of past business combinations, expense share-based payments granted before 7 November 2002, and permits the identification of a 'deemed cost' for property, plant and equipment.

The impact on the Consolidated Entity of the changes in accounting policies on first time adoption of A-IFRS will be affected by the choices made. The Consolidated Entity is evaluating the effect of the options available on first time adoption in order to determine the best possible outcome.

Business Combinations

The Consolidated Entity is evaluating whether it will elect to adopt the exemption available to not reopen past acquisitions and retrospectively account for them.

(u) Impact of adopting Australian equivalent of International Financial Reporting Standards (A-IFRS)

Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets. The Consolidated Entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Hedge accounting

The Consolidated Entity enters into forward foreign exchange contracts to manage foreign exchange exposure of revenue transactions generated offshore. The current accounting policy for hedging is described in note 1. Under A-IFRS, hedges are designated as fair value hedges, cash flow hedges or hedges of a net investment in a foreign entity, and the accounting differs depending on the designation. Where a hedge is designated as a fair value hedge, changes in the fair value of the hedged item to the extent of the risk hedged are recognised in profit or loss. Changes in the fair value of hedging instruments classified as cash flow hedges or hedges of a net investment in a foreign entity are recognised in equity to the extent they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in fair value of the hedged instrument that is not effective is recognised immediately in profit and loss.

The designation, documentation and effectiveness requirements under A-IFRS may result in some hedges no longer qualifying for hedge accounting. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the standard (including no longer accounting for hedging instruments under hedge accounting) has been conducted.

Share-based payment

Share-based compensation forms part of the remuneration of employees of the Consolidated Entity (including executives) as disclosed in the notes to the financial statements. The Consolidated Entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the Consolidated Entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The entity will not retrospectively recognise share-based payments vested before 1 July 2005 as permitted under A-IFRS first time adoption.

The recognition of the expense will decrease the Consolidated Entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 7 November 2002 but not vested before 1 July 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing share options granted as remuneration has not been completed at the reporting date.

Income tax

The Consolidated Entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

The Consolidated Entity also has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria under current Australian GAAP. Under A-IFRS, it may be easier to recognise these tax losses as deferred tax assets as they are recognised based on a 'probable' recognition criteria. The impact of this difference may be to increase deferred tax assets and opening retained earnings, and result in a higher level of recognised deferred tax assets on a go-forward basis.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

Goodwill

As disclosed in note 1, goodwill is currently amortised over a 20 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. The basis for identifying cash-generating units is still being considered. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

		CONSOLIDATED		THE COMPANY	
		2004 $'000	2003 $'000	2004 $'000	2003 $'000
2	**Revenue from ordinary activities**				
	Rendering of services revenue from operating activities	104,247	111,327	-	-
	Other revenue from operating activities				
	Royalty fees:				
	Related parties	-	-	7,369	7,726
	Franchise fees:				
	Other parties	179	173	-	-
	Dividends:				
	Related parties	-	-	-	1,700
	Interest:				
	Related parties	-	-	1,283	1,723
	Other parties	1,476	1,846	2	37
	Loss on disposal of fixed assets	(486)	(652)	-	-
	Foreign exchange gains	798	660	133	656
	Other revenue from outside operating activities				
	Other	1,299	407	-	-
	Total other revenues	3,266	2,434	8,787	11,842
	Total revenue from ordinary activities	107,513	113,761	8,787	11,842

3 Profit from ordinary activities before income tax expense

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
(a)	Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
	Borrowing costs:				
	Borrowings	18	51	-	4
	Finance charges on capitalised leases	207	400	-	-
		225	451	-	4
	Depreciation of:				
	Plant and equipment	3,388	4,226	-	-
	Amortisation of non-current assets:				
	Goodwill	679	972	-	-
	Leasehold improvements	4,393	6,320	-	-
	Net bad and doubtful debts expense including movements in provision for bad and doubtful debts	627	659	-	-
	Net expense from movements in provision for:				
	Employee entitlements	68	(264)	-	-
	Make good costs	231	-	-	-
	Rental surplus space	610	-	-	-
	Litigation costs	143	-	-	-
	Operating lease rental expense:				
	Minimum lease payments	40,865	48,657	-	-

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
3	**Profit from ordinary activities before income tax expense** (continued)				
(b)	Individually significant expenses included in profit from ordinary activities before income tax expense:				
	Write off of immovable fixed assets on floor in Brussels	-	622	-	-
	Floor closure costs	2,002	1,866	-	-
	Employee termination costs	-	427	-	-
	Provision for diminution in value of loan	-	-	-	2,783

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$	$	$	$
4	**Auditors' remuneration**				
(a)	Auditor of the parent entity 2004 (Deloitte Touche Tohmatsu Australia (DTT))				
	- Audit and review of financial reports	194,026	-	100,000	-
	- Other services	90,000	-	84,000	-
		284,026	-	184,000	-
(b)	Other auditors 2004 (DTT International Associates)				
	- Audit and review of financial reports	236,811	-	16,304	-
	- Other services	126,608	-	-	-
		363,419	-	16,304	-
(c)	Auditor of the parent entity 2003 (KPMG Australia)				
	- Audit and review of financial reports	12,304	208,389	-	113,200
	- Other services	-	16,841	-	-
		12,304	225,230	-	113,200
(d)	Other auditors 2003 (KPMG International Associates)				
	- Audit and review of financial reports	81,372	397,609	-	-
	- Other services	33,031	97,912	-	-
		114,403	495,521	-	-

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
5	**Taxation**				
(a)	**Income tax expense**				
	Prima facie income tax expense calculated at 30% (2003: 30%) on the operating profit	4,095	1,575	2,432	2,586
	Increase in income tax expense due to:				
	Amortisation of intangibles	314	291	-	-
	Restatement of deferred tax balances due to changes in tax rates	51	375	-	-
	Under provision in prior years	-	-	559	-
	Non deductible exchange gain	-	23	-	-
	Sundry items	193	5	12	-
	Decrease in income tax expense due to:				
	Rebatable dividend income	-	-	-	(509)
	Over provision in prior years	(242)	(305)	-	(6)
	Foreign tax credits available	(38)	-	-	-
	Non-assessable local taxes	(64)	(16)	-	-
	Non-assessable exchange gains	(46)	-	-	-
	Income tax expense on operating profit before individually significant income tax items	4,263	1,948	3,003	2,071
	Non (assessable)/non deductible deferred set-up costs	-	364	-	-
	Tax losses of non-resident controlled entities not carried forward as a future income tax benefit	671	788	-	-
	Recognition of tax losses of controlled entities not previously recognised as a future income tax benefit	(497)	(67)	-	(445)
	Controlled foreign company attributed income	108	154	-	-
	Effect of differing rates of tax on overseas income	(338)	(391)	-	-
	Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	-	-	1,159	-
	Consideration paid or payable to subsidiaries in respect of transferred deferred tax balances	-	-	(1,159)	-
	Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	-	-	1,245	-
	Net income tax benefit arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	(2,839)	-
	Income tax expense attributable to profit from ordinary activities	4,207	2,796	1,409	1,626

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
5	**Taxation** (continued)				
(a) (cont.)	Income tax expense attributable to profit from ordinary activities is made up of:				
	Current income tax provision	5,147	3,350	996	1,555
	Under/(over) provision in prior year	(242)	(305)	559	(6)
	Deferred income tax provision	(90)	503	(67)	(8)
	Future income tax benefit	(608)	(752)	(79)	85
		4,207	2,796	1,409	1,626
(b)	**Provision for current income tax**				
	Movements during the year:				
	Balance at beginning of year	949	1,965	682	1,125
	Tax provisions acquired from group companies	-	-	346	-
	Income tax paid				
	Operating activities	(3,632)	(4,114)	(2,714)	(2,088)
		(2,683)	(2,149)	(1,686)	(963)
	Under/(over) provision in prior year	160	(252)	73	89
	Current income tax expense on profit from ordinary activities	5,161	3,350	996	1,556
	Current income tax expense in relation to tax consolidation group companies	-	-	2,654	-
		2,638	949	2,037	682
(c)	**Provision for deferred income tax**				
	Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2003:30%) on the following items:				
	Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	252	209	53	-
	Unrealised foreign exchange losses	22	116	3	67
	Income currently non-assessable for tax but recognised for accounting purposes	359	349	-	-
	Sundry items	42	305	-	-
		675	979	56	67

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
5	**Taxation** (continued)				
(d)	**Future income tax benefit** Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2003: 30%) on the following items:				
	Provisions and accrued employee entitlements not currently deductible	1,875	1,383	725	37
	Unrealised foreign exchange gains	64	189	69	-
	Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	3,043	2,969	491	-
	Tax losses carried forward	704	234	-	-
	Sundry items	88	64	-	-
		5,774	4,839	1,285	37
(e)	**Future income tax benefit not taken to account** The potential future income tax benefit in controlled entities, which are companies, arising from timing differences and tax losses have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt	3,719	3,677	-	-
		3,719	3,677	-	-

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.

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the Company.

The directors have elected for those entities within the Consolidated Entity that are wholly-owned Australian resident entities to be taxed as a single entity from 1 July 2002. The adoption of the tax consolidation system has been formally notified to the Australian Taxation Office. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Servcorp Limited.

Entities within the tax consolidated group are in a tax-sharing agreement with the head entity. Under the terms of this agreement, Servcorp Limited and each of the entities in the tax consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Due to the adoption of the transitional provisions, whereby tax values were not reset, the impact on the financial statements of the economic entity, arising from adoption of the tax consolidation regime, was not material. The tax consolidation regime has been applied with effect from 1 July 2003.

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 associated 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
2004					
Revenue					
External segment revenue	33,988	60,886	11,080	-	105,954
Inter-segment revenue	10,756	902	-	(11,658)	-
Total segment revenue	44,744	61,788	11,080	(11,658)	105,954
Other unallocated revenue					1,559
Total revenue					107,513
Result					
Segment result	5,522	9,903	(1,786)	-	13,639
Unallocated corporate expenses					11
Profit from ordinary activities before income tax					13,650
Income tax expense					(4,207)
Profit from ordinary activities after income tax					9,443
Net profit					9,443
Depreciation and amortisation	2,608	3,627	1,220	1,005	8,460
Non-cash expenses other than depreciation and amortisation	47	401	555	43	1,046
Individually significant items	837	-	1,165	-	2,002
Assets					
Segment assets	31,363	61,713	13,530	-	106,606
Unallocated corporate assets					13,780
Consolidated total assets					120,386
Liabilities					
Segment liabilities	24,338	23,643	5,765	-	53,746
Unallocated corporate liabilities					(14,626)
Consolidated total liabilities					39,120
Acquisitions of non-current assets	2,233	4,347	288	-	6,868

6 Segment information (continued)

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)	-	4,356
Unallocated corporate expenses					895
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	18,269	27,088	5,969	-	51,326
Unallocated corporate liabilities					(14,273)
Consolidated total liabilities					37,053
Acquisitions of non-current assets	2,082	2,877	288	-	5,247

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
2003					
Interim - ordinary	3.75	3,178	8 April 2003	30%	100%
Final - ordinary	3.75	2,998	1 October 2003	30%	100%
2004					
Interim - ordinary	3.75	3,006	8 April 2004	30%	100%

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

Final - ordinary	3.75	3,006	1 October 2004	30%	100%

	CONSOLIDATED		THE COMPANY	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Dividend franking account				
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the above dividends and those dividends required to be treated as interest expense:				
30% franking credits available	2,017	2,063	2,017	(23)

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.

8 Earnings per share

	CONSOLIDATED	
	2004 $'000	2003 $'000
Earnings reconciliation		
Net profit	9,443	2,455
Basic earnings	9,443	2,455
Diluted earnings	9,443	2,455
	Number	**Number**
Weighted average number of ordinary shares used as the denominator:		
Number for basic earnings per share	80,014,486	83,847,977
Effect of share options on issue	1,208,000	-
Number for diluted earnings per share	81,222,486	83,847,977

Classification of securities as potential ordinary shares

Options
As at 30 June 2004, the Company had on issue 1,208,000 (2003: 1,384,000) 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.

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
9	**Cash assets**				
	Cash	15,072	11,258	-	1
	Bank short term deposits	23,324	14,867	-	-
		38,396	26,125	-	1

Bank short term deposits mature within an average of 60 days. These deposits and the interest-bearing portion of the cash balance earn interest at a weighted average rate of 4.81% (2003: 4.57%).

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
10	**Receivables**				
	Current				
	Trade debtors	11,627	9,693	-	-
	Less: Provision for doubtful trade debtors	(266)	(138)	-	-
	Other debtors	395	500	211	-
	Trade receivables from controlled entities	-	-	17,757	11,613
		11,756	10,055	17,968	11,613
	Non-current				
	Loans to controlled entities	-	-	60,665	65,413
	Provision for diminution in value of loan	-	-	(2,783)	(2,783)
		-	-	57,882	62,630

The unsecured loans to controlled entities bear interest at a floating rate. The weighted average rate at 30 June 2004 was 10.85% (2003: 10.35%).

Trade receivables from controlled entities include amounts arising under the Company's tax sharing agreement.

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
11	**Other current assets**				
	Prepayments	2,491	2,356	27	8
	Lease deposits	189	492	-	-
	Other	504	1,081	-	206
		3,184	3,929	27	214

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
12	**Other financial assets**				
	Current				
	Other investments				
	Investment in fixed rate bonds	5,921	-	-	-
		5,921	-	-	-
	Non-current				
	Unlisted shares				
	Controlled entities at cost	-	-	19,076	19,076
	Other entities at cost	-	50	-	-
	Other investments				
	Investment in floating rate notes	-	2,911	-	-
	Investment in fixed rate bonds	-	6,042	-	-
	Investment in reset preference securities	-	4,095	-	-
		-	13,098	19,076	19,076

Current investments in fixed rate bonds are carried at fair market value.

Non-current investments in floating rate notes, fixed rate bonds and reset preference shares are carried at cost on the basis that these instruments will be held to maturity.

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
13	**Property, plant and equipment**				
	Land and buildings				
	At cost	829	775	-	-
	Accumulated depreciation	(44)	(29)	-	-
		785	746	-	-
	Leasehold improvements - owned				
	At cost	26,488	23,395	-	-
	Accumulated amortisation	(15,964)	(12,925)	-	-
		10,524	10,470	-	-
	Leasehold improvements - leased				
	At cost	6,561	6,895	-	-
	Accumulated amortisation	(4,221)	(3,745)	-	-
		2,340	3,150	-	-
	Office furniture and fittings - owned				
	At cost	6,662	6,108	-	-
	Accumulated depreciation	(2,744)	(1,983)	-	-
		3,918	4,125	-	-
	Office furniture and fittings - leased				
	At cost	1,304	1,610	-	-
	Accumulated depreciation	(911)	(966)	-	-
		393	644	-	-
	Office equipment - owned				
	At cost	10,725	9,557	-	-
	Accumulated depreciation	(7,078)	(5,429)	-	-
		3,647	4,128	-	-
	Office equipment - leased				
	At cost	1,056	1,080	-	-
	Accumulated depreciation	(1,013)	(915)	-	-
		43	165	-	-
	Motor vehicles				
	At cost	63	84	-	-
	Accumulated depreciation	(21)	(20)	-	-
		42	64	-	-
	Capital works in progress				
	At cost	804	472	-	-
		22,496	23,964	-	-

Leasehold improvements includes $2,865,000 of assets written down to a recoverable value of nil.

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
13	**Property, plant and equipment** (continued)				
	Reconciliations				
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
	Land and buildings				
	Carrying amount at beginning of year	746	897	-	-
	Additions	-	-	-	-
	Disposals	-	-	-	-
	Depreciation	(13)	(12)	-	-
	Net foreign currency differences on translation of self sustaining operations	52	(139)	-	-
	Carrying amount at end of year	785	746	-	-
	Leasehold improvements - owned				
	Carrying amount at beginning of year	10,470	15,682	-	-
	Additions	3,875	2,068	-	-
	Disposals	(575)	(634)	-	-
	Amortisation	(3,498)	(5,028)	-	-
	Transfers (to)/ from other class of asset	(1)	-	-	-
	Net foreign currency differences on translation of self sustaining operations	253	(1,618)	-	-
	Carrying amount at end of year	10,524	10,470	-	-
	Leasehold improvements - leased				
	Carrying amount at beginning of year	3,150	4,901	-	-
	Additions	-	-	-	-
	Disposals	(20)	(118)	-	-
	Amortisation	(895)	(1,291)	-	-
	Transfers (to)/ from other class of asset	-	-	-	-
	Net foreign currency differences on translation of self sustaining operations	105	(342)	-	-
	Carrying amount at end of year	2,340	3,150	-	-
	Office furniture and fittings - owned				
	Carrying amount at beginning of year	4,125	5,340	-	-
	Additions	795	397	-	-
	Disposals	(141)	(132)	-	-
	Depreciation	(979)	(1,100)	-	-
	Transfers (to)/ from other class of asset	61	(2)	-	-
	Net foreign currency differences on translation of self sustaining operations	57	(378)	-	-
	Carrying amount at end of year	3,918	4,125	-	-
	Office furniture and fittings - leased				
	Carrying amount at beginning of year	644	1,000	-	-
	Additions	-	-	-	-
	Disposals	(8)	-	-	-
	Depreciation	(189)	(329)	-	-
	Transfers (to)/ from other class of asset	(63)	-	-	-
	Net foreign currency differences on translation of self sustaining operations	9	(27)	-	-
	Carrying amount at end of year	393	644	-	-
	Office equipment - owned				
	Carrying amount at beginning of year	4,128	4,513	-	-
	Additions	1,854	2,237	-	-
	Disposals	(109)	(52)	-	-
	Depreciation	(2,272)	(2,297)	-	-
	Transfers (to)/ from other class of asset	4	2	-	-
	Net foreign currency differences on translation of self sustaining operations	42	(275)	-	-
	Carrying amount at end of year	3,647	4,128	-	-

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
13	**Property, plant and equipment** (continued)				
	Reconciliations				
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
	Office equipment - leased				
	Carrying amount at beginning of year	165	459	-	-
	Additions	-	20	-	-
	Disposals	-	-	-	-
	Depreciation	(128)	(287)	-	-
	Transfers (to)/ from other class of asset	-	-	-	-
	Net foreign currency differences on translation of self sustaining operations	6	(27)	-	-
	Carrying amount at end of year	43	165	-	-
	Motor vehicles				
	Carrying amount at beginning of year	64	29	-	-
	Additions	10	52	-	-
	Disposals	(17)	-	-	-
	Depreciation	(16)	(14)	-	-
	Transfers (to)/ from other class of asset	-	-	-	-
	Net foreign currency differences on translation of self sustaining operations	1	(3)	-	-
	Carrying amount at end of year	42	64	-	-
	Capital works in progress				
	Carrying amount at beginning of year	472	-	-	-
	Additions	335	472	-	-
	Disposals	-	-	-	-
	Depreciation	-	-	-	-
	Transfers (to)/ from other class of asset	-	-	-	-
	Net foreign currency differences on translation of self sustaining operations	(3)	-	-	-
	Carrying amount at end of year	804	472	-	-

		Notes	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
14	**Intangibles**					
	Goodwill - at cost		19,434	19,434	-	-
	Accumulated amortisation		(4,169)	(3,491)	-	-
			15,265	15,943	-	-
15	**Other non-current assets**					
	Lease deposits		17,536	15,776	-	-
	Other		58	53	-	-
			17,594	15,829	-	-
16	**Payables**					
	Current					
	Trade creditors		5,321	5,238	-	-
	Security deposits		8,528	8,121	-	-
	Deferred income		7,543	6,640	-	-
	Other creditors and accruals		4,555	3,954	562	672
	Trade payables to controlled entities		-	-	6,310	2,827
			25,947	23,953	6,872	3,499
	Non-current					
	Trade creditors		1,971	2,834	-	-
	Security deposits		2,852	2,707	-	-
			4,823	5,541	-	-
17	**Interest bearing liabilities**					
	Current					
	Bank overdraft		347	-	2	-
	Bank loans - secured		132	125	-	-
	Lease liabilities	25	1,299	1,808	-	-
			1,778	1,933	2	-
	Non-current					
	Bank loans - secured		100	217	-	-
	Lease liabilities	25	641	1,879	-	-
	Loans from controlled entities - unsecured	32	-	-	2,009	5,040
			741	2,096	2,009	5,040

In the consolidated financial report, the bank overdraft is denominated in Euro and secured by an Australian dollar term deposit, the current value of which exceeds the value of the bank overdraft. Interest at a rate of 3.58% (2003:N/A) is applicable to the outstanding balance.

The bank loan is denominated in Yen and is secured by a mortgage over property, the current market value of which exceeds the value of the bank loan. The interest rate of the loan is 1.56% (2003: 1.56%).

The unsecured loans from controlled entities bear interest at a floating rate. The weighted average rate at 30 June 2004 was 10.85% (2003: 10.85%).

		CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		$'000	$'000	$'000	$'000
18	**Financing arrangements**				
	The Consolidated Entity has access to the following lines of credit:				
	Total facilities available:				
	Bank guarantees	6,707	4,058	6,707	4,058
	Bank overdraft	2,234	500	500	500
	Lease facilities	7,369	8,228	4,375	5,234
	Bill acceptance / payroll / other facilities	2,916	2,128	2,916	2,128
		19,226	14,914	14,498	11,920
	Facilities utilised at balance date:				
	Bank guarantees	5,054	4,058	5,054	4,058
	Bank overdraft	347	-	-	-
	Lease facilities	1,940	3,687	1,018	2,267
		7,341	7,745	6,072	6,325
	Facilities not utilised at balance date:				
	Bank guarantees	1,653	-	1,653	-
	Bank overdraft	1,887	500	500	500
	Lease facilities	5,429	4,541	3,357	2,967
	Bill acceptance / payroll / other facilities	2,916	2,128	2,916	2,128
		11,885	7,169	8,426	5,595

Bank guarantees and overdraft

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

A guarantee has also been established to secure an overdraft limit in the form of a term deposit.

Lease facilities

Lease facilities have been established to finance the fitout of new locations. The facilities are secured by the assets under lease, the current market value exceeds the value of the finance lease liability. Facilities established are both fixed and revolving in nature.

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 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
19 Provisions					
Current					
Employee entitlements	24	1,039	1,179	-	-
Provision for make good costs		231	-	-	-
Provision for rental surplus space		610	-	-	-
Provision for litigation costs		143	-	-	-
		2,023	1,179	-	-
Non-current					
Employee entitlements	24	495	423	-	-
		495	423	-	-

	CONSOLIDATED Make good costs $'000	CONSOLIDATED Rental of surplus space $'000	CONSOLIDATED Litigation costs $'000
Balance at 30 June 2003	-	-	-
Additional provisions recognised	231	610	143
Balance at 30 June 2004	231	610	143

Make good costs
An amount of $231,000 has been provided for the make good of two floors that are due to close within eighteen months of balance date. Under the terms of the lease contracts signed with the landlord, there is a requirement to restore the floors to the original condition in which they were leased.

Cost of letting surplus space
An amount of $610,000 has been provided for the cost of letting surplus space. The provision has been calculated based on current market conditions, commission payable to agents for obtaining a suitable tenant, and incentives payable to prospective tenants.

Litigation expenses
A provision has been made for the expected legal cost of action taken by former employees against a company in the consolidated entity.

	Notes	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
20 Contributed equity					
Issued and paid-up capital					
80,146,354 (2003: 79,955,354) ordinary shares, fully paid		81,182	80,896	81,182	80,896
Movements in ordinary share capital					
Balance at beginning of year 79,955,354 (2003: 84,325,334) shares		80,896	85,570	80,896	85,570
Shares issued					
191,000 (2003: 433,333) from the exercise of options under Share Option Plans		286	650	286	650
Shares bought back					
NIL (2003: 4,803,313) shares		-	(5,324)	-	(5,324)
Balance at end of year		81,182	80,896	81,182	80,896

	Notes	CONSOLIDATED 2004 $'000	2003 $'000	THE COMPANY 2004 $'000	2003 $'000

20 Contributed equity (continued)

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 at that date. The total consideration for shares bought back on the market was $5,324,495, being an average, including incidental costs, of $1.11 per share. The consideration was allocated in the following proportions.

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

Options

Ordinary shares were issued pursuant to exercise of options as follows:
191,000 shares were issued at $1.50 per share (2003: 433,333 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.

21 Reserves

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Foreign currency translation	(4,809)	(5,621)	-	-
Movements during the financial year				
Foreign currency translation				
Balance at beginning of financial year	(5,621)	(433)	-	-
Deferred exchange differences arising from monetary items considered part of the investment in self-sustaining foreign operations	355	(2,239)	-	-
Translation adjustment on controlled foreign entities' financial statements	457	(2,949)	-	-
Balance at end of financial year	(4,809)	(5,621)	-	-

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

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Retained profits at the beginning of the financial year	1,454	2,173	3,387	2,349
Net profit attributable to members of the parent entity	9,443	2,455	6,697	4,212
	10,897	4,628	10,084	6,561
Net effect on dividends from:				
Initial adoption of AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”	-	3,168	-	3,168
Dividends recognised during the year	(6,004)	(6,342)	(6,004)	(6,342)
Total dividends	(6,004)	(3,174)	(6,004)	(3,174)
Retained profits at the end of the financial year	4,893	1,454	4,080	3,387

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:

				Fixed interest maturing in:				
	Notes	Weighted average interest rate	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2004								
Financial assets								
Cash	9	4.81%	8,842	23,324	-	-	6,230	38,396
Receivables	10	-	-	-	-	-	11,756	11,756
Investments	12	6.76%	-	5,921	-	-	-	5,921
			8,842	29,245	-	-	17,986	56,073
Financial liabilities								
Bank overdrafts and loans	17	2.77%	347	132	100	-	-	579
Payables	16	-	-	-	-	-	30,770	30,770
Lease liabilities	25	7.34%	-	1,299	641	-	-	1,940
Employee entitlements	24	-	-	-	-	-	1,534	1,534
			347	1,431	741	-	32,304	34,823
			8,495	27,814	(741)	-	(14,318)	21,250
2003								
Financial assets								
Cash	9	4.57%	2,024	14,867	-	-	9,234	26,125
Receivables	10	-	-	-	-	-	10,055	10,055
Investments	12	6.46%	2,911	3,073	7,064	-	50	13,098
			4,935	17,940	7,064	-	19,339	49,278
Financial liabilities								
Bank overdrafts and loans	17	1.56%	-	125	217	-	-	342
Payables	16	-	-	-	-	-	29,494	29,494
Lease liabilities	25	7.79%	-	1,808	1,879	-	-	3,687
Employee entitlements	24	-	-	-	-	-	1,602	1,602
			-	1,933	2,096	-	31,096	35,125
			4,935	16,007	4,968	-	(11,757)	14,153

23 Additional financial instruments disclosure (continued)

(b) Foreign exchange risk

The Consolidated Entity actively manages its foreign exchange risk.

The management policy involves entering into forward foreign currency exchange contracts to hedge anticipated transactions so as to manage foreign exchange risk.

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

Outstanding Contracts	Average Exchange Rate		Principal Amount	
	2004	2003	2004 $'000	2003 $'000
Sell Japanese yen Not later than one year	74.57	72.54	7,376	2,757
Sell US Dollars Not later than one year	0.7322	-	683	-

(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 customer.

23 Additional financial instruments disclosures (continued)

(d) Net fair values of financial assets and liabilities

Valuation approach

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

On-balance sheet financial instruments

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

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

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

	CONSOLIDATED			
	2004	2003	2004	2003
	Carrying amount $'000		Net fair value $'000	
Financial assets				
Cash	38,396	26,125	38,396	26,125
Receivables	11,756	10,055	11,756	10,055
Investments:				
Shares in other corporations - unlisted	-	50	-	50
Floating rate notes	-	2,911	-	2,902
Fixed rate bonds	5,921	6,042	5,921	6,078
Reset preference securities	-	4,095	-	4,132
Financial liabilities				
Bank overdrafts and loans	579	342	579	342
Payables	30,770	29,494	30,770	29,494
Lease liabilities	1,940	3,687	1,940	3,687
Employee entitlements	1,534	1,602	1,534	1,602

(e) Hedges of anticipated future transactions

The Consolidated Entity has entered into forward foreign exchange contracts to hedge the exchange risk arising from these anticipated future transactions.

As at reporting date the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions was $38,534 (2003: $278,406). Such unrealised gains will be realised during the 2005 financial year when the anticipated future transactions take place.

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
24 Employee entitlements					
Aggregate employee entitlements					
- Current	19	1,039	1,179	-	-
- Non-current	19	495	423	-	-
		1,534	1,602	-	-
Number of employees		**No.**	**No.**	**No.**	**No.**
Number of employees at the year end		340	339	-	-

Options granted to employees

Chief Executive Officer

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

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

Executive & Employee share option schemes

The 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 five years from the date of issue or the date which the option holder ceases to be a director or employee of the Company or any of its controlled entities.

Executive share option scheme - new issue

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 $2.00 per share. The options expire on the earlier of five years from the date of issue or the date which the option holder 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 2004 was $2.05.

Share option schemes	**2004 No.**	**2003 No.**
Balance at beginning of financial year	1,384,000	1,504,000
Granted during the financial year	30,000	-
Exercised during the financial year	(191,000)	(20,000)
Lapsed during the financial year	(15,000)	(100,000)
Balance at end of financial year	1,208,000	1,384,000

Granted during the financial year

30,000 options were issued under the Executive Share Option Scheme on 21 May 2004 with an exercise price of $2.00 and an expiry date of 21 May 2009. No amount was payable by the recipient on receipt of the option.

Exercised during the financial year

	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price $	No. of shares issued	Fair value received $	Fair value at date of issue $
2004	191,000	15/12/99	4/3/04	15/12/04	1.50	191,000	286,500	401,100
2003	20,000	15/12/99	5/9/02	15/12/04	1.50	20,000	30,000	37,600

Fair value of the consideration received is measured as the nominal value of cash receipts on conversion. The fair value at date of issue is measured as the market value at close of trade on the date of issue.

24 Employee entitlements (continued)

Options granted to employees (continued)

Lasped during the financial year

NIL (2003: 90,000) options expired under the Executive Share Option Scheme (issued 15 December 1999) and 15,000 (2003: 10,000) options expired under the Employee Share Option Scheme (issued 15 December 1999) during the year ended 30 June 2004.

Balance at end of financial year

Grant date	Expiry date	Vested	Exercise price	Number of options 2004	2003	2002
29 November 1999	29 November 2004	Yes	$1.50	450,000	450,000	450,000
15 December 1999	15 December 2004	Yes	$1.50	728,000	934,000	1,054,000
21 May 2004	21 May 2009	No	$2.00	30,000	-	-
				1,208,000	1,384,000	1,504,000

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 2004 are as follows:

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Employer contributions to the fund	680	692	-	-
Employer contributions to other funds	26	14	-	-
Employer contributions payable to the fund	-	55	-	-

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
25 Commitments					
Capital expenditure commitments					
Contracted but not provided for and payable:					
Not later than one year		903	311	-	-
Later than one year but not later than five years		-	-	-	-
Later than five years		-	-	-	-
		903	311	-	-
Operating lease commitments					
Future operating lease rentals not provided for in the financial statements and payable:					
Not later than one year		33,584	37,355	-	-
Later than one year but not later than five years		73,200	75,535	-	-
Later than five years		20,426	25,411	-	-
		127,210	138,301	-	-

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

	Note	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Finance lease commitments					
Finance lease rentals are payable as follows:					
Not later than one year		1,405	2,024	-	-
Later than one year but not later than five years		716	2,042	-	-
Later than five years		-	-	-	-
		2,121	4,066	-	-
Less: Future lease finance charges		(181)	(379)	-	-
		1,940	3,687	-	-
Lease liabilities provided for in the financial statements:					
Current	17	1,299	1,808	-	-
Non-current	17	641	1,879	-	-
Total lease liability		1,940	3,687	-	-

The Consolidated Entity leases equipment under finance leases expiring from one to five years.

26 Contingent liabilities and contingent assets

The details and estimated maximum amounts of contingent liabilities and contingent assets that may become payable or receivable respectively are set out below.

Fly Away Programme

The Company has a contingent liability for unredeemed Fly Away Programme (2003: it was called Drive Away Programme) points. The Fly Away Programme is an incentive programme for agents to refer business to the Company. The Company provides awards to agents who reach a set level of points. The contingent liability is based on the average cost of awards for agents in each band of points with points accruing incrementally within bandings.

Unredeemed fly away liability	246	254	-	-

Previous Executive Director's Termination

The termination package offered to Bryan Pashby includes a share price performance based element. The Company's liability under this package ranges from zero to $225,000, dependent on the share price performance of the Company. An amount of $150,000 has been recognised as a liability in the financial statements as at 30 June 2004 in relation to this termination.

Director's termination liability	-	225	-	-

27 Particulars in relation to controlled entities

Name	Country of Incorporation	2004 %	2003 %
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	Australia	100	100
Servcorp (Miller Street) Pty Ltd	Australia	100	100
Servcorp (North Ryde) Pty Ltd	Australia	100	100
Servcorp Smart Office Pty Ltd	Australia	100	100
Servcorp Smart Homes Pty Ltd	Australia	100	100
Servcorp Business Service (Beijing) Pty Ltd (formerly XSQ P/L)	Australia	100	100
Servcorp Virtual Pty Ltd	Australia	100	100
Servcorp Holdings Pty Ltd	Australia	100	100
Servcorp Administration Pty Ltd	Australia	100	100
Servcorp Adelaide Pty Ltd	Australia	100	100
Servcorp Bridge Street Pty Ltd	Australia	100	100
Servcorp Brisbane Pty Ltd	Australia	100	100
Servcorp Castlereagh Street Pty Ltd	Australia	100	100
Servcorp Chifley 25 Pty Ltd	Australia	100	100
Servcorp Chifley 29 Pty Ltd	Australia	100	100
Servcorp Communications Pty Ltd	Australia	100	100
Servcorp IT Pty Ltd	Australia	100	100
Servcorp Melbourne Virtual Pty Ltd	Australia	100	100
Servcorp MLC Centre Pty Ltd	Australia	100	100
Servcorp Optus Centre Pty Ltd	Australia	100	100
Servcorp Sydney Virtual Pty Ltd	Australia	100	100
Servcorp William Street Pty Ltd	Australia	100	100
Servcorp Melbourne 50 Pty Ltd (formerly Servcorp 101 Collins Street P/L)	Australia	100	100
Servcorp Perth Pty Ltd	Australia	100	-
Beechreef (New Zealand) Limited	New Zealand	100	100
Servcorp New Zealand Limited	New Zealand	100	100
Company Headquarters Limited	New Zealand	100	100
Servcorp Serviced Offices Pte Ltd	Singapore	100	100
Servcorp Battery Road Pte Ltd	Singapore	100	100
Servcorp Marina Pte Ltd	Singapore	100	100
Servcorp Franchising Pte Ltd	Singapore	100	100
Servcorp Singapore Holdings Pte Ltd	Singapore	100	100
Servcorp Hong Kong Limited	Hong Kong	100	100
Servcorp Communications Limited	Hong Kong	100	100
Servcorp LLC	UAE	49	49
Amalthea Nominees (Malaysia) Sdn Bhd	Malaysia	100	100
Servcorp Thai Holdings Limited	Thailand	100	100
Servcorp Company Limited	Thailand	100	100
Headquarters Co. Limited	Thailand	100	100
Servcorp Japan KK	Japan	100	100
Servcorp Tokyo KK	Japan	100	100
Servcorp Nippon International KK	Japan	100	100
Management International KK	Japan	100	100
Servcorp Ginza KK	Japan	100	100
Servcorp Shinagawa KK	Japan	100	-
Servcorp Paris SARL	France	100	100
Servcorp Brussels SPRL	Belgium	100	100
Servcorp Business Services (Shanghai) Co. Ltd	China	100	100
Servcorp Business Service (Beijing) Co. Ltd	China	100	-

27 Particulars in relation to controlled entities (continued)

	Country of Incorporation	2004 %	2003 %
Controlled entities			
Servcorp UK Limited	United Kingdom	100	100
Servcorp Communications Limited	United Kingdom	100	100
Servcorp Consultancy Limited	United Kingdom	100	100
Servcorp Hammersmith Limited	United Kingdom	100	100
Servcorp Lombard Street Limited	United Kingdom	100	100
Servcorp Management Limited	United Kingdom	100	100
Servcorp Serviced Offices Limited	United Kingdom	100	100
Servcorp Virtual Limited	United Kingdom	100	100
Servcorp Wyvols Limited	United Kingdom	100	100
Servcorp Minories Limited	United Kingdom	100	100

Notes:

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

2) All of the above entities are audited by Deloitte Touche Tohmatsu with the exceptions of Servcorp Paris SARL which is audited by KPMG and other dormant companies which do not require an appointed auditor.

3) Servcorp Holdings Pty Ltd and Servcorp Offshore Holdings Pty Ltd have each entered into a deed of guarantee and indemnity with Servcorp Limited in relation to loans owing from their respective subsidiaries. Servcorp Holdings Pty Ltd and Servcorp Offshore Holdings Pty Ltd have each entered into a deed of cross guarantee.

28 Acquisition / disposal of controlled entities

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

	Consideration $'000	The consolidated entity's interest %
Acquisitions		
2004		
Servcorp Shinagawa KK	-	100
The entity was formed on 17 September 2003		
Servcorp Perth Pty Ltd	-	100
The entity was formed on 16 September 2003		
Servcorp Business Service (Beijing) Co. Ltd	-	100
The entity was formed on 2 March 2004		
Acquisitions		
2003		
Servcorp Holdings Pty Ltd	-	100
The entity was formed on 25 October 2002.		
Servcorp Administration Pty Ltd	-	100
Servcorp Adelaide Pty Ltd	-	100
Servcorp Bridge Street Pty Ltd	-	100
Servcorp Brisbane Pty Ltd	-	100
Servcorp Castlereagh Street Pty Ltd	-	100
Servcorp Chifley 25 Pty Ltd	-	100
Servcorp Chifley 29 Pty Ltd	-	100
Servcorp Communications Pty Ltd	-	100
Servcorp IT Pty Ltd	-	100
Servcorp Melbourne Virtual Pty Ltd	-	100
Servcorp MLC Centre Pty Ltd	-	100
Servcorp Optus Centre Pty Ltd	-	100
Servcorp Sydney Virtual Pty Ltd	-	100
Servcorp William Street Pty Ltd	-	100
Servcorp 101 Collins Street Pty Ltd	-	100
The entities were formed on 28 October 2002.		
Servcorp Singapore Holdings Pte Ltd	-	100
The entity was formed on 31 December 2002.		
Servcorp Communications Limited	-	100
Servcorp Consultancy Limited	-	100
Servcorp Hammersmith Limited	-	100
Servcorp Lombard Street Limited	-	100
Servcorp Management Limited	-	100
Servcorp Serviced Offices Limited	-	100
Servcorp Virtual Limited	-	100
Servcorp Wyvols Limited	-	100
The entities were formed on 31 January 2003.		
Servcorp Minories Limited	-	100
The entity was formed on 13 February 2003.		

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'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 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Cash	15,072	11,258	-	1
Short term deposits	23,324	14,867	-	-
Bank overdraft	(347)	-	(2)	-
	38,049	26,125	(2)	1

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

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Operating profit after income tax	9,443	2,455	6,697	4,212
Add/(less) non-cash items:				
Amounts set aside to provisions	1,046	92	-	-
Depreciation and amortisation	8,460	11,518	-	-
(Profit)/loss on sale of assets	486	650	-	-
Income taxes payable	1,658	(1,052)	1,355	(444)
Deferred taxes	(1,069)	(290)	(1,259)	(18)
Unrealised foreign exchange gain	(165)	(509)	-	-
Write-down in Rumble investment	50	-	-	-
Provision for diminution in value of loan	-	-	-	2,783
Effect of tax consolidations on tax balances	-	-	(1,401)	-
Net cash provided by operating activities before change in assets and liabilities	19,909	12,864	5,392	6,533
Change in assets and liabilities adjusted for the effect of purchase of controlled entities during the financial period:				
(Increase)/decrease in prepayments	(6)	778	(20)	-
(Increase)/decrease in trade debtors	(1,473)	312	(211)	-
Decrease/(increase) in current assets	18	(1,391)	206	-
Increase in deferred income	687	497	-	-
Increase/(decrease) in client security deposits	169	(332)	-	-
Decrease in accounts payable	(414)	(710)	(110)	(136)
Net cash provided by operating activities	18,890	12,018	5,257	6,397

(c) Non-cash financing and investment activities

During the financial year the Consolidated Entity did not acquire property, plant and equipment by means of finance leases.

(d) Financing facilities

Refer Note 18.

30 Directors' remuneration

The following table outlines the nature and amount of the elements of the remuneration of the specified directors of Servcorp Limited for the year ended 30 June 2004.

	Salary and fees $	Bonuses $	Non-monetary benefits $	Super contribution $	Termination payments $	Other Benefits $	Total $
Directors							
A Moufarrige							
(Managing Director)							
2004	213,504	-	102,137	16,740	-	-	332,381
2003	213,504	-	73,006	16,740	-	-	303,250
T Moufarrige							
(Alternate Director)							
2004	147,665	-	5,537	13,118	-	-	166,320
2003	142,223	-	-	12,555	-	-	154,778
B Pashby							
(Non-Executive Director)							
2004	155,807	-	-	7,543	-	-	163,350
2003	213,316	-	8,182	16,897	403,693	-	642,088
B Corlett							
(Chairman)							
2004	80,000	-	-	7,200	-	-	87,200
2003	80,000	-	-	7,200	-	-	87,200
R Holliday-Smith							
(Non-Executive Director)							
2004	45,000	-	-	4,050	-	-	49,050
2003	45,000	-	-	4,050	-	-	49,050
J King							
(Non-Executive Director)							
2004	45,000	-	-	4,050	-	-	49,050
2003	45,000	-	-	4,050	-	-	49,050
Total Remuneration							
Specified Directors							
2004	686,976	-	107,674	52,701	-	-	847,351
2003	739,043	-	81,188	61,492	403,693	-	1,285,416

Note:

1) Directors and officers indemnity insurance has not been included in the above figures since it is impractical to determine an appropriate allocation basis. The policy prohibits the Company from disclosing the amount of the premium paid.

31 Executives' remuneration

The following table outlines the nature and amount of the elements of remuneration of the specified executives of Servcorp Limited for the year ended 30 June 2004.

	Salary and fees $	Bonuses $	Non-monetary benefits $	Super contributions $	Equity options $	Other Benefits $	Total $
Executives							
S Martin							
(General Manager Japan)							
2004	149,054	34,987	9,680	-	-	-	193,721
2003	137,200	12,568	7,379	-	-	-	157,147
M Moufarrige							
(General Manager Asia and CIO)							
2004	146,555	-	6,132	13,118	-	-	165,805
2003	141,456	-	-	12,555	-	-	154,011
G Pearce							
(Company Secretary)							
2004	127,851	-	20,167	13,155	-	-	161,173
2003	121,127	-	19,500	12,555	-	-	153,182
S Tindale							
(Int Sales and Marketing Manager)							
2004	142,370	-	-	12,618	-	-	154,988
2003	141,804	-	-	12,618	-	-	154,422
R Baldwin							
(General Manager ITS)							
2004	140,759	-	-	12,500	-	-	153,259
2003	140,759	-	-	12,500	-	-	153,259
T Wallace (2)							
(CFO - appointed 7/02/04)							
2004	121,430	3,000	-	-	827	-	125,257
2003	-	-	-	-	-	-	-
A Boss							
(CFO - resigned 23/10/03)							
2004	53,909	-	-	4,831	-	-	58,740
2003	140,759	-	-	12,500	-	-	153,259
Total Remuneration							
Specified Executives							
2004	881,928	37,987	35,979	56,222	827	-	1,012,943
2003	823,105	12,568	26,879	62,728	-	-	925,280

Notes:

1) Bonuses relate to performance bonuses paid for the financial year ended June 2004.

2) Includes remuneration from a position held with the company prior to the appointment as CFO.

32 Related parties

Directors and executives

The names of each person holding the position of director of Servcorp Limited during the financial year were Messrs A Moufarrige, B Corlett, R Holliday-Smith, B Pashby, Ms J King, and Mr T Moufarrige (alternate for A Moufarrige). The specified executives are set out in Note 31.

Details of directors' and executives' remuneration are set out in Note 30 and Note 31.

Apart from the details disclosed in this note, no director or specified executive 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 or specified executives' subsisting at balance date.

Directors and executives holdings of shares and share options

Fully paid ordinary shares issued by Servcorp Limited

	Balance at 30/6/03 No.	Received on exercise of options No.	Net other change No.	Balance at 30/6/04 No.
Specified directors				
B Corlett	249,715	-	76,787	326,502
R Holliday-Smith	100,000	-	-	100,000
J King	15,500	-	15,000	30,500
A G Moufarrige	47,961,038	-	165,985	48,127,023
T Moufarrige	33,500	-	-	33,500
B Pashby	20,000	-	(20,000)	-
Specified executives				
R Baldwin	5,000	-	-	5,000
S Martin	-	-	-	-
M Moufarrige	37,500	150,000	-	187,500
G Pearce	-	-	-	-
S Tindale	10,000	-	-	10,000
T Wallace	-	-	-	-
A Boss	20,400	-	(5,000)	15,400
	48,452,653	150,000	232,772	48,835,425

Executive Share Options issued by Servcorp Limited

	Balance at 30/6/03 No.	Granted as remuneration No.	Exercised No.	Balance at 30/6/04 No.	Vested and exercisable No.	Not vested No.
Specified directors						
B Corlett	-	-	-	-	-	-
R Holliday-Smith	150,000	-	-	150,000	150,000	-
J King	150,000	-	-	150,000	150,000	-
A G Moufarrige	-	-	-	-	-	-
T Moufarrige	150,000	-	-	150,000	150,000	-
B Pashby	150,000	-	-	150,000	150,000	-
Specified executives						
R Baldwin	40,000	-	-	40,000	40,000	-
S Martin	20,000	-	-	20,000	20,000	-
M Moufarrige	150,000	-	(150,000)	-	-	-
G Pearce	50,000	-	-	50,000	50,000	-
S Tindale	10,000	-	-	10,000	10,000	-
T Wallace	-	30,000	-	30,000	-	30,000
	870,000	30,000	(150,000)	750,000	720,000	30,000

Each executive share option converts into 1 ordinary share of Servcorp Limited when exercised. No amounts are paid or payable by the recipient on receipt of the option.

During the financial year 150,000 options were exercised by specified directors and executives for 150,000 ordinary shares in Servcorp Limited. The exercise price of each option was $1.50. No amounts remain unpaid on options exercised during the financial year at year end.

Mr T Wallace was issued options on 21 May 2004. The fair value of the options issued on 21 May 2004 was $0.50 per option. Further details of the options granted during the year are contained in Note 24.

32 Related parties (continued)

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.

67 Fitness Pty Ltd provided 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.

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.

Rumble Australia Pty Ltd provided consulting services for the development of proprietary software to a company in the Consolidated Entity. Consulting fees of $13,506 (2003: $17,980) were paid on arms length terms. A director of the Company, Mr A Moufarrige, has an interest in and is a director of Rumble Australia Pty Ltd.

Lapstream Pty Ltd was paid consulting fees by a company in the Consolidated Entity. Mr B Pashby, a director of the Company until 26 March 2004, has an interest in and is a director of Lapstream Pty Ltd.

Three directors of the Company, Mr B Corlett, Mr R Holliday-Smith and Mr A Moufarrige, each hold an interest in RGPL Pty Ltd either directly or through entities that are controlled by them. RGPL Pty Ltd has applied for deregistration as at 30th June 2004 and accordingly the investment held by a company in the Consolidated Entity has been written down from $50,000 to nil.

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.

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

Director	Director-related entity	Transaction	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
A Moufarrige	Rumble Australia Pty Limited	Consulting	14	18	-	-
A Moufarrige	Tekfon Pty Ltd	Premises rental	34	29	-	-
A Moufarrige	Enideb Pty Ltd	Franchisee	357	312	-	-
A Moufarrige	Sovori Pty Ltd	Reimbursements	7	17	-	-
B Pashby	Lapstream Pty Ltd	Consulting	72	-	-	-

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

	CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Current receivable				
Enideb Pty Ltd	30	27	-	-
Rumble Australia Pty Ltd	4	2	-	-
67 Fitness (Gym)	3	1	-	-
Sovori Pty Ltd	-	10	-	-

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

32 Related parties (continued)

Wholly-owned group

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

	THE COMPANY 2004 $'000	THE COMPANY 2003 $'000
Loans		
Loans between entities in the wholly-owned group are repayable at call. Interest is charged monthly at the rate of 10.85% pa (2003: 10.35% pa) on the outstanding balance.		
Interest brought to account by the Company in relation to these loans during the year:		
Net interest revenue	1,283	1,723
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		
Trade receivables	17,757	11,613
Receivables - current comprise day to day funding of expenses		
Receivables - non-current		
Other loans	60,665	65,413
Provision for diminution in value of loan	(2,783)	(2,783)
Loans comprise funding for new office locations, the transfer of funds for investment purposes, royalties, dividends and interest		
Payables - current		
Trade creditors	6,310	2,827
Payables - current comprise day-to-day funding of expenses		
Payables - non-current		
Other loans	2,009	5,040
Payables non-current comprise the transfer of funds for investment purposes and interest		
Dividends		
Dividends received or due and receivable by the Company from wholly-owned controlled entities	-	1,700
Royalties		
Royalties received or due and receivable by the Company from wholly-owned controlled entities	7,369	7,726
Marketing support fee		
Marketing support fee paid or due and payable by the Company to wholly-owned controlled enitites	-	2,741

Directors' declaration

In the opinion of the directors of Servcorp Limited:

(a) the financial statements and notes, set out on pages 26 to 66, 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 2004 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Dated at Sydney this 17th day of September 2004.

Signed in accordance with a resolution of directors made pursuant to section S295 (5) of the Corporations Act 2001.

On behalf of the Directors

A G Moufarrige
Director

Independent audit report to the members of Servcorp Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Servcorp Limited (the Company) and the Consolidated Entity, for the financial year ended 30 June 2004 as set out on pages 26 to 67. The Consolidated Entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit of the 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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availablility of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia 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.

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 made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 2004, 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.

DELOITTE TOUCHE TOHMATSU

R Smith
Partner

Sydney, 17 September 2004

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Shareholder information

The shareholder information set out below is provided in accordance with the Listing Rules and was applicable as at 8 September 2004.

Class of shares and voting rights

Ordinary shares
At 8 September 2004 there were 615 holders of the ordinary shares of the Company.

At a general meeting:

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

Options
At 8 September 2004, there were 26 holders of options over 796,000 unissued ordinary shares granted to employees and directors under Executive and Employee Share Option Schemes.

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

Distribution of shareholders and optionholders

	Ordinary shares			Options		
Category	**Number of holders**	**Number of shares**	**% of total**	**Number of holders**	**Number of options**	**% of total**
1 - 1,000	129	84,159	0.11%	1	1,000	0.13
1,001 - 5,000	291	878,255	1.09%	3	13,000	1.63
5,001 - 10,000	78	638,885	0.79%	7	70,000	8.79
10,001 - 100,000	95	2,982,024	3.70%	13	412,000	51.76
100,001 and over	22	75,995,031	94.31%	2	300,000	37.69
Totals	**615**	**80,578,354**		**26**	**796,000**	

At 8 September 2004 there were 15 holders of ordinary shares holding less than a marketable parcel, based on the closing market price at that date.

Substantial shareholders

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

Name	**Number of shares**	**% of voting power advised**
Sovori Pty Ltd	48,379,753	60.50%
Commonwealth Bank Group	13,845,866	17.28%
Deutsche Bank Group	8,444,087	9.96%

On-market buy-back

There is no current on-market buy-back.

Shareholder information

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Citicorp Nominees Pty Limited (CFS Future Leaders Fund)	6,473,599	8.03%
Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund)	4,660,161	5.78%
Citicorp Nominees Pty Limited (CFS Imputation Fund)	2,847,530	3.53%
Citicorp Nominees Pty Limited	184,622	0.23%
Corlett R B	220,000	0.27%
Government Superannuation Office (State Super Fund A/C)	805,823	1.00%
Guild Insurance Limited	200,000	0.25%
International Business Centre Ltd	174,921	0.22%
JP Morgan Nominees Australia Limited	7,195,374	8.93%
King J M	165,500	0.21%
Moufarrige A G	541,390	0.67%
Moufarrige M E	187,500	0.23%
Moufarrige N G	150,000	0.19%
Moufarrige T A G	183,500	0.23%
National Nominees Limited	162,841	0.20%
Sovori Pty Limited	47,585,633	59.06%
Transport Accident Commission	462,243	0.57%
Victorian Workcover Authority	543,756	0.67%
UBS Private Clients Australia Nominees Pty Ltd	718,777	0.89%
Westpac Custodian Nominees Limited	2,602,761	3.23%
Totals for Top 20	**76,065,931**	**94.40%**

Options

Category	Number on issue	Number of holders
Vendor	0	0
Executive and employee	796,000	26
CEO	0	0

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

Offices and officers

Directors

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

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) 9290 9600
Facsimile:	(02) 9279 0664

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

Stock exchange

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

Annual general meeting

The Annual General Meeting of Servcorp Limited will be held at Level 29, The Chifley Tower, 2 Chifley Square, Sydney at 5pm on Thursday 11 November 2004.

Acknowledgements:
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Steve Panozzo,
Noz Productions.