Company Number 2048608

SERCO GROUP PLC ANNUAL REVIEW & ACCOUNTS 2003

serco

03

Serco Gr[illegible]c Accoun[illegible]

60 Directors, secretary and advisers
61 Corporate governance report
69 Directors' report
73 Directors' profiles
76 Directors' responsibilities
77 Remuneration report
88 Independent auditors' report
90 Accounts
95 Notes to the accounts
142 Investor and shareholder information

DIRECTORS, SECRETARY AND ADVISERS

Chairman Kevin Beeston

Directors
Margaret Ford*
Ralph Hodge CBE*
Christopher Hyman
Andrew Jenner
Rhidian Jones*†
DeAnne Julius CBE*
David Richardson*
Iestyn Williams

Secretary Julia Cavanagh

Investment Bankers
Lazard Brothers & Co Ltd
21 Moorfields
London
EC2P 2HT

Morgan Stanley & Co Ltd
25 Cabot Square
Canary Wharf
London
E14 4QA

Principal Bankers
Barclays Bank plc
54 Lombard Street
London
EC3P 3AH

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

Registered Office
Serco House
16 Bartley Wood Business Park
Bartley Way
Hook
Hampshire
RG27 9UY

Auditors
Deloitte & Touche LLP
Chartered Accountants
London

Stockbrokers
Cazenove & Co. Ltd
20 Moorgate
London
EC2R 6DA

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ

Solicitors
Allen & Overy
One New Change
London
EC4M 9QQ

Registrars
Computershare
The Pavillions
PO Box 82
Bridgewater Road
Bristol
BS99 7NH

* Non-Executive Director
† Senior Non-Executive Director

CORPORATE GOVERNANCE REPORT

Introduction

The Board of Serco Group plc (the "Company") is committed to achieving high standards of corporate governance, integrity and business ethics for all its activities around the world. The Company supports the Principles of Good Governance and Code of Best Practice as appended to the Listing Rules of the Financial Services Authority (the "Combined Code"). In July 2003, The Financial Reporting Council published a revised Combined Code on Corporate Governance which includes certain recommendations from the Higgs' Review of the Role and Effectiveness of Non-Executive Directors (the "Higgs Review") and the Smith Report on Audit Committees Combined Code Guidance (the "Smith Report").This Report sets out how the Company applies the 2003 Revised Combined Code, with which it has been largely in compliance, during the year. It is the Company's intention to achieve full compliance with the 2003 Revised Combined Code, or justify any exceptions, during 2004.

The Board and its Directors

The Board currently comprises nine Directors: Kevin Beeston, Margaret Ford, Ralph Hodge, Christopher Hyman, Andrew Jenner, Rhidian Jones, DeAnne Julius, David Richardson and Iestyn Williams. Excluding the Chairman, the Board comprises five Non-Executive and three Executive Directors. This will be reduced to four and two respectively following the retirement of Iestyn Williams and Rhidian Jones on 31 March and 30 April 2004.

The Company continues to believe in the need for a full time Executive Chairman who is responsible for the effective operation of the Board, oversight of corporate governance and assurance activities, and the Company's relationship with the City and key stakeholders. This role is distinct from that of the Chief Executive who focuses on the operational strategy and delivery of the business. Job specifications are in place for both the Executive Chairman and the Chief Executive defining their roles and responsibilities. The Directors' profiles are set out on pages 73 and 74.

The Board believes that all the Non-Executive Directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. They bring a wide range of experience to the Board including international business operations, strategy, human resources and economics. The senior Non-Executive Director is Rhidian Jones. Rhidian has met with shareholders in the past, upon request, and continues to be available to do so as required. As announced in the 2002 Annual Report, Rhidian Jones will be retiring in April 2004. It has been agreed by the Board that DeAnne Julius will be appointed Senior Non-Executive Director following Rhidian's retirement. David Richardson will replace Rhidian as Chairman of the Audit Committee. As Finance Director of a FTSE 100 Company, the Board believes that David has the relevant financial experience to chair this Committee as recommended by the Higgs Review. The Non-Executive Directors meet on an informal basis during the year without the presence of the Executive Directors. The Non-Executive Directors are initially appointed for a three-year term.

During the year the Board met six times, on four occasions for two days at a time, at varying locations, and took the opportunity to combine the formal business of the Group with site visits and divisional presentations and discussions. During the year a strategy review was held, hosted by the Executive Chairman, and attended by the Board and key senior managers of the Group.

There is a formal schedule of matters reserved for the Board including the responsibility for leading and directing the affairs of the Group. This schedule together with the terms of reference for the Board Committees were reviewed and revised by the Board in November in light of the 2003 Revised Combined Code.

The Board and its Directors (continued)
During the year each Director completed an evaluation questionnaire, the results of which were discussed at the Board Meeting in November 2003. There were no material matters arising, although a small number of minor procedural improvements have been effected. The Chairman also held meetings with individual Directors to discuss the operation and performance of the Board. A further review will be undertaken during 2004. The Senior Non-Executive Director met with the Executive Chairman to evaluate his performance as Chairman of the Board.

During the year Kevin Beeston was appointed as a Non-Executive Director of Ipswich Town Football Club PLC. The Board are fully supportive of his role and consider that the time commitment required will not significantly impact his position in the Company. The role is non-fee earning. Iestyn Williams also holds a number of Non-Executive positions including Non-Executive Deputy Chairman of V Holdings Ltd. As Iestyn has a part time role with the Company, his Non-Executive roles are undertaken in his own time. He retains the fees earned from these positions.

All Directors have access to the Company Secretary and independent professional advice at the Company's expense. The Company Secretary has the responsibility for ensuring that Board procedures are followed and for advising on governance matters. The appointment and removal of the Company Secretary is one of the matters reserved for the Board. The Company Secretary is also Secretary to all the Board Committees and responsible for operation of the Group's whistle-blowing procedure. The information provided to the Board is reviewed by the Chairman and the Company Secretary on a regular basis, to ensure that it remains appropriate, timely and adequate and enables the Directors to discharge their duties. The information provided to the Board was assessed as part of the Board evaluation process.

In accordance with the Company's Articles of Association, one third of the Board are required to retire by rotation each year so that over a three-year period all Directors will have retired from the Board and stood for re-election. The Directors are proposing to adopt new Articles of Association at the Company's Annual General Meeting in April 2004. One of the changes to the Articles will be to replace the requirement that the Directors retire by rotation, with a requirement that a Director must retire at an annual general meeting (but be eligible for re-appointment) if he has held office for more than 30 months (as at the date of the notice convening the meeting) since he was appointed or last re-appointed. This change is intended to align the Articles more closely with the requirements of the 2003 Revised Combined Code.

Board Committees
The Board has delegated authority to a number of committees to deal with matters in accordance with written terms of reference. The terms of reference were reviewed and revised in November 2003 to take account of the 2003 Revised Combined Code. The Chairmen of the Board Committees attend the Annual General Meeting to answer questions from shareholders.

The Terms of Reference for the Board Committees are displayed on the Company's website www.serco.com.

Board Committees (continued)
As required by the 2003 Revised Combined Code, detailed below are the members, meetings and attendance records for the Board and each of the following Committees: Audit, Nomination and Remuneration. Reports of the Audit and Remuneration Committees have also been provided.

Name	Board	Audit	Nomination	Remuneration
Kevin Beeston	C		C	
Margaret Ford	X	X	X	X
Ralph Hodge	X		X	C
Christopher Hyman	X			
Andrew Jenner	X			
Rhidian Jones	X	C	X	
DeAnne Julius	X	X	X	X
David Richardson	X	X	X	X
Iestyn Williams	X			
Number of Meetings	6	3	3	5
Apologies for Absence	0	0	0	0

C = Chairman X = Member

The Audit Committee
The Audit Committee is currently chaired by Rhidian Jones. David Richardson will chair this Committee following Rhidian's retirement. The terms of reference for the Audit Committee were updated during the year to take into account the recommended changes of the 2003 Revised Combined Code which incorporates certain of the recommendations of the Smith Report. In accordance with best practice the Committee has produced a report on its activities during the year, which can be found below;

Report of the Audit Committee
The Audit Committee met three times during the year. At the meetings, attended by the internal and external auditors and, by invitation, the Finance Director, matters relating to the integrity of the financial statements of the Company, the accounting policies adopted, significant financial reporting judgements made and the role of the internal auditors were discussed. During the year the Committee held discussions regarding the business risk auditing activities undertaken by the Company's internal audit providers, Grant Thornton. Members of the Committee have received updates on accounting standards and generally accepted accounting principles on a quarterly basis as part of the Finance Director's Report to the Board, and also on a half-yearly basis from the external auditors. Early in the year the Committee considered and approved a policy in relation to the provision of audit and non audit services by Deloitte & Touche LLP ("Deloitte") and other financial advisers. Financial limits were set in relation to services provided and these have been monitored during the year by the Committee. Deloitte provide other services to the Group such as tax advice and technical advice in relation to accounting for new bids where appropriate. Non-audit work is subject to a tender process as required, and as a result work has been undertaken during the year by a number of other firms including Ernst & Young LLP and KPMG. The Committee also considered and approved the annual audit fee for Deloitte.

Report of the Audit Committee (continued)
The independence, objectivity and effectiveness of the external auditors has been examined by the Committee and discussions held regarding their terms of engagement, remuneration and proposal for partner rotation. The Committee has met with both the internal and external auditors without the presence of the Executive Directors.

In accordance with the 2003 Revised Combined Code, the Committee has considered and approved a formal whistleblowing policy and procedure for implementation around the Group. Updates will be provided to the Committee in relation to this matter.

The Committee recommended to the Board that Deloitte be proposed for re-appointment at the forthcoming Annual General Meeting. This recommendation has been accepted and will be proposed to Shareholders.

The Nomination Committee
The Nomination Committee is chaired by Kevin Beeston, and met three times during the year. Matters considered included the appointment of Non-Executive Directors, succession planning and crisis management for the Board. The recruitment process was undertaken using an external consultancy and formal terms of reference. The successful candidates were met by all members of the Board prior to appointment. Consideration was given to the skills, knowledge and experience desired by the Board and the need to ensure an effective and balanced Board. The existing commitments of the candidates were also discussed to ensure sufficient time was available to undertake their duties as a Director of the Company.

The Remuneration Committee
The Remuneration Committee is chaired by Ralph Hodge. The Committee met five times during the year to deal with matters relating to remuneration for Executive Directors. The Remuneration Report is set out on pages 77 to 87. The Committee also considered the policy and framework of remuneration for senior executives within the Group. The remuneration of these executives is considered and approved by the Remuneration Committee of the Global Management Board ("GMB"), which comprises the Executive Chairman, Chief Executive and Chief Operating Officer and is advised by the Human Resources ("HR") Director. The quorum of the Committee being any two of the members.

There are three further committees of the Board, details of which are provided below:

The Approvals and Allotment Committee
This Committee meets on an as required basis and comprises the Executive Directors with any two forming a quorum, except in relation to the exercise of share options when the Company Secretary and any one Director can constitute a quorum. The business of the Committee is varied and ranges from bid approval to approval to the releasing of share options. This Committee also considers matters requiring formal approval following discussion by the GMB. The Committee forms a key part of the Group's internal controls and acts to facilitate and authorise the operations of the business at a certain level on a day-to-day basis. The level of authority delegated to this Committee is reviewed on an annual basis.

The Global Management Board
The Board has delegated responsibility for the day-to-day management of the business to the GMB. The GMB meets formally on a quarterly basis and more frequently if required. The GMB is made up of a number of senior managers within the business and includes three of the Executive Directors. Matters discussed by the GMB which require formal approval are submitted to the Board or the Approvals and Allotment Committee, details of which are provided above. Further details relating to the ongoing management of the business can be found in the Annual Review section of the Accounts.

The Training and Development Committee
The Training and Development Committee comprises Margaret Ford, Christopher Hyman, Ralph Hodge, Rhidian Jones, DeAnne Julius and is chaired by Iestyn Williams. Following Iestyn's retirement, Kevin Beeston will take over as Chairman of this Committee. The Committee met once during the year to consider the training needs of all Directors and the Company Secretary. The induction programme for new Directors provides a comprehensive familiarisation programme including the role of the Board and its Committees, the Group's corporate governance framework and latest financial statements, together with site visits and meetings with senior management around the Group. New Non-Executive Directors have attended full induction programmes as determined by the Committee. All Board members are encouraged to attend training courses at the Company's expense.

The Company and its Shareholders
The Board remains committed to ongoing dialogue with its institutional and private shareholders. This year has seen the continuation of the Company's programme of site visits and strategy presentations attended by institutional investors and analysts designed to facilitate a greater understanding of the Group.

Formal presentations are made to institutional investors and brokers' analysts after the release of the interim and final results. Further requests for individual meetings are considered on a case-by-case basis. Two Non-Executive Directors attended a site visit and strategy visit respectively with institutional investors and analysts during year. An Investor Relations Report is presented to the Board on a quarterly basis, which ensures the Directors have a clear understanding of the views of investors and brokers.

During the year the Company continued its on-line communication with a webcast of the interim results presentation and an online radio broadcast for staff. An open conference call for investors was also provided. In addition to the Interim and Preliminary Results announcements, the Company has introduced two further trading updates during the year.

The principal methods of communication with private investors remains the News Announcements, Interim Report, the Annual Review and Accounts, the Annual Review and Summary Financial Statement, the Annual General Meeting and the Company's website www.serco.com.

The Company's website, www.serco.com was substantially improved and updated during 2003. The new site includes an area specifically tailored for investors including information such as the Terms of Reference for all the Board committees and information on voting at the last Annual General Meeting. It also has a link directly to our Registrars to enable Shareholders to view their shareholding on line.

Internal Control and Risk Management
The Group has a well-established and embedded system of internal control, including financial, operational and compliance controls and risk management designed to safeguard shareholders' investments and the Group's assets and reputation. Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it is the role of management to implement the policies on risk and control. The Group's risk management process identifies the key risks facing each business and reports to the Board on how those risks are being managed. The Board confirms that this process has been in place for the year under review and up to the date of approval of the Annual Report. These processes are reviewed annually by the Board and conform to the requirements of the 2003 Revised Combined Code on Corporate Governance. Such a system, however, can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute assurance, against misstatement or loss.

Internal Control and Risk Management (continued)
The Corporate Assurance Group ("CAG") has the responsibility to oversee and review the internal control and risk policies, procedures and management framework within the Group and to develop guidance, training material and management training to ensure the current and future needs of the business are met. CAG reports to the Board on a quarterly basis providing analyses of performance against previously established assurance targets, and also advises the Board regarding policy and future activities to enhance best practice around the organisation.

The CAG sponsors four specialist Groups:

- An Assurance Network Group, chaired by the Assurance Director, and comprising senior assurance representatives from across the Group. During the year, this group met four times to review policy and procedures, and the development, integration and dissemination of the Serco Management System that defines how the Group operates.

- A Risk Oversight Group, chaired by the Risk Director, comprising members from across the Group, met twice during the year to review the Group risk register and key risk controls. This group provides additional assurance in relation to the system of internal control and risk management and enhances the Board's ability to discharge its responsibilities in relation to internal control.

- An Aviation Safety Oversight Group, chaired by the Aviation Safety Director, and comprising the aviation safety representatives from across the Group, met twice during the year. This group has been responsible for the implementation of the aviation safety management system across the Group and for transferring best practice between Serco's aviation operating companies.

- A Rail Safety Oversight Group, chaired by the Rail Technical Director of the Integrated Transport division, and comprising the rail safety representatives from across the Group was established in 2003 to oversee safety management systems within Serco's rail businesses in the United Kingdom, Denmark and Australia.

The Serco Management System provides the framework within which the business divisions and their operating companies have implemented processes and procedures in ways that are appropriate to the type of business being undertaken. Divisional Chief Executives and company Managing Directors have the responsibility and authority to implement the system and monitor its operation within their businesses. As part of the Serco Management System, a set of policies have been authorised by the Board and supporting standards, guidance and training material have also been produced. A risk management standard defines the processes that are required at each level in the organisation in order to manage the threats to the achievement of our business objectives. Risk registers are maintained at a contract, company, divisional and Group level and are reviewed at least quarterly and more frequently as required. The risk registers identify the key risks, the probability of those risks occurring, their potential impact and the actions being taken to mitigate the risks. Risks are ranked using a consistent scoring system across the business. The Group risk register identifies the key risks facing the business including risks that are managed directly at a Group level. The Group risk register is updated regularly and discussed at quarterly Board meetings. Each Group risk is assigned an owner at Board level.

Internal Control and Risk Management (continued)
While operational risk can never be eliminated, the Group endeavours to minimise the impact by ensuring that appropriate infrastructure, controls, systems, staff and processes are in place. Some of the key management and control techniques are set out below:

- The principles of clear delegation of authority and segregation of duties are fully reflected in the Group's operating processes;
- Comprehensive business review processes ensure that our services and products meet customer expectations, performance criteria, operational effectiveness, regulatory requirements, investment returns and profitability;
- An Investment Committee meets on a monthly basis to consider new projects against a defined set of investment criteria. Projects can then be submitted to the GMB for consideration as a group key target and allocation of appropriate resource from across the Group;
- There is a formal review and approval process for all proposals and business acquisitions including delegated authority for sign-off based on the financial value and capital requirement of the transaction and the assessed risk of the project;
- Sound project management and change implementation disciplines are applied to all major development projects including new contract phase-ins, acquisitions, new technology applications, change programmes and other major initiatives;
- The commitment and capability of staff is critical for the effective management of operational risk. Ongoing training and career development constantly improves the skills of our workforce. Selective recruitment, succession planning and other human resource policies and practices are in place to ensure that staff skills are aligned with the needs of the organisation;
- Safety management systems in the Company's aviation, rail, defence, nuclear and marine businesses have been addressed by the appointment of safety specialists for each area who report directly to the Board and are charged with maintaining and further developing the very high standards of safety expected in these industries. Occupational health and safety and environmental protection are addressed by qualified and experienced staff in each business unit. The Group also outsources support in the area of occupational health to a professional consultancy;
- A programme of internal audits confirms that key controls are in place across the Group's business activities. Audit priorities are established on the basis of risk assessments, regulatory requirements and business imperatives;
- The operational risk framework tracks key risk indicators. These include analysis of business planning and variances, customer satisfaction and retention data, staff turnover and satisfaction levels, occupational health and safety incidents, and error and exception reporting;
- The Group maintains insurance policies to provide protection from losses arising from circumstances such as damage or destruction of physical assets, theft and legal liability for third party loss. The adequacy of the insurance cover is reviewed at regular intervals.

Internal Control and Risk Management (continued)
During 2003, Grant Thornton has continued to provide an internal audit function within the Group. Their programme has been designed to address internal control and risk management processes and the recommendations of the Combined Code. This year Grant Thornton undertook a review of the Group's risk management framework and the quarterly assurance reporting process managed by CAG. Grant Thornton reported to the Audit Committee twice during the year.

In addition to contracts held in Serco's name, the Group has material investments in a number of joint ventures. Where these investments are not wholly owned by Serco, the Group can influence, but not control, management practices. Serco representatives within these companies ensure that the processes and procedures for identifying and managing risk are appropriate for the business and that internal controls exist and are regularly monitored. Employees from the Group's joint ventures are invited to participate in the Assurance Network and the Risk Oversight Group.

Going Concern
The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Review and Accounts.

Compliance during 2003
With the exception of the contractual notice periods for the Executive Directors which were reduced to twelve months following the Annual General Meeting, the Company has fully complied throughout the year with the provisions stated in Section 1 of the Combined Code and believes that it is largely compliant with the proposed Combined Code.

Approved by the Board of Directors and signed on its behalf:

Julia Cavanagh
Secretary

Serco House
16 Bartley Wood Business Park
Bartley Way, Hook
Hampshire RG27 9UY
United Kingdom

2 March 2004

DIRECTORS' REPORT

Annual Review and Accounts
The Directors of the Company have pleasure in presenting the Annual Review and Accounts of the Group for the year ended 31 December 2003.

Activities
The Company is a holding Company, which operates via its subsidiaries and its joint ventures to provide facilities management, systems engineering and equity investment management.

The review of the business for the year ended 31 December 2003 can be found in the Business review on pages 33 to 47.

Share Capital
The authorised and issued share capital of the Company, together with the details of shares issued during the year are shown in Note 22 of the Accounts.

Dividends and Transfers to Reserves
An interim dividend of 0.72p (2002 – 0.64p) per Ordinary Share was paid on 10 October 2003. The Directors recommend a final dividend of 1.62p (2002 – 1.44p) per Ordinary Share, which if approved by shareholders at the Annual General Meeting, will be paid on 12 May 2004, to those shareholders on the register at the close of business on 12 March 2004. After dividends, retained profits of £23,248,000 will be transferred to reserves.

Substantial Shareholdings
At close of business on 1 March 2004 (being the latest practical date prior to the printing of the Directors' Report), the Company had received notifications of the following substantial interests representing over 3% of the issued capital:

HBOS plc – 3.01%
Legal & General Group plc – 3.96%
Morley Fund Management Limited – 4.92%

Following a reduction in the shareholding of Merrill Lynch Investment Managers Limited the Company has received no further notification regarding new material interests representing 10% or more of the issued share capital.

Changes to the Board
The current Directors of the Company are listed on page 60 and their profiles are provided on pages 73 and 74.

As detailed in the 2002 Annual Review and Accounts and the 2003 Interim Report, Iestyn Williams will be retiring as an Executive Director and Rhidian Jones as an Non-Executive Director in March and April 2004 respectively. David Richardson and Margaret Ford have been appointed during 2003 as Non-Executive Directors, and in accordance with the Company's Articles of Association will be subject to election by shareholders at the forthcoming Annual General Meeting.

Directors' Interests
With the exception of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment, there were no contracts in which any Director has an interest.

Details of the Directors' interests in the Ordinary Shares and options over the Ordinary Shares of the Company are set out in the Remuneration Report on pages 82 to 84.

Annual General Meeting
The seventeenth Annual General Meeting of the Company will be held at the Queen Elizabeth II Conference Centre, London on 30 April 2004 at 11.00am.

The Notice of the Annual General Meeting, together with relevant notes and proxy card are circulated with this document.

Employment Policies
The Board is committed to maintaining a working environment where staff are individually valued and recognised.

The Group is committed to ensuring equal opportunity, honouring the rights of the individual and fostering partnership and trust in every working relationship. We maintain a safe working environment that provides appropriate remuneration and benefits, training, personal development and compliance with employment laws and regulations of the countries within which we operate. The Group recognises the United Nations Universal Declaration of Human Rights and implements appropriate policies and processes to meet the requirements of the declaration. The Group is also committed to the creation of diverse teams, placing diversity at the heart of business performance. The launch of an e-recruitment facility will assist in tracking the diversity of applicants, and the benchmarking of employment policies against the best in class will enable the Group to drive forward best practice in this area.

The Group remains proud of its record of managing employee relations and continues to believe that the structures of individual and collective consultation and negotiation are best developed at a local level. Over the years the Company has demonstrated that working with trade unions and creating effective partnerships allows improvements to be delivered in business performance as well as terms and conditions of employment. Where employees choose not to belong to a trade union, employee communication forums such as works councils exist to ensure involvement of staff within the business.

The Board understands its responsibility to encourage and assist in the employment, training, promotion and personal career development of all employees.

The Group gives full consideration to applications for employment, career development and promotion, received from the disabled and offers employment when suitable opportunities arise. If employees become disabled during their service with the Group, wherever practicable, arrangements are made to continue their employment and training.

Participation by staff in the success of the Group is encouraged by the availability of sharesave schemes, and a share option scheme for senior management which effectively aligns their interests with those of shareholders by requiring that performance criteria are achieved prior to exercise. Following the success of two previous sharesave schemes, the Company is offering all eligible staff the opportunity to participate in a further sharesave scheme in March 2004.

Health, Safety and Environmental Policies
The Group recognises and accepts its responsibility for health, safety and the environment ("H,S&E"). A full time Director of Health, Safety and Environment, a member of the Corporate Assurance Group ("CAG"), is responsible for the development and monitoring of H,S&E policies, procedures and control systems and reports to the Board via the Executive Chairman. The Executive Chairman is the Director responsible for H,S&E matters on behalf of the Board. H,S&E is also formally reported to the Global Management Board on a quarterly basis as part of the Corporate Assurance Report. This report consolidates divisional assurance reports that have been reviewed and approved by the respective divisional boards.

The Group is committed to maintaining a safe and healthy working environment in all places that the Group operates, for our staff, our customers, members of the public and any other third party. During the year the UK Health and Safety Executive approached the Company to participate in a collaborative study into the way that it engages with major support services contractors. As part of the study it provided an independent review of our health and safety commitment, systems and processes. The report provided confirmation of the Group's commitment to the principles of effective health and safety management. A number of recommendations were made which are being actioned and form part of our safety strategy for 2004. The Group recognises that it is everyone's responsibility for reducing injury and illness at work. Equally the Group is committed to the protection of the environment, recognising everyone's responsibility for minimising the impact that we have on it. This commitment extends to all our activities, wherever they take place, which have the potential to adversely affect the environment. The Group aims to reduce environmental harm, minimise the use of energy and other resources, and ensure that the principles of sustainable development are operated throughout the range of activities in which we are engaged.

CAG is supported by dedicated H,S&E teams in Serco Business Services, divisional support offices and in contracts, which provide advice and support on H,S&E issues. All employees share responsibility for continuously improving the Group's performance in relation to H,S&E management.

Regular H,S&E meetings are held and representatives from the operating divisions attend quarterly Assurance Network meetings.

In order to maintain a high level of H,S&E awareness, great emphasis is placed on training both in relation to specific H,S&E matters and also in the overall context of assurance within the Group.

Serco has been committed to addressing issues of work related ill-health over many years and has established occupational support across the business. Our aim is to provide a working environment where the health of our employees is not affected by the work that they undertake. Our occupational health providers support management in their efforts to identify and prevent work related illness and provide support and guidance about health problems at work. They also provide health surveillance where appropriate and assist in issues such as absence from work and supporting the Group's programme of encouraging individuals back to work where possible.

Creditor Payment Policies
The Company requires each of its business units to negotiate and agree terms and conditions for payment for the supply of capital and revenue items just as keenly as they negotiate prices and other commercial matters. Suppliers are made aware of the terms and the way in which disputes are to be settled. Payment is then made in accordance with those terms.

The Group's average creditor payment terms in 2003 were 26 days (2002 – 29 days); Company 26 days (2002 – 29 days).

Donations
Charitable donations totalling £159,395 (2002 – £94,859) were made during the year. During the year the Group introduced a process to capture investment in local communities on a worldwide basis. This measure takes into account cash support, gifts in kind, staff time and management costs, and is based upon the Business in the Community ("BITC") established reporting format. The value of this investment has been calculated as £648,566. This figure equates to 1.2% of the Group's pre-tax profit.

During the year the Company made no political donations and intends to continue with this policy.

The Political Parties and Referendums Act 2000 (the "Act") requires companies to obtain shareholder approval before incurring European Union ("EU") political expenditure. The Group may need, as part of its business, to contact politicians and political parties within the EU on a non-partisan basis in order to make them aware of industry views, technology and trends. As the Act defines EU political organisations and political expenditure widely, the Directors are proposing to seek shareholder authority to incur such expenditure at the forthcoming Annual General Meeting, a similar resolution was passed unanimously by Shareholders in May 2003.

Auditors
Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' PROFILES

Kevin Stanley Beeston FCMA (41) *Executive Chairman*
Since joining Serco in 1985, Kevin has worked in both financial and commercial roles. He was Group Finance Director 1996-1999 and Chief Executive 1999-2002, becoming Executive Chairman in May 2002. He is a member of the CBI's President's Committee, Deputy Chairman of the CBI's Public Services Strategy Board, a council member of Business in the Community, and a non-executive director of Ipswich Town Football Club.

Margaret Anne Ford MA MPhil (46) *Non-Executive Director*
Margaret joined Serco as a Non-Executive Director in October 2003. Margaret is the Chairman of English Partnerships, the national regeneration agency, a non-executive director of Thus plc and of Good Practice Ltd, the publishing company that she founded. She spent her early career in a variety of roles either in the public sector or as an adviser to government and is a specialist in leadership development, culture change and public sector reform. From 1997-2000 she was Chairman of Lothian Health Board and from 2000-2003 was a non-executive director of Ofgem.

Ralph Noel Hodge CBE BEng (Hons) (69) *Non-Executive Director*
Ralph joined Serco as a Non-Executive Director in April 1999 and chairs the Board's Remuneration Committee. He is Chairman of the Water Research Council and a non-executive director of British Ceramic Tiles and ORC (Inc). He was previously non executive Chairman of Enron Europe, Chief Executive of ICI Chemicals and Polymers and a non-executive director of the Halifax Building Society.

Christopher Rajendran Hyman CA (SA) (40) *Chief Executive*
Christopher joined Serco in 1994 as Finance Director for Serco Europe. He was appointed Group Company Secretary with additional responsibility for corporate finance in 1996, and Group Finance Director in April 1999. In 2000 he took additional responsibility as Chief Executive of a new division, Serco Global Projects, and he has been instrumental in developing new processes and capabilities at the leading edge of our activities. He became Chief Executive in May 2002.

Andrew Mark Jenner ACA (35) *Finance Director*
Andrew joined Serco in 1996 as Group Financial Controller, having previously worked for Unilever. He became Corporate Finance Director with additional responsibility for Treasury activities in 1999 and Group Finance Director in May 2002. Andrew shares with the Executive Chairman responsibility for our relationship with Shareholders and the City.

Rhidian Huw Brynmor Jones MA FCIS FCMI (60) *Senior Non-Executive Director*
Rhidian became a Serco Non-Executive Director in 1996, having previously served on the Board 1987-1994. He is Chairman of the Board's Audit Committee. He is an experienced corporate finance lawyer and was Head of the Corporate Department of solicitors Nabarro Nathanson until retiring from that firm in May 2002. Before training as a solicitor at Herbert Smith he worked in commerce and industry, including seven years in a senior finance and property role at Granada. He is a policy adviser on company law to ICSA and was formerly non-executive Deputy Chairman of Britannia, the UK's second largest building society. Rhidian will be retiring from the Board on 30 April 2004.

DeAnne Shirley Julius CBE PhD (Econ) (54) *Non-Executive Director*
DeAnne joined Serco as a Non-Executive Director in October 2001. She is Chairman of the Royal Institute of International Affairs and sits on the Court of the Bank of England, having been a founder member of its Monetary Policy Committee 1997-2001. She has held senior strategy positions with British Airways and Royal Dutch Shell, and spent seven years with the World Bank developing infrastructure projects in Asia and Africa. She is a non-executive director of Lloyds TSB, BP and Roche. DeAnne will be taking over as Senior Non-Executive Director from May 2004.

DIRECTORS' PROFILES

David Hedley Richardson BSc FCA (52) *Non-Executive Director*
David joined Serco as a Non-Executive Director in June 2003 and will chair the Board's Audit Committee from May 2004. He is currently Finance Director of Whitbread PLC, where his previous roles in a 20-year career have included eight years as Strategy Director; he was instrumental in transforming Whitbread from a brewing and pubs company into a market leader in hotels, restaurants and leisure clubs.

Iestyn Milton Williams BA (52) *Executive Director*
Iestyn joined RCA in 1978, becoming Serco's Personnel Director after the management buyout in 1987. In 1995 he was involved in building the business in Asia Pacific and later spent two years as Chairman of Serco North America before returning to the UK in 1998. Since then he has been developing new business activities, first in Continental Europe and latterly in the education sector. Iestyn is non-executive chairman of Senad Group Ltd, non-executive deputy chairman of V Holdings Ltd and non-executive director of Law at Work. He is also a Governor of a local school. Iestyn has announced that he will be retiring from the Board of Serco Group plc at the end of March 2004.

Approved by the Board of Directors and signed on its behalf:

Julia Cavanagh
Secretary

Serco House
16 Bartley Wood Business Park
Bartley Way
Hook
Hampshire
RG27 9UY

2 March 2004

With thanks to Merseyrail Electrics

Julia Cavanagh
(Company Secretary)

David Richardson

Iestyn Williams

Ralph Hodge

Margaret Ford

Kevin Beeston

Andrew Jenner

DeAnne Julius

Christopher Hyman

Rhidian Jones

DIRECTORS' RESPONSIBILITIES

Company Law requires the Directors to prepare Accounts and Notes for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those Accounts and Notes the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards have been followed.

The Directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Accounts and Notes comply with the Companies Act 1985. They are also responsible for the Company's system of internal control, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on its behalf:

J Cavanagh

Julia Cavanagh
Secretary

Serco House
16 Bartley Wood Business Park
Bartley Way
Hook
Hampshire
RG27 9UY

2 March 2004

REMUNERATION REPORT

Introduction

The following report details the remuneration policy, and the actual remuneration of the Directors of the Company for the year ended 31 December 2003, as determined by the Committee and adopted by the Board. In preparing this report, consideration has been given to the provisions set out in Schedule B of the Combined Code and the requirements for the disclosure of Directors' remuneration under the Directors' Remuneration Report Regulations 2002. Reference has also been made to the 2003 Revised Combined Code, which incorporates certain recommendations from the Higgs Review where it is deemed appropriate.

Following extensive review of Executive Directors' remuneration during 2002 and as detailed in last year's Remuneration Report, resolutions relating to the introduction of a deferred bonus scheme for Directors and changes to the performance criteria for the Long Term Incentive Scheme and Executive Option Plan were presented to Shareholders at the Company's Annual General Meeting on 6 May 2003. These resolutions were all passed and the changes effected during the year.

Composition and Terms of Reference of the Remuneration Committee

The Committee is currently comprised of four independent Non-Executive Directors; Margaret Ford, DeAnne Julius, David Richardson and Ralph Hodge (Chairman). It operates in accordance with written terms of reference, which are determined by the Board and take into account best practice and the requirements of the Combined Code. The Executive Chairman and the Group Human Resources Director ("HR Director") may attend the Committee meetings by invitation.

During the year the terms of reference for the Committee were reviewed and revised in light of the changes to the Combined Code and approved by the Board in November 2003.

Advisers to the Remuneration Committee

During the year, the Committee has been advised by the HR Director and Mercer Human Resource Consulting ("Mercer"). As part of the annual remuneration review process, Mercer undertook a benchmarking exercise on behalf of the Committee, of remuneration packages for individual Executive Directors based on current market trends. Mercer also provides advice to the Trustees of the Serco Pension and Life Assurance Scheme.

Advice in respect of employee share plans has been provided to the Committee by Ernst & Young LLP. Ernst & Young has also provided advice to the Company in the areas of company secretarial compliance, governance, bid modelling and treasury matters.

Remuneration Policy and Practice

The members of the Committee met five times during the year to consider matters relating to the remuneration of Executive Directors as well as the terms and conditions of their service with the Company. As detailed in the 2002 Remuneration Report, notice periods for Executive Directors have been reduced to 12 months during the year.

Executive Directors' remuneration comprises a combination of short and long term rewards as explained below and then detailed on pages 82 to 87. The Committee recognises the importance of maintaining an appropriate balance between those elements of remuneration which are fixed versus variable, and incentives which are short term versus longer term. The split of remuneration between salary and bonus and long term incentives for Executive Directors is currently estimated to be 60:40.

1 Salaries and Benefits

Base Salary
Base salary levels for full time Executive Directors were reviewed in September 2003 following an external benchmarking exercise undertaken by Mercer against a peer group of 12 companies.

Bonus Schemes
As explained in the Remuneration Report last year, the Committee recommended to the Board that the Company introduce a deferred bonus scheme for full time Executive Directors, this was approved by Shareholders at the Annual General Meeting in May 2003 and implemented for the year ended 31 December 2003.The maximum value of this bonus is 40% of base salary and will be awarded on the basis of the Company's earnings per share growth before FRS 10 ("EPS") in comparison to RPI. Participants can elect to defer, for three financial years, up to 100% of the bonus earned to purchase shares in the Company. The shares purchased will be matched by the Company if stretching performance targets are met. Details of the relevant performance conditions are provided in the Performance Criteria section below.

As described in 2002, the Remuneration Committee approved an interim cash only bonus plan for the financial year 2002 for full time Executive Directors. This bonus was paid during 2003 and 50% of the net proceeds were used by each of the relevant Directors to acquire further shares in the Company.

2 Share Based Incentives

Long term share based incentives are awarded to Executive Directors under the Serco Group plc 1996 Long Term Incentive Scheme (as amended on 5 April 2000) (the "LTIS") and the Serco Group plc 1998 Executive Option Plan (the "EOP"). The performance conditions relating to the schemes are detailed in the Performance Criteria section below. The Company complies with the ABI guidelines in relation to the granting of no more than 10% of share capital for employee share schemes in any 10-year period.

Long Term Incentive Scheme ("LTIS")
Awards made under the LTIS, which are structured as options with a zero exercise price, may be exercised after the third anniversary of grant once confirmation has been received from the auditors regarding the achievement of the performance criteria. Awards made to Executive Directors are calculated at 64% of salary at the time of grant.

For awards made in relation to performance periods commencing up to and including 1 January 2002, the extent to which an award vests (and therefore becomes exercisable) is measured by reference to growth in the Company's EPS over the performance period of three financial years. For awards granted after 1 January 2003 achievement of the performance criteria is measured by reference to the Company's total shareholder return performance. Details relating to both measures are detailed in the Performance Criteria section below.

Except in exceptional circumstances awards must be made to employees prior to the commencement of the performance period to which they relate.

2 Share Based Incentives (continued)

Executive Option Plan ("EOP")
Options granted under the EOP may be exercised after the third anniversary of grant, dependent upon the achievement of a financial performance target over three years. The options are granted at market value and awards made to Executive Directors are based on 100% of salary as at 31 December prior to grant. For grants made in relation to performance periods commencing up to and including 1 January 2002, the extent to which an option vests (and therefore becomes exercisable) is measured by reference to the growth in the Company's EPS.

For awards granted after 1 January 2003, achievement of the performance criteria is measured by reference to the Company's EPS performance relative to RPI. Details relating to both measures are detailed in the Performance Criteria section below.

Performance Criteria
Prior to Shareholder approval at the Annual General Meeting in 2003, the Company's share based incentives were based on EPS growth targets, this being regarded as best practice at the time of implementation. Following the extensive review of remuneration undertaken in 2002, resolutions were put to Shareholders to introduce varied performance targets for bonus schemes and share plans: the details of these changes are provided below. Whilst it is recognised that no single target provides an acceptable performance measure for all investors, the Company believes that the portfolio of targets measuring achievement against both earnings per share and total shareholder return provides a balanced approach for investors returns and is appropriate for the business.

i) **Earnings per Share ("EPS")**
As detailed above, prior to 2003 the performance criteria for both the LTIS and EOP were measured against absolute EPS growth. For LTIS grants made in relation to performance periods commencing prior to 1 January 2003, full vesting will only occur if the cumulative EPS growth over the three year performance period is at least 64%; awards will partially vest where the cumulative EPS growth is at least 35% and will continue to vest on a straight line basis for each percentage increase in EPS growth over the three year period until full vesting is achieved. For LTIS grants made in relation to periods commencing from 1 January 2003, the performance target is measured against total shareholder return, as detailed below.

For EOP grants made in relation to performance periods commencing prior to 1 January 2003, if compound growth in EPS is more than 15% all of the options may be exercised; if the annual compound growth in EPS is less than 10%, none of the options may be exercised. For a compound growth in EPS of between 10% and 15% a proportion of the options may be exercised. As detailed below the performance criteria for EOP remains growth in EPS, however the measurement is now against RPI rather than an absolute growth requirement. With effect from 2003, the Deferred Bonus Scheme and EOP measure the achievement of the Company's EPS growth against the Retail Price Index ("RPI"). For the bonus scheme EPS growth is measured over the financial year, whilst for the EOP the measurement is compound growth over the performance period of three financial years.

For both schemes the maximum award is achieved when EPS growth reaches RPI + 10%. No award is achieved if EPS growth is less than RPI + 5%. For an EPS growth between RPI + 10% and RPI + 5% the bonus will reduced from 40% to 20% on a straight line basis. The equivalent EPS performance under the EOP will reduce the level of vesting from 100% to 40% on a straight line basis. The use of EPS growth versus RPI, provides a measure of the real growth in the Company's EPS.

2 Share Based Incentives (continued)

ii) Total Shareholder Return ("TSR") and the FTSE 350

The LTIS and deferral element of the Deferred Bonus Scheme measure the achievement of the Company's TSR against that of the constituent companies of the FTSE 350 immediately prior to the start of the performance period. TSR is defined as the return shareholders would receive if they hold a notional number of shares, and receive dividends on those shares over a three year performance period. It measures the percentage growth in the Company's share price together with the value of any dividends paid, assuming the dividends are re-invested into the Company's shares.

For both schemes the maximum award is achieved when the Company's TSR performance is in the top quartile with no award vesting for below median performance. For top quartile performance 100% of the LTIS vests and a maximum one for one share matching occurs under the Deferred Bonus Scheme; for median performance 40% of the LTIS vests and a one for two share matching occurs. Between median and upper quartile performance, LTIS vesting increases from 40% to 100% and share matching increases from one for two, to one for one, both on a straight line basis.

TSR performance is being measured against the FTSE 350 as the Company has been unable to identify a large or appropriate enough peer group against which to compare its performance more directly. The Company also remains in the middle of the FTSE 350. The relevance of measuring performance against this group of companies was reviewed during the year and the Committee continues to believe this is correct for the business.

3 Pensions and Life Assurance

The Executive Directors receive pension and life assurance benefits consistent with those provided by other leading companies. The details of the defined benefit schemes operated by the Group are set out in Note 33 to the accounts. In the event of death in service, each scheme provides for a lump sum payment as well as a dependant's pension.

4 Service Contracts and Compensation

Each Executive Director has a rolling service contract with the Company and these service contracts will be available for inspection prior to the start and after the Company's Annual General Meeting. The service contracts were amended during 2003 to reflect a reduction in notice period from 24 months to 12 months, thereby bringing all Executive Directors' notice periods into line.

Under the new service contracts for Executive Directors the Company reserves the right to make a payment in lieu of notice. In addition, where a Director leaves the Company following a change of control, either because he is dismissed or he elects to leave on notice, he will be entitled to receive a payment equivalent to up to one year's remuneration. The service contracts do not provide for termination payments to be made in any other circumstances.

There have been no payments made during the year in relation to compensation for loss of office.

4 Service Contracts and Compensation (continued)

A summary of details relating to each Director who served during the year is provided below:

Name of Director	Date of appointment to the Board	Date of contract/ letter of appointment	Un-expired term and notice period at 31 December 2003
Executive Directors:			
K S Beeston	29 February 1996	21 July 2003	Rolling contract with 12 months notice period
C R Hyman	1 April 1999	21 July 2003	Rolling contract with 12 months notice period
A M Jenner	3 May 2002	21 July 2003	Rolling contract with 12 months notice period
I M Williams	12 September 1986	1 April 1999	Will be retiring on 31 March 2004
Non-Executive Directors:			
M A Ford	8 October 2003	8 October 2003	34 months
R N Hodge	5 April 1999	15 January 2003	15 months
R H B Jones	17 June 1996	1 September 2002	Will be retiring on 30 April 2004
D S Julius	29 October 2001	29 October 2001	10 months
D H Richardson	2 June 2003	2 June 2003	29 months

Note: Non-Executive Directors have a three-month notice period and no compensation or other benefits are payable on early termination.

Non-Executive Directors

The Non-Executive Directors of the Company are initially appointed for a three-year term, and that appointment may be terminated on three months written notice. Renewal of appointments is not automatic, and Non-Executive Directors are required to retire and stand for re-election in accordance with the Company's Articles of Association.

As at 31 December 2003, the Non-Executive Directors of the Company have no personal financial interest in the matters determined by the Committee, there are no conflicts of interest arising from cross-directorships and no involvement in the day to day running of the Group.

The fees and terms of engagement of Non-Executive Directors are reviewed on an annual basis and approved by the Board. Following the publication of the Higgs Review, the Board approved the payment of £5,000 per annum to the Chairmen of the Audit and Remuneration Committees with effect from 1 June 2003. The Board does not believe that the partial payment of fees in shares is appropriate and will therefore continue to make cash-only payments. Non-Executive Directors' fees are not performance-related.

1 Directors' Remuneration

The Remuneration of the Directors for the year was as follows:

Names	Note	Total basic salary £	Fees £	Bonuses £	Total estimated value of any other non-cash benefits £	Total remuneration excluding pensions 2003 £	Total remuneration excluding pensions 2002 £
K S Beeston	4,5	395,000	–	166,000	25,522	586,522	555,453
M A Ford	1	–	7,785	–	–	7,785	–
R N Hodge		–	35,500	–	–	35,500	37,125
C R Hyman	4,5	395,000	–	166,000	25,540	586,540	588,261
A M Jenner	2,4,5	238,000	–	100,800	25,700	364,500	252,880
R H B Jones		–	35,500	–	–	35,500	30,125
D S Julius		–	32,583	–	–	32,583	30,125
D H Richardson	1	–	19,250	–	–	19,250	–
I M Williams	3,5	190,500	–	–	26,466	216,966	211,286
Total		1,218,500	130,618	432,800	103,228	1,885,146	1,705,255

Notes:

1 D H Richardson and M A Ford were appointed on 2 June 2003 and 8 October 2003 respectively.

2 A M Jenner was appointed as Finance Director on 3 May 2002.

3 I M Williams has worked for the Company on a part time basis with effect from April 2002.

4 The bonuses shown include performance bonuses earned in the period under review, but not paid in the financial year.

5 The value of the non-cash benefits relates to the provision of a car allowance and private healthcare.

This section has been audited by Deloitte.

2 Directors' Shareholdings

The Directors' interests in the shares of the Company were as follows:

	Ordinary Shares of 2p each fully paid 1 January 2003	Ordinary Shares of 2p each fully paid 31 December 2003
K S Beeston	106,520	161,081
M A Ford	0*	0
R N Hodge	2,010	2,010
C R Hyman	29,394	84,330
A M Jenner	9,529	42,265
R H B Jones	55,000	65,000
D S Julius	5,000	15,000
D H Richardson	0*	10,000
I M Williams	2,387,323	1,387,323

* at date of appointment

3 Share-based Incentives

The total share options granted to each person who has served as a Director of the Company at any time in the financial year are as follows:

i) Serco Group plc 1996 Long Term Incentive Scheme ("LTIS")

		Number of shares under option at 1 January 2003 (or, if later, the date of appointment as Director)	Granted during period	Exercised during period	Lapsed unexercised during period	Number of shares under option at 31 December 2003 (or, if earlier, cessation date as Director)	Exercise price £	Market price at grant £	Value realised on exercise £	Date exercisable	Date of expiry of option
K S Beeston	3 yr award	38,736	–	–	–	38,736	Nil	4.26	–	31.12.02	04.04.10
	3 yr award	51,885*	–	–	–	51,885	Nil	4.90	–	31.12.03	23.11.10
	3 yr award	54,676*	–	–	–	54,676	Nil	4.65	–	31.12.04	15.11.11
	3 yr award	–	185,289*	–	–	185,289	Nil	1.53	–	31.12.05	05.05.13
	3 yr award	–	173,142*	–	–	173,142	–	1.75	–	31.12.06	26.11.13
M A Ford	–	–	–	–	–	–	–	–	–	–	–
R N Hodge	–	–	–	–	–	–	–	–	–	–	–
C R Hyman	3 yr award	32,868	–	–	–	32,868	Nil	4.26	–	31.12.02	04.04.10
	3 yr award	44,474*	–	–	–	44,474	Nil	4.90	–	31.12.03	23.11.10
	3 yr award	46,865*	–	–	–	46,865	Nil	4.65	–	31.12.04	15.11.11
	3 yr award	–	185,289*	–	–	185,289	Nil	1.53	–	31.12.05	05.05.13
	3 yr award	–	173,142*	–	–	173,142	Nil	1.75	–	31.12.06	26.11.13
A M Jenner	3 yr award	–	111,174*	–	–	111,174	Nil	1.53	–	31.12.05	05.05.13
	3 yr award	–	105,138*	–	–	105,138	Nil	1.75	–	31.12.06	26.11.13
R H B Jones	–	–	–	–	–	–	–	–	–	–	–
D S Julius	–	–	–	–	–		–	–	–	–	–
D H Richardson	–	–	–	–	–	–	–	–	–	–	–
I M Williams	3 yr award	32,868	–	–	–	32,868	Nil	4.26	–	31.12.02	04.04.10
	3 yr award	44,474*	–	–	–	44,474	Nil	4.90	–	31.12.03	23.11.10
	3 yr award	46,865*	–	–	–	46,865	Nil	4.65	–	31.12.04	15.11.11
	3 yr award	–	86,628*	–	–	86,628	Nil	1.53	–	31.12.05	05.05.13

*Approximately 14.67% (13.5% for prior year grants) of the options granted under the LTIS represent supplementary options, granted for the sole purpose of compensating participants for agreeing to bear the Company's liability to employers' National Insurance Contributions upon the exercise of the underlying LTIS options. These options can only be exercised in conjunction with and to the extent of the underlying award.

The scheme is an unapproved scheme for Inland Revenue purposes.

No payment was made for the grant of the awards, no awards have had terms varied during the period, and no awards have been exercised by the Directors since the end of the financial year.

The performance criteria to which the exercise of awards under the LTIS is conditional are as set out on pages 78 to 80.

For each share under an LTIS option that is unexpired at the end of the financial year, the market price at the end of the financial year was £1.72 and the highest and lowest market prices during the financial year were £1.92 and £1.055 respectively.

3 Share-based incentives (continued)

ii) Serco Group plc 1998 Executive Option Plan ("EOP")

		Number of shares under option at 1 January 2003 (or, if later, the date of appointment as Director)	Granted during period	Exercised during period	Lapsed unexercised during period	Balance at 31 December 2003	Market price on exercise date £	Exercise price £	Value realised on exercise £	Date from which exercisable	Date of expiry of option
K S Beeston	Approved	13,788	–	–	–	13,788	–	2.18	–	21.05.01	20.05.08
	Unapproved	68,922	–	–	–	68,922	–	2.18	–	21.05.01	20.05.05
	Unapproved	76,734	–	–	–	76,734	–	2.45	–	01.04.02	31.03.06
	Unapproved	58,764	–	–	–	58,764	–	4.26	–	05.04.03	04.04.07
	Unapproved	91,321*	–	–	–	91,321	–	4.35	–	28.03.04	27.03.08
	Unapproved	152,035*		–	–	152,035	–	2.64	–	03.05.05	02.05.09
	Unapproved	–	289,515*	–	–	289.515	–	1.53	–	06.05.06	05.05.10
M A Ford	–	–	–	–	–	–	–	–	–	–	–
R N Hodge	–	–		–	–	–	–	–	–	–	–
C R Hyman	Approved	13,788	–	–	–	13,788	–	2.18	–	21.05.01	20.05.08
	Unapproved	25,290	–		–	25,290	–	2.18	–	21.05.01	20.05.05
	Unapproved	40,812	–	–	–	40,812	–	2.45	–	01.04.02	31.03.06
	Unapproved	49,830	–	–	–	49,830	–	4.26	–	05.04.03	04.04.07
	Unapproved	78,275*	–	–	–	78,275	–	4.35	–	28.03.04	27.03.08
	Unapproved	130,316*		–	–	130,316	–	2.64	–	03.05.05	02.05.09
	Unapproved	–	289,515*	–	–	289,515	–	1.53	–	06.05.06	05.05.10
A M Jenner	Approved	4,134	–	–	–	4,134	–	2.18	–	21.05.01	20.05.08
	Approved	8,574	–	–	–	8,574	–	2.45	–	01.04.02	31.03.09
	Unapproved	7,422	–	–	–	7,422	–	2.45	–	01.04.02	31.03.06
	Unapproved	12,336	–	–	–	12,336	–	4.26	–	05.04.03	04.04.07
	Unapproved	18,524*	–	–	–	18,524	–	4.35	–	28.03.04	27.03.08
	Unapproved	78,189*	–	–	–	78,189	–	2.64	–	03.05.05	02.05.09
	Unapproved	–	173.709*	–	–	173,709	–	1.53	–	06.05.06	05.05.10
R H B Jones	–	–	–	–	–	–	–	–	–	–	–
D S Julius	–	–	–	–	–	–	–	–	–	–	–
D H Richardson	–	–	–	–	–	–	–	–	–	–	–
I M Williams	Approved	13,788	–	–	–	13,788	–	2.18	–	21.05.01	20.05.08
	Unapproved	78,990	–	–	–	78,990	–	2.18	–	21.05.01	20.05.05
	Unapproved	86,076	–	–	–	86,076	–	2.45	–	01.04.02	31.03.06
	Unapproved	49,830	–	–	–	49,830	–	4.26	–	05.04.03	04.04.07
	Unapproved	78,275*	–	–	–	78,275	–	4.35	–	28.03.04	27.03.08
	Unapproved	130,316*	–	–	–	130,316	–	2.64	–	03.05.05	02.05.09
	Unapproved	–	135,357*	–	–	135,357	–	1.53	–	06.05.06	05.05.10

Approximately 14.67% (13.5% for prior year grants) of the options granted as unapproved options under the EOP represent supplementary options, granted for the sole purpose of compensating participants for agreeing to bear the Company's liability to employers' National Insurance Contributions upon the exercise of the underlying unapproved options. These options can only be exercised in conjunction with and to the extent of the underlying option.

3 Share-based incentives (continued)

ii) Serco Group plc 1998 Executive Option Plan (continued)

The scheme is an approved scheme for Inland Revenue purposes but has an unapproved schedule.

No payment was made for the grant of the options, no options have had terms varied during the period, and no options have been exercised by the Directors since the end of the financial year.

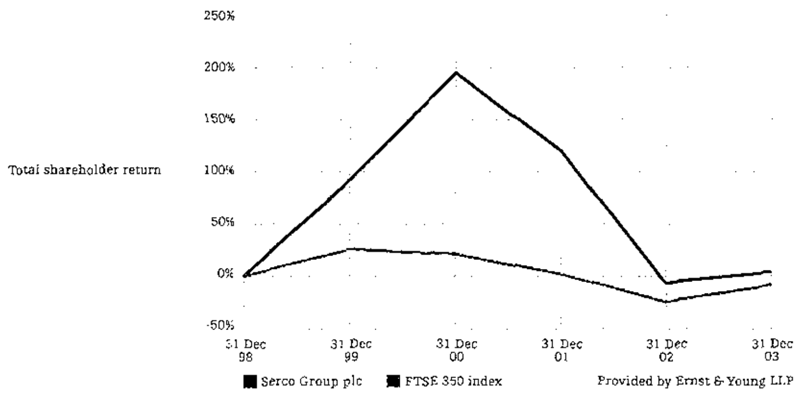
The performance criteria to which the exercise of awards under the EOP is conditional are as set out on page 79.

For each share under an EOP option that is unexpired at the end of the financial year, the market price at the end of the financial year was £1.72 and the highest and lowest market price during the financial year were £1.92 and £1.055 respectively.

This section has been audited by Deloitte.

4 Performance Graph – Serco five year TSR vs FTSE 350 index

Serco Group plc TSR vs FTSE 350 index TSR



In drawing this graph it has been assumed that all dividends paid have been reinvested. The TSR level shown at 31 December each year is the average of the closing daily TSR levels for the 30-day period up to and including that date.

As detailed earlier, TSR is defined as the return shareholders would receive if they held a notional number of shares, and received dividends on those shares over a period of time. It measures the percentage growth in the company's share price together with the value of any dividends paid, assuming that the dividends are reinvested into the company's shares.

5 Pensions

The Directors receive pension and life assurance benefits consistent with those provided by other leading companies. The details of the defined benefit schemes operated by the Group are set out in Note 33. In the event of death in service, each scheme provides for a lump sum payment as well as a dependants' pension.

The accrued pension benefits of all Directors under defined benefit scheme are as follows:

	Transfer value of accrued benefits as at 31 December 2003 £	Transfer value of accrued benefits as at 31 December 2002 £	Increase in transfer value during the year £	Gross increase in accrued pension during the year £	Increase in accrued pension during the year, net of inflation £	Value of net increase in accrual over the year £	Total accrued pension at year end £ p.a.
K S Beeston	685,469	539,342	126,576	18,027	15,085	81,574	123,100
C R Hyman	133,696	100,212	18,701	3,615	3,139	5,557	20,625
A M Jenner	29,142	11,025	4,076	3,345	3,277	2,495	5,775
I M Williams	1,511,915	1,141,718	360,871	31,618	27,913	308,581	163,940

Notes to pension benefits:

a) The total accrued pension shown is that which would be paid annually on retirement, based on service to the end of this year. The increase in accrued pension during the year is shown both as a gross increase and excluding any increase in inflation. Part of the increase in the accrued pension of I M Williams is the result of receiving confirmation from the Inland Revenue during the year regarding his pension calculation as a part time Director.

b) Transfer values have been calculated in accordance with version 9.0 of the Guidance Note GN11 issued by the actuarial profession. The difference between the transfer values at the beginning and end of the year includes the effect of fluctuations in the transfer value due to factors beyond the control of the company and the directors, such as stock market movements. It is calculated after deducting Directors' contributions.

5 Pensions (continued)

c) The value of the net increase in accrual represents the incremental value to the Director of his service during the year, calculated on the assumption that his service terminated at the year-end. It is based on the accrued pension increase net of inflation after deducting the Director's contribution.

d) Members have the option to pay Additional Voluntary Contributions: neither the contributions nor the resulting benefits are included in the above table.

e) Transfer values disclosed do not represent the sum paid or payable to the individual Director. Instead, they represent a potential liability of the pension scheme.

f) CR Hyman and AM Jenner also benefit from defined contribution arrangements to which the Company contributes 15 % of remuneration in excess of the Permitted Maximum under the Inland Revenue approved Scheme. Company contributions paid under this arrangement are as follows: CR Hyman £52,072 and AM Jenner £27,607.

Section 5 has been audited by Deloitte.

Approved by the Board of Directors and signed on its behalf:

Julia Cavanagh
Secretary

Serco House
16 Bartley Wood Business Park
Bartley Way, Hook
Hampshire RG27 9UY
United Kingdom

2 March 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERCO GROUP PLC

For the year ended 31 December 2003

We have audited the accounts of Serco Group plc for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 35. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' Remuneration Report. Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the Directors' Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and
- the accounts and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

2 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Note	2003 Group £'000	2003 Joint Ventures £'000	2003 Total £'000	2002 Group £'000	2002 Joint Ventures £'000	2002 Total £'000
Turnover: Group and share of joint ventures – continuing operations	2	1,324,271	231,255	1,555,526	1,097,278	228,670	1,325,948
Less: Share of joint ventures	2	–	(231,255)	(231,255)	–	(228,670)	(228,670)
Group turnover	2	1,324,271	–	1,324,271	1,097,278	–	1,097,278
Cost of sales		(1,143,418)	–	(1,143,418)	(947,313)	–	(947,313)
Gross profit		180,853	–	180,853	149,965	–	149,965
Administrative expenses		(157,144)	–	(157,144)	(120,862)	–	(120,862)
Amortisation of intangible assets		(14,131)	–	(14,131)	(8,098)	–	(8,098)
Other administrative expenses		(138,516)	–	(138,516)	(112,764)	–	(112,764)
Exceptional item: reorganisation costs		(4,497)	–	(4,497)	–	–	–
Operating profit-continuing operations		23,709	–	23,709	29,103	–	29,103
Exceptional item: GSR sale and leaseback	4	3,977	–	3,977	–	–	–
Share of operating profit in joint ventures		–	22,700	22,700	–	21,883	21,883
Interest receivable and similar income	5	16,760	11,397	28,157	1,422	16,894	18,316
Group		12,691	–	12,691	1,422	–	1,422
Exceptional item: Norfolk and Norwich refinancing		4,069	–	4,069	–	–	–
Share of joint ventures		–	11,397	11,397	–	16,894	16,894
Interest payable and similar charges	6	(15,609)	(10,080)	(25,689)	(5,486)	(14,875)	(20,361)
Group		(15,609)	–	(15,609)	(5,486)	–	(5,486)
Share of joint ventures		–	(10,080)	(10,080)	–	(14,875)	(14,875)
Profit on ordinary activities before taxation	7	28,837	24,017	52,854	25,039	23,902	48,941
Taxation on profit on ordinary activities	8			(19,103)			(16,639)
Profit on ordinary activities after taxation				33,751			32,302
Share of joint venture minority interest				(198)			-
Minority interest				(255)			–
Profit for the financial year				33,298			32,302
Equity dividends	9			(10,050)			(9,441)
Retained profit for the financial year	25			23,248			22,861

	Note	2003	2002
Earnings per Share (EPS) per ordinary share of 2p each	10		
Basic EPS, after amortisation of goodwill		7.75p	7.66p
Basic EPS, before amortisation of goodwill		11.03p	9.58p
Diluted EPS, after amortisation of goodwill		7.74p	7.63p
Diluted EPS, before amortisation of goodwill		11.02p	9.54p

The basis of preparation of this statement is set out in Note 1.

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	Note	2003 £'000	Restated 2002 £'000
Fixed assets			
Intangible assets	11	222,950	147,473
Tangible assets	12	77,398	62,479
Investments in joint ventures	13	24,886	35,883
Share of gross assets		151,460	317,831
Share of gross liabilities		(126,574)	(281,948)
		325,234	245,835
Current assets			
Stocks	14	39,543	38,744
Debtors: amounts due within one year	15	278,931	220,042
Debtors: amounts due after more than one year	15	419,589	108,932
Cash at bank and in hand	18	170,888	71,774
		908,951	439,492
Creditors: amounts falling due within one year			
Bank loans and overdrafts	17	–	2,386
Trade creditors		81,335	74,377
Other creditors including taxation and social security	16	90,892	93,843
Accruals and deferred income		177,866	136,766
Proposed dividend	9	6,958	6,184
		357,051	313,556
Net current assets		551,900	125,936
Total assets less current liabilities		877,134	371,771
Creditors: amounts falling due after more than one year	17	539,798	87,588
Provisions for liabilities and charges	19	56,526	34,533
Net assets		280,810	249,650
Capital and reserves			
Called up share capital	22	8,697	8,697
Share premium account	23	190,791	190,791
Capital redemption reserve		143	143
ESOP reserve	24	(16,949)	(18,207)
Profit and loss account	25	98,128	68,226
Equity shareholders' funds	21	280,810	249,650

These Accounts and Notes were approved by the Board of Directors on 2 March 2004 and signed on behalf of the Board:

Kevin Beeston Executive Chairman **Andrew Jenner** Finance Director

COMPANY BALANCE SHEET
As at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	12	**1,256**	2,309
Investments in subsidiaries	13	**262,783**	141,418
		264,039	143,727
Current assets			
Stock	14	**41**	–
Amounts owed by subsidiary companies due after more than one year		**146,501**	111,426
Debtors: amounts due within one year	15	**21,281**	21,669
Debtors: amounts due after more than one year	15	**1,169**	1,297
Cash at bank and in hand		**39,165**	17,753
		208,157	152,145
Creditors: amounts falling due within one year			
Bank loans and overdrafts	17	–	–
Trade creditors		**881**	1,066
Other creditors including taxation and social security	16	**11,010**	688
Accruals and deferred income		**5,801**	6,395
Proposed dividend	9	**6,958**	6,184
		24,650	14,333
Net current assets		**183,507**	137,812
Total assets less current liabilities		**447,546**	281,539
Creditors: amounts falling due after more than one year	17	**161,456**	43,784
Provisions for liabilities and charges	19	–	335
Net assets		**286,090**	237,420
Capital and reserves			
Called up share capital	22	**8,697**	8,697
Share premium account	23	**190,791**	190,791
Capital redemption reserve		**143**	143
Profit and loss account	25	**86,459**	37,789
Equity shareholders' funds		**286,090**	237,420

These Accounts and Notes were approved by the Board of Directors on 2 March 2004 and signed on behalf of the Board:

Kevin Beeston Executive Chairman

Andrew Jenner Finance Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	Note	2003 £'000	Restated 2002 £'000
Operating profit before exceptional item		28,206	29,103
Exceptional item: reorganisation costs		(4,497)	–
Operating profit		23,709	29,103
Depreciation and amortisation of goodwill		32,532	23,632
Movement in ESOP investment		1,258	776
Net increase in working capital		(11,111)	(13,900)
One-off pension fund contribution		–	(15,500)
Net cash inflow from operating activities before PFI asset expenditure		46,388	24,111
Movement in PFI debtor*		3,680	–
Expenditure on PFI assets under construction*		(33,001)	(14,950)
Net cash inflow from operating activities after PFI asset expenditure	26	17,067	9,161
Dividends received from joint ventures		12,630	11,095
Returns on investments and servicing of finance			
Interest received		5,652	1,223
Interest paid		(6,054)	(7,362)
Exceptional item: Norfolk and Norwich refinancing		4,069	–
Net cash inflow/(outflow) from returns on investments and servicing of finance		3,667	(6,139)
Taxation			
Tax paid		(7,354)	(5,738)
Capital expenditure and financial investment			
Purchase of tangible and intangible fixed assets		(21,835)	(23,596)
Sale of tangible fixed assets		8,878	8,125
Exceptional item: GSR sale and leaseback		5,761	–
Net cashflows with joint ventures		2,969	1,235
Net cash outflow from capital expenditure and financial investment		(4,227)	(14,236)
Acquisitions and disposals			
Acquisitions†		(107,463)	(11,353)
Net cash acquired with acquisitions		12,843	397
Net cash redeemed upon disposal		(3,141)	–
Subscription for shares in joint ventures		(3,354)	(370)
Proceeds on disposal of subsidiary undertakings		4,471	–
Proceeds on disposal of joint ventures		–	1,030
Net cash outflow from acquisitions and disposals		(96,644)	(10,296)
Equity dividends paid			
Dividends paid		(9,529)	(8,283)
Net cash outflow from equity dividends paid		(9,529)	(8,283)
Net cash outflow before financing		(84,390)	(24,436)
Financing			
Issue of ordinary share capital		–	117,929
Debt due within one year: (decrease) in other loans		(1,709)	(300)
Debt due beyond one year: increase in:		193,787	15,624
Other loans		117,502	24
Non-recourse debt financing – DES†		49,774	–
Non-recourse debt financing PFI assets*		26,511	15,600
Capital element of finance lease repayments		(6,188)	(3,594)
Net cash inflow from financing		185,890	129,659
Increase in cash in the year		101,500	105,223
Balance at 1 January		69,388	(35,835)
Balance at 31 December		170,888	69,388

* PFI assets and debtor financed by non-recourse loans
† Acquisitions include DES that is partly funded by non-recourse debt

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	33,298	32,302
Currency translation differences on foreign currency net investments	6,654	(1,911)
Total recognised gains and losses for the year	39,952	30,391
Prior year adjustment	–	(806)
Total gains and losses recognised since last annual report and accounts	39,952	29,585

NOTES TO THE ACCOUNTS
For the year ended 31 December 2003

1 Accounting policies

These Accounts have been prepared in accordance with applicable UK accounting standards, and the particular accounting policies adopted are detailed below. These have all been applied consistently with the exception of investment in own shares which is explained in the restatement below.

Accounting convention
These Accounts have been prepared under the historical cost convention.

Basis of consolidation
The Group Accounts consolidate the Accounts of the Company, its subsidiaries and equity accounts for its share of joint ventures made up to 31 December of each year, for the periods they are owned by Serco Group plc. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Restatement
The 2002 Accounts have been restated to reflect the early adoption of the Urgent Issues Task Force Abstract 38 (UITF 38) – Accounting for ESOP trusts. Investment in own shares which was previously disclosed in Fixed Assets is now classified as an ESOP reserve and is shown as a reduction in the shareholders' funds.

Accounting for PFI contracts
Within Public Private Partnership (PPP) projects (including Private Finance Initiative (PFI) projects), where the concession agreement transfers limited risks and rewards associated with ownership to the contractor, during the period of initial asset construction costs incurred as a direct consequence of financing, designing and constructing the asset are shown as 'assets in the course of construction' within current assets. On completion of the asset construction phase the asset is transferred to debtors as a PFI debtor.

Revenues received from the customer are apportioned between capital repayments and operating revenue. The 'finance income' element of the capital repayment is shown within interest receivable.

The Group has eight fully owned Special Purpose Companies (SPC) which are used for the purpose of running the PFI business. All other SPCs are joint ventures and accounted for using the gross equity method.

Pension costs: Defined benefit schemes
Retirement benefits to employees of Group companies, except in Germany, are funded by contributions from Group companies and employees. Payments are made to trust funds which are financially separate from the Group in accordance with periodic calculations by consulting actuaries. The expected cost to the Group of providing defined benefit pensions is charged to the profit and loss account so as to spread the cost of pensions over the average service lives of employees in the schemes, in such a way that the cost is a substantially level percentage of payroll cost, with experience surpluses and deficits being amortised on a straight line basis.

In Germany, retirement benefits to employees are accrued for by Serco GmbH & Co. KG. The expected cost to the company for providing defined benefit pensions is calculated in accordance with periodic valuations by consulting actuaries.

1 **Accounting policies** (continued)

Pension costs: Defined contribution schemes
Contributions for the year, in respect of defined contribution schemes are charged to the profit and loss account. Differences between charges accruing during the year and cash payments are included as either accruals or prepayments in the balance sheet.

The Group has adopted the transitional disclosure requirements of Financial Reporting Standard 17 (FRS 17) - Retirement Benefits. For further information see Note 33.

Turnover
Turnover represents net sales of goods and services to third parties. To the extent that the Group acts as an agent under the definitions of Financial Reporting Standard (FRS 5) – Reporting the Substance of Transactions, Application Note G, amounts invoiced in respect of items procured on behalf of customers are not recognised within turnover.

Goodwill
Goodwill arising on acquisitions is capitalised in the consolidated balance sheet in accordance with Financial Reporting Standard 10 (FRS 10) – Goodwill and Intangible Assets. Amortisation of goodwill is provided on a straight-line basis over the economic useful life of the asset or a period of 20 years, whichever is shorter.

Current tax
Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Fixed asset investments
Investments held as fixed assets are stated at cost less provision for any impairment in value.

Joint ventures
In the consolidated accounts, investments in joint ventures are accounted for using the gross equity method of accounting in accordance with Financial Reporting Standard 9 (FRS 9) – Associates and Joint Ventures.

The Group consolidated profit and loss account includes the Group's share of joint ventures' operating profits and interest, and the attributable taxation. In the consolidated balance sheet, the Group's share of the net assets of its joint ventures, which include certain PFIs is included under the heading 'investments in joint ventures'. The share of net assets is split between gross assets and gross liabilities.

Leases
Assets obtained under finance leases are capitalised at their fair value on acquisition and depreciated over the shorter of their estimated useful lives or lease term. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Rentals on assets under operating leases are charged to the profit and loss account in equal annual amounts.

Finance costs
Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

1 Accounting policies (continued)

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Debt of certain Special Purpose Companies is described as non-recourse debt. Debt is described as non-recourse debt only if the security granted to the relevant lenders is limited to the assets and cash flows of the borrowing company.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's accounts.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest obligation by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation

Depreciation is provided on a straight-line basis at rates which, in the opinion of the Directors, reduce the assets to their residual value over their estimated useful lives.

The principal annual rates used are:

Freehold buildings	2.5%
Short leasehold building improvements	The higher of 10% or rate produced by lease term
Machinery	15% – 20%
Motor vehicles	18% – 50%
Furniture	10%
Office equipment	20% – 33%
Leased equipment	The higher of the rate produced by either lease term or useful life

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of direct material and labour.

1 Accounting policies (continued)

Long term contracts

Long term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover by reference to the stage of completion of the work carried out to date and provision for anticipated future losses on contracts. No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Advance payments are included in creditors to the extent that they exceed the related work in progress.

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account.

Pre-contract costs

All bid costs are expensed through the profit and loss account up to the point where contract award (or full recovery of costs) is virtually certain in accordance with Urgent Issues Task Force Abstract 34 'Pre-contract costs'. Bid costs incurred after this point are then capitalised within debtors. On contract award these bid costs are amortised through the profit and loss account on a straight line basis over the contract period.

Deferred taxation

The charge for taxation takes account of taxation deferred because of differences between the timing of recognition of certain items for taxation purposes and for accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events that give rise to an obligation to pay more or less tax in the future have occurred by the balance sheet date. A deferred tax asset is recognised only when it is considered more likely than not that it will be recovered.

Deferred tax is recognised on a non-discounted basis using tax rates in force at the balance sheet date.

ESOP reserve

The ESOP reserve represents shares in Serco Group plc held by the Serco Group plc 1998 Employee Share Ownership Trust (the Trust).

The Trust is a discretionary trust for the benefit of the employees, and shares are held to satisfy the Group's liabilities to employees for share options and long term incentive plans. In accordance with UITF 38, the difference between the market value of the shares at the date of award and any consideration to be paid for the shares in respect of these schemes is charged to the profit and loss account over the performance period during which the benefits are earned by employees.

Basis of translation of foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date and any differences arising are taken to the profit and loss account.

The Accounts of overseas subsidiary companies and associated undertakings are translated into Sterling at the closing rates of exchange at the balance sheet date and any difference arising from the translation of the opening net investment and matched long term foreign currency borrowings is taken directly to reserves. The profit and loss account is translated using average exchange rates.

2 Segmental report

Classes of business

2003	Group £'000	Joint Ventures £'000	Total £'000
Turnover			
Civil government	444,875	42,897	487,772
Defence	252,469	151,496	403,965
Transport	385,793	36,862	422,655
Science	111,004	–	111,004
Private sector	130,130	–	130,130
Total	1,324,271	231,255	1,555,526
Profit before taxation and other costs/income			
Civil government	17,025	4,195	21,220
Defence	17,878	15,968	33,846
Transport	18,976	2,537	21,513
Science	11,619	–	11,619
Private sector	8,697	–	8,697
Total	74,195	22,700	96,895
Other (costs)/income			
Common costs			(31,858)
Exceptional items – reorganisation costs and GSR sale and leaseback			(520)
Amortisation of intangible assets			(14,131)
Net interest – group			(2,918)
Exceptional item – Norfolk and Norwich refinancing			4,069
Net interest – joint ventures			1,317
Profit on ordinary activities before taxation			52,854
Net assets			
Civil Government			43,749
Defence			53,127
Transport			59,173
Science			64,508
Private sector			32,436
Total			252,993
Unallocated assets			27,817
Total			280,810

2 Segmental report (continued)

Classes of business 2002	Group £'000	Joint Ventures £'000	Total £'000
Turnover			
Civil government	267,127	89,220	356,347
Defence	228,579	134,654	363,233
Transport	347,815	4,796	352,611
Science	115,603	–	115,603
Private sector	138,154	–	138,154
Total	1,097,278	228,670	1,325,948
Profit before taxation and other costs/income			
Civil government	17,796	5,287	23,083
Defence	13,259	15,956	29,215
Transport	15,126	640	15,766
Science	9,845	–	9,845
Private sector	6,909	–	6,909
Total	62,935	21,883	84,818
Other (costs)/income			
Common costs			(25,734)
Amortisation of intangible assets			(8,098)
Net interest – group			(4,064)
Net interest – joint ventures			2,019
Profit on ordinary activities before taxation			48,941

	Restated
Net assets	
Civil Government	43,269
Defence	53,400
Transport	45,716
Science	69,771
Private sector	31,679
Total	243,835
Unallocated assets	5,815
Total	249,650

2 Segmental report (continued)

Geographical segments 2003	Group £'000	Joint Ventures £'000	Total £'000
Turnover			
United Kingdom	950,098	174,723	1,124,821
Europe and Middle East	185,936	8,355	194,291
Asia Pacific	109,627	43,251	152,878
North America	78,610	4,926	83,536
Total	**1,324,271**	**231,255**	**1,555,526**
Profit before taxation and other costs/income			
United Kingdom	43,017	19,274	62,291
Europe and Middle East	14,414	227	14,641
Asia Pacific	6,982	2,831	9,813
North America	9,782	368	10,150
Total	**74,195**	**22,700**	**96,895**
Other (costs)/income			
Common costs			(31,858)
Exceptional items – reorganisation costs and GSR sale and leaseback			(520)
Amortisation of intangible assets			(14,131)
Net interest – group			(2,918)
Exceptional item – Norfolk and Norwich refinancing			4,069
Net interest – joint ventures			1,317
Profit on ordinary activities before taxation			**52,854**
Net assets			
United Kingdom			142,166
Europe and Middle East			41,670
Asia Pacific			42,553
North America			26,604
Total			**252,993**
Unallocated assets			27,817
Total			**280,810**

Turnover is shown by geographical origin. Turnover analysed by geographical destination is not materially different.

2 Segmental report (continued)

Geographical segments

2002	Group £'000	Joint Ventures £'000	Total £'000
Turnover			
United Kingdom	752,247	178,207	930,454
Europe and Middle East	163,218	7,341	170,559
Asia Pacific	116,671	38,406	155,077
North America	65,142	4,716	69,858
Total	1,097,278	228,670	1,325,948
Profit before taxation and other costs/income			
United Kingdom	35,065	19,029	54,094
Europe and Middle East	12,895	625	13,520
Asia Pacific	9,503	1,750	11,253
North America	5,472	479	5,951
Total	62,935	21,883	84,818
Other (costs)/income			
Common costs			(25,734)
Amortisation of intangible assets			(8,098)
Net interest – group			(4,064)
Net interest – joint ventures			2,019
Profit on ordinary activities before taxation			48,941
			Restated
Net assets			
United Kingdom			142,821
Europe and Middle East			43,951
Asia Pacific			40,057
North America			17,006
Total			243,835
Unallocated assets			5,815
Total			249,650

Turnover is shown by geographical origin. Turnover analysed by geographical destination is not materially different.

3 Information regarding directors and employees

	2003 £'000	2002 £'000
a) Directors' remuneration:		
Fees as directors	131	97
Other emoluments	1,754	1,730
Total remuneration excluding pensions	1,885	1,827

	2003 £'000	2002 £'000
b) Employee costs including directors:		
Wages and salaries	551,117	444,693
Social security costs	50,320	36,713
Other pension costs (Note 33)	36,755	29,096
Long Term Incentive Scheme costs (Note 24)	1,258	776
	639,450	511,278

	2003	2002
c) The average number of persons employed by Serco Group plc and its subsidiaries in the provision of services was:		
Civil government	8,135	7,138
Defence	7,920	6,251
Transport	5,577	4,442
Science	1,630	1,665
Private sector	2,941	2,999
Non-specific	249	202
	26,452	22,697

4 Non-operating exceptional item

The effect of the exceptional item reported after operating profit on the amount of taxation charged to the profit and loss account was:

	2003 £'000	2002 £'000
Profit on GSR sale and leaseback	3,977	–
Effect of tax charged to the profit and loss account	1,193	–

The sale and leaseback of the remaining rolling stock belonging to the Group's Great Southern Railway (GSR) business in Australia generated cash of £5,761,000 and profit of £3,977,000.

5 Interest receivable and similar income

	2003 £'000	2002 £'000
Loans to joint ventures	831	604
Other	11,860	818
	12,691	1,422
Exceptional Item: Norfolk and Norwich refinancing	4,069	–
Total group	16,760	1,422
Share of joint venture interest	11,397	16,894
	28,157	18,316

The refinancing of the Norfolk and Norwich University Hospital, in which the Group is a 5% investor, was completed in December 2003. This generated cash and investment income of £4,069,000.

6 Interest payable and similar charges

	2003 £'000	2002 £'000
Share of joint venture interest	10,080	14,875
Other	15,609	5,486
	25,689	20,361

7 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging:		
Rentals under operating leases:		
Land and buildings	13,884	12,599
Plant and machinery	19,067	20,686
Depreciation on tangible assets:		
Owned	13,742	12,307
Held under finance leases	4,659	3,227
Finance lease interest on operational assets	1,067	721
Amortisation of goodwill and intangible assets	14,131	8,098
Auditors' remuneration for audit services:		
Deloitte & Touche LLP	772	514
Other auditors	116	175
Other fees paid to Deloitte & Touche LLP:		
Bid support	186	1,237
Tax	889	560
Other	1,223	458
Other fees paid to other accountancy firms:		
Internal audit	165	152
Other	98	555

8 Taxation on profit on ordinary activities

	2003 £'000	2002 £'000
The taxation charge is made up as follows:		
United Kingdom corporation tax	–	1,654
Overseas taxation	5,074	1,950
Adjustment in respect of prior years:		
United Kingdom corporation tax	898	(750)
Overseas taxation	(122)	(37)
Current tax	5,850	2,817
Deferred taxation		
Current year movement	5,292	4,120
Adjustments in respect of prior years	182	2,375
Share of joint ventures' taxation charge	7,779	7,327
	19,103	16,639

8 Taxation on profit on ordinary activities (continued)

The current tax is different to the United Kingdom corporation tax rate of 30%. The reasons for this are set out below:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	52,854	48,941
Less: Share of profit before tax of joint ventures	(24,017)	(23,902)
	28,837	25,039
Profit on ordinary activities before taxation multiplied by the UK corporation tax rate of 30%	8,651	7,512
Effect on the reported tax charge of:		
Amortisation of goodwill and investment in own shares not deductible for tax	2,220	1,437
Other expenses not deductible for tax	2,935	1,869
Tax allowances in excess of depreciation	(4,729)	(1,828)
Other short term timing differences	(2,245)	(1,953)
Unrelieved tax losses and different tax rates on overseas earnings	352	255
Tax exempt income and the effect of the use of unrecognised tax losses	(159)	(634)
Tax incentives	(1,951)	(3,054)
Adjustments in respect of prior years	776	(787)
Current tax	5,850	2,817
Deferred tax	5,474	6,495
Share of joint ventures' tax charge	7,779	7,327
Taxation on profit on ordinary activities	19,103	16,639

Factors affecting future tax charge

The tax charge of the Group in future periods is expected to be affected most significantly by the non-deductible amortisation of goodwill, the higher effective rate of tax borne by certain PFI projects, the incurrence of non-deductible expenditure and the utilisation of unrecognised deferred tax assets.

9 Dividends

	2003 £'000	2002 £'000
Interim dividend of 0.72p per share on 429,466,207 Ordinary Shares (2002 – 0.64p on 429,260,960 Ordinary Shares) of 2p each fully paid – paid 10 October 2003	3,092	2,747
Proposed final dividend of 1.62p per share on 429,529,098 Ordinary Shares (2002 – 1.44p on 429,448,207 Ordinary Shares) of 2p each fully paid – proposed payment on 12 May 2004	6,958	6,184
	10,050	8,931
2001 final dividend of 1.29p on 39,547,465 shares issued between 31 December 2001 and 13 March 2002 (ex dividend date)	–	510
	10,050	9,441

A dividend waiver is effective for those shares held on behalf of the Company by its Employee Share Ownership Trust.

10 Earnings per Ordinary Share

Basic and diluted earnings per Ordinary Share after goodwill have been calculated in accordance with Financial Reporting Standard 14 (FRS 14) – Earnings Per Share. Earnings per share is shown both before and after goodwill to assist in the understanding of the impact of FRS 10 on the Group Accounts.

The calculation of basic earnings per Ordinary Share after goodwill is based on profits of £33,298,000 for the year ended 31 December 2003 (2002 – £32,302,000) and the weighted average number of 429,878,711 (2002 – 421,813,107) Ordinary Shares of 2p each in issue during the year.

The calculation of basic earnings per Ordinary Share before goodwill is based on profits of £47,429,000 (adjusted for the effect of goodwill amortisation of £14,131,000) for the year ended 31 December 2003 (2002 – £40,400,000 adjusted for the effect of goodwill amortisation of £8,098,000) and the weighted average number of 429,878,711 (2002 – 421,813,107) Ordinary Shares of 2p each in issue during the year.

The calculation of diluted earnings per Ordinary Share after goodwill is based on profits of £33,298,000 for the year ended 31 December 2003 (2002 – £32,302,000) and the weighted average number of 430,291,041 (2002 – 423,288,423) Ordinary Shares of 2p each assuming that the options are all exercised.

The calculation of diluted earnings per Ordinary Share before goodwill is based on profits of £47,429,000 (adjusted for the effect of goodwill amortisation of £14,131,000) for the year ended 31 December 2003 (2002 – £40,400,000 adjusted for the effect of goodwill amortisation of £8,098,000) and the weighted average number of 430,291,041 (2002 – 423,288,423) Ordinary Shares of 2p each assuming that the options are all exercised.

11 Intangible assets

	Goodwill £'000	Other £'000	Group Total £'000
Cost:			
At 1 January 2003	165,515	1,775	167,290
Additions during the year	89,608	–	89,608
Disposals	(1,902)	–	(1,902)
At 31 December 2003	**253,221**	**1,775**	**254,996**
Accumulated amortisation:			
At 1 January 2003	19,496	321	19,817
Charge for the year	13,751	380	14,131
Disposals	(1,902)	–	(1,902)
At 31 December 2003	**31,345**	**701**	**32,046**
Net book value:			
At 31 December 2003	**221,876**	**1,074**	**222,950**
At 31 December 2002	146,019	1,454	147,473

Other intangible assets comprise a £1,775,000 premium for the acquisition of two, five year licences and are amortised over the licence life.

Additions are further explained in Note 13.

12 Tangible assets

Group	Freehold land and buildings £'000	Short leasehold building improvements £'000	Machinery, motor vehicles, furniture and equipment £'000	Total £'000
Cost:				
At 1 January 2003	8,032	13,736	120,420	142,188
Subsidiaries acquired	–	1,471	2,370	3,841
Additions	1,844	3,427	30,847	36,118
Disposals	(93)	(355)	(18,192)	(18,640)
Foreign exchange differences	361	251	4,760	5,372
At 31 December 2003	**10,144**	**18,530**	**140,205**	**168,879**
Accumulated depreciation:				
At 1 January 2003	2,558	5,069	72,082	79,709
Provided during the year	210	1,653	16,538	18,401
Disposals	(59)	(222)	(9,490)	(9,771)
Foreign exchange differences	176	112	2,854	3,142
At 31 December 2003	**2,885**	**6,612**	**81,984**	**91,481**
Net book value:				
At 31 December 2003	**7,259**	**11,918**	**58,221**	**77,398**
At 31 December 2002	5,474	8,667	48,338	62,479

The cost of assets held by the Group under finance leases at 31 December 2003 was £38,008,000 (2002 – £24,977,000). The accumulated depreciation provided for those assets at 31 December 2003 was £13,472,000 (2002 – £9,168,000).

12 Tangible assets (continued)

Company	Short leasehold building improvements £'000	Machinery, motor vehicles, furniture and equipment £'000	Total £'000
Cost:			
At 1 January 2003	1,265	4,083	5,348
Transfers to subsidiary undertakings	(1,090)	(1,639)	(2,729)
Additions	96	900	996
At 31 December 2003	**271**	**3,344**	**3,615**
Accumulated depreciation:			
At 1 January 2003	548	2,491	3,039
Transfers to subsidiary undertakings	(407)	(556)	(963)
Provided during the year	34	249	283
At 31 December 2003	**175**	**2,184**	**2,359**
Net book value:			
At 31 December 2003	**96**	**1,160**	**1,256**
At 31 December 2002	717	1,592	2,309

The cost of assets held by the Company under finance leases at 31 December 2003 was £750,000 (2002 – £872,000). The accumulated depreciation provided for those assets at 31 December 2003 was £63,000 (2002 – £71,307).

13 Investments held as fixed assets

	Company £'000
a) Shares in subsidiary companies at cost:	
At 1 January 2003	141,418
Increase in investments in Group companies	121,365
At 31 December 2003	**262,783**

	Group £'000
b) Group investments in joint ventures:	
At 1 January 2003	35,883
Acquisitions	4,077
Disposals	(19,460)
Foreign exchange translation difference	976
Share of profits after tax	16,040
Dividends received	(12,630)
At 31 December 2003	**24,886**

Disposals are further explained in g) i) and ii).

13 Investments held as fixed assets (continued)

c) Joint ventures:

The Group's share of its joint venture assets is summarised as follows:

	2003 AWE* £'000	2003 Other £'000	2003 Total £'000	2002 AWE* £'000	2002 PCG £'000	2002 Other £'000	2002 Total £'000
Turnover	101,493	129,762	**231,255**	91,386	52,504	84,780	228,670
Profit before tax	8,984	15,033	**24,017**	7,801	4,993	11,108	23,902
Tax	(1,584)	(6,195)	**(7,779)**	(1,832)	(2,070)	(3,425)	(7,327)
Minority interest	–	(198)	**(198)**	–	–	–	–
Profit after tax	7,400	8,640	**16,040**	5,969	2,923	7,683	16,575
Fixed assets	–	19,236	**19,236**	–	2,288	31,278	33,566
Current assets	28,875	103,349	**132,224**	21,861	124,266	138,138	284,265
	28,875	122,585	**151,460**	21,861	126,554	169,416	317,831
Liabilities due within one year	17,207	32,740	**49,947**	17,660	17,518	27,313	62,491
Liabilities due after more than one year	7,356	69,271	**76,627**	1,066	94,446	123,945	219,457
	24,563	102,011	**126,574**	18,726	111,964	151,258	281,948
Share of net assets	4,312	20,574	**24,886**	3,135	14,590	18,158	35,883

* Atomic Weapons Establishment Management Limited

Adjustments have been made to joint ventures results to ensure they are consistent with Group accounting policies.

d) A list of the principal undertakings of Serco Group plc is shown in Note 34. All the subsidiaries of the Group have been consolidated.

e) At 31 December 2003, Group companies had branches in UAE, Bahrain, Chile, Korea, Saudi Arabia, Switzerland and South Africa.

f) All the subsidiaries of Serco Group plc and its joint venture undertakings are engaged in the provision of services with the exception of Serco Investments Limited and certain other holding companies, which manage equity investments.

13 Investments held as fixed assets (continued)

g) Acquisitions:
All acquisitions made during the year have been accounted for using the acquisition method of accounting. The goodwill arising on all acquisitions made in the year is being amortised over the economic useful life of the asset or a period of 20 years, whichever is shorter.

i) Premier Custodial Group Limited

In July 2003 the Group acquired the remaining 50% of the issued share capital of Premier Custodial Group Limited (Premier) for a total cash consideration of £48,600,000. Acquisition costs of £3,481,000 were incurred.

The provisional fair value of the net assets acquired was £16,671,000 representing 50% of the book values of the assets and liabilities. The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the Group:

	Provisional fair value to group £'000
Tangible fixed assets	3,266
Current assets	
PFI debtor	194,878
Stocks	1,994
Debtors	37,751
Cash	15,878
Total assets	253,767
Liabilities	
Trade creditors	17,583
Senior debt financing	169,965
Subordinated debt financing	16,817
Accruals and deferred income	9,149
Provisions	6,911
Total liabilities	220,425
Net assets	33,342
Net assets acquired (50 per cent)	16,671
Goodwill	35,410
Cash consideration	52,081

13 Investments held as fixed assets (continued)

i) Premier Custodial Group Limited (continued)

The following table sets out the summary profit and loss account for Premier for the period 1 January 2003 to 3 July 2003:

	Six months to 3 July 2003 £'000
Turnover	60,660
Operating profit	520
Profit before taxation	3,924
Taxation on profit on ordinary activities	(2,062)
Profit for the period	1,862

The corresponding profit after tax for the full year to 31 December 2002 was £5,846,000.

ii) Buy-out of other investment partners

During the year the Group bought out its partners in the following businesses, two of which are PFI projects. In March 2003 the Group acquired the remaining 50% of Laser (Teddington II) Limited, a joint venture with Laing Investments Limited formed to build the new science building for the National Physical Laboratory in Teddington. Also in March 2003 the Group acquired the remaining 74% of the Altram consortium company, which had built Phase 2 of the Metrolink system in Manchester and operates and maintains Phases 1 and 2. In June 2003 the Group acquired the remaining 33% of Metro Service AS.

The total cash consideration amounted to £2,389,000. The fair value of the net liabilities acquired was £51,000. The total adjustment, required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values in accordance with Group accounting policies, was £2,300,000.

The aggregate goodwill arising on consolidation is £140,000.

iii) Other acquisitions

In February 2003, the Group acquired a renewable 10-year franchise (renewable to a maximum 20-year term) from the province of Ontario, Canada, relating to Ontario Driving Examination Services (DES).

Consideration of £47,707,000 was incurred along with £5,248,000 of related acquisition costs. The fair value of the net assets acquired are considered to be the same as their book value and amounted to £1,952,000.

Goodwill arising is £51,003,000.

Prior to acquisition the financial results of the DES business were not separately reported by the Ministry of Transportation, Ontario, and as such, it has not been possible to provide a summarised profit and loss account for the pre-acquisition period in accordance with FRS 6.

The acquisition of Teknical in December 2003 gave rise to goodwill of £746,000.

13 Investments held as fixed assets (continued)

h) Disposals:

In October 2003 the Group sold its 100% interest in the ordinary share capital of Serco Sverige AB. The total sales proceeds of £5,601,000 comprised cash of £4,471,000 and a loan note of SKr 15,200,000 (£1,130,000) payable in two equal annual instalments commencing 31 December 2004. The loan carries interest at 150bp over 3-month LIBOR which is payable semi-annually in arrears commencing 31 December 2003. The net assets disposed of were £4,753,000 and disposal costs amounted to £581,000, resulting in a profit on disposal of £267,000. The profit of Serco Sverige AB up to the date of disposal was £749,000, and for its last financial year was £897,000.

14 Stocks

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Service spares	15,954	10,065	–	–
Long term contract balances	23,589	28,679	41	–
	39,543	38,744	41	–

15 Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
a) Amounts due within one year:				
Amounts recoverable on contracts	198,687	168,820	189	-
Other debtors	32,572	18,425	8,129	6,623
Corporation tax recoverable	1,670	–	12,125	14,466
Prepayments and accrued income	35,924	30,131	613	580
Amounts owed by joint ventures	2,600	2,666	225	-
PFI debtor*	7,478	–	–	–
	278,931	220,042	21,281	21,669

15 Debtors (continued)

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
b) Amounts due after more than one year:				
Amounts recoverable on contracts	22,043	18,412	–	–
Other debtors	21,780	16,297	1,169	1,297
Pensions prepayment (Note 33)	30,580	28,350	–	–
Amounts owed by joint ventures	8,869	12,033	–	–
PFI debtor*	260,780	–	–	–
PFI assets in the course of construction*	75,537	33,840	–	–
	419,589	108,932	1,169	1,297
Total debtors	698,520	328,974	22,450	22,966

Included in amounts recoverable on contracts is £12,448,000 (2002 – £7,978,000) in respect of items procured on behalf of customers. This is offset by an amount of £9,933,000 (2002 – £8,792,000) in trade creditors and an amount of £7,659,000 (2002 – £945,000) in accruals.

*PFI contract balances in debtors

The impact of the PFI contract balances in debtors on the Group accounts in relation to the Traffic Control Centre, Laser and Premier contracts is summarised as follows:

	Balance at 1 January 2003 £'000	Acquired during the year £'000	Movement during the year £'000	Balance at 31 December 2003 £'000
Balances in relation to PFI contracts:				
PFI assets excluding capitalised interest	32,088	275,498	27,777	335,363
Interest included in PFI debtor	1,752	5,136	1,544	8,432
Total PFI debtor and assets in the course of construction	33,840	280,634	29,321	343,795

The PFI assets analysed above are funded by non-recourse loans of £307,205,000 (2002 – £29,700,000).

16 Other creditors including taxation and social security

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Obligations under finance leases	5,898	4,836	131	267
Corporation tax	–	2,195	–	–
Other taxes and social security costs	9,022	31,432	–	304
Other creditors	55,214	38,034	679	117
Amounts owed to joint ventures	16,285	16,974	10,200	–
Other loans	4,473	372	–	–
	90,892	93,843	11,010	688

17 Creditors: amounts falling due after more than one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
a) Bank loans and overdrafts	–	2,386	–	–
Obligations under finance leases	23,461	15,291	671	792
Other loans	526,708	77,505	160,916	43,259
Total loans	550,169	95,182	161,587	44,051
Less: amounts included in creditors falling due within one year	10,371	7,594	131	267
Amounts falling due after more than one year	539,798	87,588	161,456	43,784

17 Creditors: amounts falling due after more than one year (continued)

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
b) Analysis of loan repayments due:				
Bank loans and overdrafts:				
Within one year or on demand	–	2,386	–	–
Obligations under finance leases:				
Within one year or on demand	5,898	4,836	131	267
Between one and two years	7,214	4,667	146	525
Between two and five years	9,289	4,291	394	–
After five years	1,060	1,497	–	–
Other loans:				
Within one year or on demand	4,473	372	–	–
Between one and two years	80,111	1,687	–	–
Non-recourse debt	79,348	–	–	–
Other	763	1,687	–	–
Between two and five years	110,402	70,735	43,171	43,259
Non-recourse debt	63,841	25,200	–	–
Other	46,561	45,535	43,171	43,259
After five years	331,722	4,711	117,745	–
Non-recourse debt	213,790	4,500	–	–
Other	117,932	211	117,745	–
	550,169	95,182	161,587	44,051

Included above in other loans payable after five years is a private placement for £117m sourced from a number of institutions and completed by the Group in August 2003. This private placement is designed to lengthen the maturity profile of the Group's debt, with a final maturity of 12 years and an average term of 10 years. The debt was issued in Sterling and US Dollars at a fixed average coupon of 5.7%. The debt issued in US Dollars has been swapped into Sterling.

The non-recourse debt has a term to maturity of between 10 and 23 years. The interest rates payable on this debt range from 5.5% to 8.7%.

c) Finance lease obligations are secured by retention of title to the relevant assets.

18 Financial assets and liabilities

A description of the Group's treasury and risk management policies is set out in the Finance review on page 26.

As permitted by Financial Reporting Standard 13 (FRS 13) – 'Derivatives and other Financial Instruments' short term debtors and non interest bearing short term creditors and loans from joint ventures have been excluded from the following disclosures other than the disclosure of the currency profile of financial assets and liabilities.

i) Assets

31 December 2003	Sterling £'000	Euro £'000	Australian Dollar £'000	US Dollar £'000	Other currencies £'000	Total £'000
Cash and short term deposits	121,257	20,112	6,556	3,261	19,702	170,888
Long term interest-bearing loans						
to joint ventures	3,436	–	5,433	–	–	8,869
Other long term debtors	398,963	479	1,265	–	10,013	410,720
Total long term assets	**402,399**	**479**	**6,698**	**–**	**10,013**	**419,589**

31 December 2002	Sterling £'000	Euro £'000	Australian Dollar £'000	US Dollar £'000	Other currencies £'000	Total £'000
Cash and short term deposits	43,024	13,468	2,009	2,868	10,405	71,774
Long term interest-bearing loans						
to joint ventures	8,009	–	4,024	–	–	12,033
Other long term debtors	87,918	7,285	1,696	–	–	96,899
Total long term assets	95,927	7,285	5,720	–	–	108,932

Included within the assets recognised above is cash of £21,851,000 (2002 – £270,000) and debtors of £336,317,000 (2002 – £33,840,000) held by companies that are funded by non-recourse debt. The cash is not currently freely distributable as it represents a debt service reserve for the lenders of the non-recourse debt.

Fixed rate loans included in the above comprise Sterling loans of £2,217,000 carrying a weighted average interest rate of 9.3%, and an Australian Dollar loan of £1,033,000 carrying an interest rate of 15%.

67% of short-term trade debtors are Sterling denominated (2002 – 79%).

18 Financial assets and liabilities (continued)

ii) Liabilities

31 December 2003	Total liabilities £'000	Floating rate liabilities £'000	Fixed rate liabilities £'000	Fixed rate liabilities: Weighted average interest rate %	Fixed rate liabilities: Weighted average time for which rate is fixed Years
Sterling	493,055	45,006	448,049	6.83	9
Australian Dollar	955	955	–	–	–
US Dollar	223	223	–	–	–
Canadian Dollar	53,215	3,464	49,751	5.27	5
Other	2,721	2,721	–	–	–
Total	550,169	52,369	497,800		

31 December 2002	Total liabilities £'000	Floating rate liabilities £'000	Fixed rate liabilities £'000	Fixed rate liabilities: Weighted average interest rate %	Fixed rate liabilities: Weighted average time for which rate is fixed Years
Sterling	87,757	24,354	63,403	6.45	4
Australian Dollar	3,075	3,075	–	–	–
US Dollar	3,714	3,714	–	–	–
Euro	636	636	–	–	–
Total	95,182	31,779	63,403		

Included within the liabilities recognised above is non-recourse debt of £356,979,000 (2002 – £29,700,000).

75% of short-term trade creditors are Sterling denominated (2002 – 80%).

The maturity of the Group's financial liabilities at 31 December 2003 and 31 December 2002 were:

31 December 2003	Maturing within one year £'000	Maturing between one and two years £'000	Maturing between two and five years £'000	Maturing after more than five years £'000	Total £'000
Sterling	5,933	36,563	117,964	332,595	493,055
Australian Dollar	495	230	230	–	955
US Dollar	83	140	–	–	223
Canadian Dollar	8,268	4,844	15,687	24,416	53,215
Other	909	348	1,276	188	2,721
Total	15,688	42,125	135,157	357,199	550,169

18 Financial assets and liabilities (continued)

ii) Liabilities (continued)

31 December 2002	Maturing within one year £'000	Maturing between one and two years £'000	Maturing between two and five years £'000	Maturing after more than five years £'000	Total £'000
Sterling	4,105	3,884	73,848	5,920	87,757
Australian Dollar	768	1,255	829	223	3,075
US Dollar	2,085	1,215	349	65	3,714
Euro	636	–	–	–	636
Total	7,594	6,354	75,026	6,208	95,182

iii) Fair values

The book value and fair value of the Group's financial assets and liabilities at 31 December 2003 and 31 December 2002 were:

	2003 Book value £'000	2003 Fair value £'000	2002 Book value £'000	2002 Fair value £'000
Long term debt	(525,724)	(529,884)	(88,047)	(91,879)
Cross currency swaps	(8,757)	(3,233)	459	4,138
Short term debt	(15,688)	(15,688)	(7,594)	(7,594)
Interest rate swaps	–	(27,230)	–	–
Forward exchange contracts	–	(5,726)	–	(2,422)
Cash and short term deposits	170,888	170,888	71,774	71,774
Long term loans to joint ventures	8,869	8,869	12,033	12,033
Other long term debtors	410,720	410,720	96,899	96,899
Total	40,308	8,716	85,524	82,949

Foreign currency assets and liabilities which are hedged using forward foreign exchange contracts are translated at the contracted rates. The fair value of other foreign currency contracts, interest rate swaps, and loan notes, have been determined by reference to prices available from the markets on which the instruments involved are traded.

Gains and losses on hedges

Changes in the fair value of financial instruments used as hedges are not recognised in the accounts until the hedged position matures. There was an unrecognised loss of £36,189,000 (2002 – gain of £1,716,000) on derivatives held to manage currency and interest rate risk as at 31 December 2003. The unrecognised loss of £36,189,000 includes the fair value of interest rate swaps in Premier Custodial Group and Laser (Teddington II) Limited. The equivalent values for these swaps are not included in the prior year comparative number of £1,716,000 because Premier Custodial Group and Laser (Teddington II) Limited were joint ventures on 31 December 2002.

18 Financial assets and liabilities (continued)

iii) Fair values (continued)

The expected movements in the fair value of hedges, are as follows:

	Interest rate hedges £'000	Cross currency swaps £'000	Forward exchange contracts £'000	Total £'000
Losses on hedges unrecognised at 31 December 2003	(27,230)	(3,233)	(5,726)	(36,189)
Expected to be recognised in the following year	(6,678)	(453)	(1,281)	(8,412)
Expected to be recognised thereafter	*(20,552)*	*(2,780)*	*(4,445)*	*(27,777)*

19 *Provisions for liabilities and charges*

Group	Balance 1 January 2003 £'000	Subsidiaries acquired £'000	Utilised £'000	Charged to the profit and loss account £'000	Foreign exchange differences £'000	Balance 31 December 2003 £'000
Pensions provision	25,808	–	(839)	1,663	2,008	28,640
Deferred taxation	8,725	11,958	–	7,195	8	27,886
	34,533	11,958	(839)	8,858	2,016	56,526

Company	Balance 1 January 2003 £'000	Subsidiaries acquired £'000	Utilised £'000	Charged to the profit and loss account £'000	Foreign exchange differences £'000	Balance 31 December 2003 £'000
Deferred tax	335	–	–	(531)	–	(196)

The deferred tax asset in the Company balance sheet at 31 December 2003 has been included within 'other debtors'.

20 Deferred taxation

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
The amounts of deferred taxation provided in the accounts are:				
Deferred tax liabilities:				
Tax allowances in excess of depreciation	16,166	2,650	(203)	(77)
Overseas timing differences	28	1,967	–	–
Other timing differences	11,692	4,108	7	412
	27,886	8,725	(196)	335
Deferred tax assets (included within 'other debtors'):				
Overseas timing differences	(1,721)	–	–	–
	26,165	8,725	(196)	335

Movement in deferred taxation	
Balance 1 January 2003	8,725
Acquisitions in the year	11,958
Tax charge for the year	7,195
Tax credit for the year	(1,721)
Foreign exchange	8
Balance 31 December 2003	26,165

Potential amounts of deferred taxation for which no credit has been taken:				
Overseas timing differences	(6,100)	(2,767)	–	–
	(6,100)	(2,767)	–	–

21 Reconciliation of movements in shareholders' funds

	2003 £'000	Restated 2002 £'000
Profit on ordinary activities after taxation	33,751	32,302
Share of joint venture minority interest	(198)	–
Minority interest	(255)	–
Dividends	(10,050)	(9,441)
	23,248	22,861
Currency translation differences on foreign currency net investments	6,654	(1,911)
New capital subscribed	–	117,929
Exercise of share scheme options	–	(93)
Change in ESOP reserve	1,258	–
Net increase in shareholders' funds	31,160	138,786
Opening shareholders' funds as previously stated	249,650	129,071
Restatement	–	(18,207)
Opening shareholders' funds as restated	249,650	110,864
Closing shareholders' funds as restated	280,810	249,650

22 Called up share capital

	2003 £'000	2002 £'000
a) Authorised 550,000,000 (2002 – 550,000,000) Ordinary Shares of 2p each	11,000	11,000

	2003 £'000	2002 £'000
b) Called up, allotted and fully paid:		
434,880,837 (2002 – 434,862,837) Ordinary Shares of 2p each	8,697	8,697

c) Ordinary Shares of 2p each allotted in the year:

During the year 80,891 Ordinary Shares of 2p each were allotted to the holders of options or their personal representatives.

Of these, 18,000 were allotted using newly issued shares, 18,000 were allotted at £nil value.

Of the remaining 59,438 were allotted at £nil value and 3,453 at a price of £1.645 using shares purchased in the market and held in trust.

22 Called up share capital (continued)

d) Options in respect of Ordinary Shares of 2p each:

i) In January 1996, 1,210,392 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group plc 1996 Long Term Incentive Scheme'. At 31 December 2003 no options remain.

ii) In January 1997, 1,439,622 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group plc 1996 Long Term Incentive Scheme'. At 31 December 2003 there remained 36,000 options which are exercisable at nil value in accordance with the rules of the Scheme.

iii) 3,341,346 options in respect of Ordinary Shares of 2p each were granted in May and September 1998 in accordance with the rules of the 'Serco Group plc 1998 Executive Option Plan'. At 31 December 2003 there remained 1,416,413 options which are exercisable at a price of £2.175* each and 10,830 at £2.0208* each in accordance with the rules of the Scheme.

iv) On 1 April 1999, 3,461,664 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group plc 1998 Executive Option Plan'. At 31 December 2003 there remained 2,029,242 options which are exercisable at a price of £2.45* each in accordance with the rules of the Scheme.

v) On 5 April 2000, 2,524,836 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group plc 1998 Executive Option Plan'. At 31 December 2003 there remained 1,710,792 options which are exercisable at a price of £4.2542* each in accordance with the rules of the Scheme.

vi) On 5 April 2000, 219,900 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the '1996 Serco Group plc Long Term Incentive Scheme as amended by the Company on 5 April 2000'. At 31 December 2003 there remained 127,038 options which are exercisable at a nil value in accordance with the rules of the Scheme.

vii) 37,677 options in respect of Ordinary Shares of 2p each were granted in August and November 2000, in accordance with the rules of the 'Serco Group plc 1998 Executive Option Plan'. As at 31 December 2003 there remained 26,268 options which are exercisable at a price of £5.825 and 8,878 options which are exercisable at a price of £4.90 each in accordance with the rules of the scheme.

viii) On 24 November 2000, 259,351 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the '1996 Serco Group plc Long Term Incentive Scheme as amended by the Company on 5 April 2000'. At 31 December 2003 there remained 170,481 options which are exercisable at nil value in accordance with the rules of the Scheme.

ix) On 20 March 2001, 2,851,962 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 2,626,535 options which are exercisable at a price of £4.07 each in accordance with the rules of the Scheme.

x) On 27 March 2001, 603,144 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 600,838 options which are exercisable at a price of £4.35 each in accordance with the rules of the Scheme.

22 Called up share capital (continued)

d) Options in respect of Ordinary Shares of 2p each: (continued)

xi) On 16 November 2001, 248,374 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the '1996 Serco Group plc Long Term Incentive Scheme as amended by the Company on 5 April 2000'. At 31 December 2003 there remained 179,650 options which are exercisable at nil value in accordance with the rules of the Scheme.

xii) On 3 May 2002, 5,986,743 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 5,753,308 options which are exercisable at a price of £2.64 each in accordance with the rules of the Scheme.

xiii) On 3 May 2002, 55,600 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the '1996 Serco Group plc Long Term Incentive Scheme as amended by the Company on 5 April 2000'. At 31 December 2003 no options had been exercised or lapsed.

xiv) On 6 September 2002, 5,428,691 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 5,161,098 options which are exercisable at a price of £1.645 each in accordance with the rules of the Scheme.

xv) On 6 May 2003, 787,358 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the '1996 Serco Group plc Long Term Incentive Scheme as amended by the Company on 5 April 2000'. At 31 December 2003 no options had been exercised or lapsed. These options have been granted in respect of a three-year performance period starting 1 January 2003 and are exercisable at a nil value in accordance with the rules of the Scheme.

xvi) On 6 May 2003, 11,032,976 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 10,831,695 options which are exercisable at a price of £1.525 each in accordance with the rules of the Scheme.

xvii) On 6 May 2003, 60,675 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 60,675 options which are exercisable at a price of £1.39 each in accordance with the rules of the Scheme.

xviii) On 27 November 2003, 650,850 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the '1996 Serco Group plc Long term Incentive Scheme as amended by the Company on 5 April 2000'. At 31 December 2003 no options had been exercised or lapsed. These options have been granted in respect of a three-year performance period starting 1 January 2004 and are exercisable at a nil value in accordance with the rules of the Scheme.

xix) On 17 December 2003, 35,178 options in respect of Ordinary Shares of 2p each were granted in accordance with the rules of the 'Serco Group 1998 Executive Option Plan'. As at 31 December 2003 there remained 35,178 options which are exercisable at a price of £1.70 each in accordance with the rules of the Scheme.

*Restated to reflect the capitalisation issue on 5 April 2000.

e) The market price of Serco Group plc Ordinary Shares of 2p each as at 31 December 2003 was £1.72. The market price of these shares ranged from £1.92 to £1.055 during the year.

23 Share premium account

Group and Company	£'000
Balance at 1 January 2003	190,791
Balance at 31 December 2003	**190,791**

24 ESOP reserve

Group	£'000
At 1 January 2003	(18,207)
Amortisation	1,258
At 31 December 2003	**(16,949)**

The ESOP reserve represents 5,351,739 (2002 – 5,414,630) shares in Serco Group plc held by the Employee Share Ownership Trust (the Trust) equal to 1.23% of current allotted share capital (2002 – 1.25%). The market value of shares held by the Trust at 31 December 2003 was £9,204,991 (2002 – £8,284,384). 62,891 shares were allotted during the year, 59,438 were allotted at nil value and 3,453 at a price of £1.645 (2002 – 142,403 all of which were at nil value).

25 Profit and loss account

Group	£'000
Balance at 1 January 2003	68,226
Retained profit transferred to reserves	23,248
Currency translation differences on foreign currency net investments	6,654
Balance at 31 December 2003	**98,128**

Company
As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Parent Company is not presented as part of these accounts. The consolidated profit for the financial year includes the Parent Company profit of £59,510,000, which includes dividends of £72,080,000 received from subsidiary companies.

A final ordinary dividend of £6,958,000 is proposed, which together with the interim dividend of £3,092,000, leaves a profit of £49,460,000 which has been added to reserves brought forward of £37,789,000. This, along with a foreign exchange charge of £790,000, results in reserves carried forward of £86,459,000.

26 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	Restated 2002 £'000
Operating profit before exceptional item	**28,206**	29,103
Exceptional item: reorganisation cost	**(4,497)**	–
Operating profit	**23,709**	29,103
Depreciation	**18,401**	15,534
Amortisation of goodwill and intangible fixed assets	**14,131**	8,098
Profit on sale of tangible fixed assets	**(1,965)**	(1,948)
Profit on sale of subsidiary undertaking	**(267)**	–
Decrease/(increase) in stocks	**1,875**	(2,906)
Increase in debtors	**(4,401)**	(41,870)
(Decrease)/increase in creditors	**(19,263)**	30,019
Increase in provisions	**12,910**	2,805
Decrease ESOP investment	**1,258**	776
One-off pension fund contribution	–	(15,500)
Net cash inflow from operating activities before PFI asset expenditure	**46,388**	24,111
Movement in PFI debtor	**3,680**	–
Expenditure on PFI assets in the course of construction	**(33,001)**	(14,950)
Net cash inflow from operating activities after PFI asset expenditure	**17,067**	9,161

27 Analysis of net debt

	Balance 1 January 2003 £'000	Cash flow acquired during the year 2003 £'000	Cash flow movement during the year 2003 £'000	Other non-cash changes 2003 £'000	Balance 31 December 2003 £'000
Cash at bank and in hand	71,774	12,843	86,271	–	**170,888**
Overdrafts	(2,386)	–	2,386	–	–
Cash net of overdrafts	*69,388*	*12,843*	*88,657*	–	***170,888***
Other loans due after more than one year	(47,433)	–	(117,502)	(321)	**(165,256)**
Other loans due within one year	(372)	–	1,709	(5,810)	**(4,473)**
Finance leases	(15,291)	(234)	6,422	(14,358)	**(23,461)**
Recourse net cash/debt	6,292	12,609	(20,714)	(20,489)	**(22,302)**
Non-recourse debt	(29,700)	(250,994)	(76,285)	–	**(356,979)**
Net debt	(23,408)	(238,385)	(96,999)	(20,489)	**(379,281)**

28 Reconciliation of increase in cash to movement in net debt

	2003 £'000	2002 £'000
Increase in cash	101,500	105,223
Cash (inflow) from non-recourse debt	(76,285)	(15,600)
Cash (inflow)/outflow from debt and lease financing	(109,605)	3,870
Change in net debt resulting from cash flows before acquisitions	(84,390)	93,493
Change in debt due to acquisitions	(250,994)	–
Non cash changes from other debt and lease financing	(20,489)	(9,310)
Movement in net debt in the year	(355,873)	84,183
Net debt at 1 January	(23,408)	(107,591)
Net debt at 31 December	(379,281)	(23,408)

29 Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £13,824,000 (2002 – £7,611,000).

During the year £nil (2002 – £93,000) has been charged to the profit and loss reserve in respect of shares issued under employee share incentive schemes.

30 Contingent liabilities

The Group has given guarantees and indemnities in respect of loans amounting to £3,672,000. The total value of credit facilities and future lease payments guaranteed at 31 December 2003 was £15,081,000.

In addition, the Group has given indemnities in respect of performance guarantees, letters of credit and import duty guarantees issued on its behalf in the ordinary course of business, which are not expected to result in any material financial loss.

31 Capital and other commitments

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Capital expenditure contracted but not provided	11,878	8,595	–	–

During the year ending 31 December 2004 the Group is to make the following payments in respect of operating leases:

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	4,323	3,004
Between one and five years	8,139	19,596
After five years	4,308	1,023
	16,770	23,623

32 Related parties

Directors

The Directors of Serco Group plc had no material transactions with the Group during the year other than service contracts and Directors' liability insurance. Details of the Directors' remuneration is disclosed in the Remuneration Report.

Joint ventures

The following material transactions took place between the Group and its joint ventures during 2003:

	2003 £'000	2002 £'000
Net loans during the year	(7,821)	1,797
Net trading	1,561	1,800
Royalties and management fees receivable	1,098	2,302
Dividends receivable	12,630	11,095
	7,468	16,994

32 Related parties (continued)

The following receivable balances relating to joint ventures were included in the Group Balance Sheet:

	2003 £'000	2002 £'000
Amounts due within one year:		
Loans	1,944	2,140
Trading balance	488	287
Royalties and management fees	168	239
	2,600	2,666
Amounts due after more than one year:		
Loans	3,619	12,033
Royalties and management fees	5,250	–
	8,869	12,033

The following payable balances relating to joint ventures were included in the Group Balance Sheet:

	2003 £'000	2002 £'000
Amounts payable within one year:		
Loans	16,285	16,974
	16,285	16,974

Details of Group investments in joint ventures and other principal undertakings are given in Note 34.

33 Pension schemes

The Group has continued to account for pensions in accordance with SSAP 24. Full adoption of the requirements of FRS 17 'Retirement Benefits' will not be mandatory for the Group until the year ended 31 December 2005. The transitional disclosures required by FRS 17 are set out in part (b) of this note which shows the Group's pension deficit in accordance with FRS 17 at 31 December 2003 was £69.7 million (2002 – £73.6 million) on an asset base of £350.4 million (2002 – £294.5 million). For 2003 the Group has increased its pension contribution by £9 million, which was accounted for evenly over the year.

33 Pension schemes (continued)

a) SSAP 24 disclosure

The net pension charge in accordance with SSAP 24 for the year ended 31 December 2003 was £36,755,000 (2002 – £29,096,000). The Group operates or is a member of a number of pension schemes as follows:

i) Serco Pension and Life Assurance Scheme (SPLAS)

The two principal defined benefit schemes, Serco Pension and Life Assurance Scheme (SPLAS), and the Serco-IAL Pension Scheme were merged in February 2003. During 2003 a bulk transfer was received from the Serco IAL Pension Scheme. A full actuarial valuation was carried out at 6 April 2002 and updated to 31 December 2003 by a qualified independent actuary.

The figures in the profit and loss account and the balance sheet prepayment have been determined in accordance with the requirements of SSAP 24. The average contribution rate, excluding the increased pension contribution of £9 million, is 19%.

This is a pre-funded defined benefit scheme.

The funding policy is to contribute such variable amounts, on the advice of the actuary, as will achieve 100% funding on a projected salary basis.

The projected unit method was adopted for the actuarial valuation of the scheme for accounting purposes. The main actuarial assumptions used to value liabilities are:

Investment yield	7.0% p.a.
Salary growth	3.7% p.a.
Price inflation	2.5% p.a.
Pension increases	2.5% p.a.

The scheme is assessed to be fully funded on a current funding level basis based on a market value of assets of £216,085,000 at 6 April 2002. Liabilities for this purpose are calculated using the basis for determining individual cash equivalents for active members and deferred pensioners and by estimating the cost of purchasing annuity policies for pensioners.

The actuarial value of the assets represented 86% of the ongoing liabilities of the scheme. Variations from the normal costs are amortised for accounting purposes over a fifteen year period as a constant monetary amount.

Employer pension contributions paid into the scheme during the year were £22,250,000 (2002 – £14,425,000), of which £9,000,000 relates to the increased lump sum contributions, and of which £910,000 related to special contributions and augmentations (2002 – £1,100,000).

At 31 December 2003 a prepayment of £30,580,000 (2002 – £28,350,000) in respect of the scheme was included in the balance sheet. £20,020,000 was charged to the profit and loss account in respect of the scheme (2002 – £12,535,000).

33 Pension schemes (continued)

a) SSAP 24 disclosure (continued)

ii) Serco GmbH & Co. KG Pension arrangement

The German pension arrangement comprises two elements: an unfunded defined benefit arrangement and an unfunded hybrid scheme.

Actuarial assessments covering liabilities are carried out by independent qualified actuaries, with the last such review being carried out as at 23 December 1999 and updated as at 31 December 2002 by a qualified independent actuary.

The projected unit method was adopted for the actuarial valuation of the arrangement. The main actuarial assumptions used in the valuation for accounting purposes were:

Discount rate	6.0% p.a.
Salary growth	3.0% p.a.
Price inflation	1.0% p.a.

The profit and loss charge for the year was £1,663,000 (2002 – £1,663,000) and a provision of £28,640,000 (2002 – £25,808,000) has been included in the Balance Sheet as at 31 December 2003 of which £22,482,000 (2002 – £20,271,000) relates to the hybrid element of the scheme, and £6,158,000 (2002 – £5,537,000) to the defined benefit element of the scheme.

iii) Serco Superannuation Fund

The defined benefit element of the scheme was established in Australia on 1 April 1993 to provide equivalent benefits for members transferring from the AWA Defence Industries Superannuation Fund, a defined benefit scheme.

Actuarial assessments covering expenses and contributions relating to the defined benefit element of the scheme are carried out by independent qualified actuaries, with the last such valuation being carried out as at 31 December 2000. The attained age method was used for the actuarial valuation of the scheme as at 31 December 2000. This method was chosen to produce a level employer contribution rate as a proportion of members' salaries over the expected future working lives of the existing members, as the defined benefit element of the scheme was closed to new members with effect from 1 April 1993.

The main actuarial assumptions used in the actuarial valuation for accounting purposes were:

Average long term interest rate (net of investments and administration expenses and investment tax)	8.0 % p.a.
Average long term allowance for salaries increases	5.5 % p.a.

The defined benefit element of the scheme was assessed to be fully funded on a current funding level based on a market value of assets of £1,385,000 (A$3,938,000) at 31 December 2000 with a ratio of market value of assets to current funding level liabilities of 107%.

33 Pension schemes (continued)

a) **SSAP 24 disclosure** (continued)

iii) Serco Superannuation Fund (continued)

The actuarial value of assets of the defined benefit element of the scheme represented 115% of its ongoing liabilities at 31 December 2000. The pension cost calculated under the attained age method will amortise the above surplus over the expected future working lives of the existing members which have an average value of 11 years.

Employer pension contributions paid into the scheme in 2003 profit and loss account relating to the defined benefit element of the scheme were £nil (2002 – £257,000).

iv) The NPL Management Limited Pension Scheme

This is a pre-funded defined benefit scheme. The Company accounts for this scheme as a defined contribution scheme since at rebid any surplus or deficit would transfer to the next contractor. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries, with the last such review being carried out as at 5 April 2001. The funding policy is to contribute such variable amounts as will achieve 100% funding on a projected unit basis.

The average contribution rate is currently 20.8% for the scheme.

The main actuarial assumptions used in the valuation were:

Investment return	6.50% p.a. (5.0% for current pensioners)
Salary growth	4.25% p.a. (plus promotional scale)
Price inflation	2.25% p.a.
Pension increases	2.25% p.a.

The market value of assets represented 93% of the ongoing liabilities of the scheme.

Employer pension contributions charged to the 2003 profit and loss account were £1,974,000 (2002 – £1,903,000).

33 Pension schemes (continued)

a) SSAP 24 disclosure (continued)

v) The Serco Shared Cost Section of the Railways Pension Scheme (RPS)

This is a pre-funded defined benefit scheme. The Company accounts for this scheme as a defined contribution scheme since at rebid any surplus or deficit would transfer to the next contractor. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries, the last such review being carried out as at 31 December 2001. The funding policy is to contribute such variable amounts as will achieve 100% funding on a projected unit basis.

The main actuarial assumptions used in the valuation were:

Investment return	6.3% p.a.
Salary growth	4.0% p.a. (plus promotional scale)
Price Inflation	2.5% p.a.
Pension increases	2.5% p.a.

The actuarial value of assets represented 117% of the ongoing liabilities of the scheme. The current contribution rate is 7.5% of Section Pay.

Employer pension contributions charged to the 2003 profit and loss account during the year were £783,000 (2002 – £715,000).

vi) Serco Metrolink Pension Scheme

This is a pre-funded defined benefit scheme. The Group accounts for this scheme as a defined contribution scheme since at rebid any surplus or deficit would transfer to the next contractor. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries, the last such review being carried out as at 31 August 2001. The funding policy is to contribute such variable amounts as will achieve 100% funding on a projected unit basis.

The main actuarial assumptions used in the valuation were:

Investment return	6.5% p.a.
Salary growth	4.4% p.a.
Price Inflation	2.4% p.a.
Pension increases	2.4% p.a.

The actuarial value of assets represented 82% of the ongoing liabilities of the scheme. The current contribution rate is 8.2%.

Employer pension contributions charged to the 2003 profit and loss account were £277,000 (2002 – £244,000).

33 Pension schemes (continued)

a) SSAP 24 disclosure (continued)

vii) Docklands Light Railway Pension Scheme

This is a pre-funded defined benefit scheme with Docklands Light Railway Limited being the principal employer. The Group accounts for this scheme as a defined contribution scheme, since at rebid any surplus or deficit would transfer to the next contractor. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries, with the last such review being carried out at 1 April 2001. The funding policy is to contribute such variable amounts as will achieve 100% funding on a projected unit basis. The main actuarial assumptions used in the valuation this year were:

Investment return	7.0% p.a.
Salary growth	5.0% p.a. (including promotional scale)
Pension increases	3.0% p.a.
Dividend yield	2.75% p.a.

The actuarial value of assets represented 96% of the ongoing liabilities of the scheme. The current contribution rate is 15.2%.

Employer pension contributions charged to the 2003 profit and loss account were £1,521,000 (2002 – £1,378,000).

viii) Other defined contribution schemes

The Group paid employer contributions of £10,517,000 (2002 – £10,401,000) into UK and other defined contribution schemes, foreign state pension schemes and multi-employer schemes.

33 Pension schemes (continued)

b) FRS 17 disclosure

The disclosures required under the transitional arrangements within FRS 17 have been based on the most recent full actuarial valuations of the Serco Pension and Life Assurance Scheme as at 6 April 2002 and the Serco IAL Scheme as at 31 March 2001, updated to 31 December 2003 by independent qualified actuaries.

If the amounts had been recognised in the accounts the net assets and the profit and loss account would be as follows:

	2003 £'000	Restated 2002 £'000
Net assets excluding net pension assets	259,404	229,805
Net pension liability	(69,712)	(73,601)
Net assets including pension liabilities	189,692	156,204

	2003 £'000	2002 £'000
Profit and loss reserve	98,128	68,226
Reversal of SSAP 24 prepayments, net of deferred taxation	(21,406)	(19,845)
	76,722	48,381
Pension (deficit)	(69,712)	(73,601)
Profit and loss reserve adjusted	7,010	(25,220)

Serco Pension and Life Assurance Scheme (SPLAS)

The financial assumptions used were:

	2003 % p.a.	2002 % p.a.
Rate of increase in salaries	3.80	3.85
Rate of increase in deferred pensions	2.70	2.25
Rate of increase in pensions in payment	2.70	2.25
Discount rate	5.40	5.47
Inflation assumption	2.80	2.35

33 Pension schemes (continued)

b) FRS 17 disclosure (continued)

The Scheme's assets and the expected rates of return as at 31 December 2003 were:

	2003 % p.a.	2003 £'000	2002 % p.a.	2002 £'000
Equities	7.30	192,684	7.00	183,802
Bonds	5.40	41,510	5.47	26,840
Gilts	4.80	75,627	4.50	47,434
Property	6.35	8,192	6.24	7,690
Cash and other	4.00	2,985	4.50	908
Annuity policies	5.40	29,418	5.47	27,798
Total market value of assets		350,416		294,472
Present value of scheme liabilities		(450,005)		(399,617)
Deficit in the scheme		(99,589)		(105,145)
Related deferred tax asset		29,877		31,544
Net pension liability		(69,712)		(73,601)

The amount chargeable under FRS 17 in 2003 would have been:

	2003 £'000	2002 £'000
Service cost	13,655	13,691
Past service cost	1,350	1,100
Total operating charge	15,005	14,791

Analysis of the net return on the pension scheme for the year ended 31 December 2003.

	2003 £'000	2002 £'000
Expected return on pension scheme assets	18,965	20,772
Interest on pension liabilities	(22,056)	(19,664)
Net return on (interest cost)/assets	(3,091)	1,108

33 Pension schemes (continued)

b) FRS 17 disclosure (continued)

Analysis of amount recognisable in Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 December 2003:

	2003 £'000	2002 £'000
Actual return less expected return on assets	22,520	(73,096)
Experience gains and losses on liabilities	6,637	(19,313)
Changes in assumptions	(27,755)	(8,290)
Actuarial gain/(loss) recognisable in STRGL	1,402	(100,699)

Movement in deficit during the year:

	2003 £'000	2002 £'000
Deficit in scheme at 31 December 2002	(105,145)	(5,163)
Movement in year:		
(Current service cost)	(13,655)	(13,691)
Contributions	22,250	14,400
(Past service costs)	(1,350)	(1,100)
Net return on (interest cost)/assets	(3,091)	1,108
Actuarial gain/(loss)	1,402	(100,699)
Deficit in scheme at 31 December 2003	(99,589)	(105,145)

History of experience gains and losses:

	2003 £'000	2002 £'000
Difference between expected and actual return on scheme assets	22,520	(73,096)
Percentage of scheme assets	6%	−21%
Experience gains and losses on scheme liabilities	6,637	(19,313)
Percentage of scheme liabilities	1%	−5%
Total amount recognised in STRGL	1,402	(100,699)
Percentage of scheme liabilities	*0%*	*−25%*

The balance sheet position for all of the other group pension schemes is materially the same in accordance with FRS 17 as for SSAP 24.

34 List of principal undertakings

The companies listed below are, in the opinion of the Directors, the principal undertakings of Serco Group plc. The percentage of equity capital directly or indirectly held by Serco Group plc is shown. The voting rights are the same as the percentage holding. The companies are incorporated and principally operate in the countries stated below.

Principal subsidiaries

United Kingdom	Serco Limited	100%
	Serco-Denholm Limited	90%
	Serco Europe Limited	100%
	Serco-IAL Limited	100%
	Serco Railtest Limited	100%
	Serco Systems Limited	100%
	NPL Management Limited	100%
	Serco Docklands Limited	100%
	Traffic Information Services (TIS) Limited	100%
	Premier Custodial Group Limited	100%
	Kilmarnock Prison Services Limited	100%
	Lowdham Grange Prison Services Limited	100%
	Medomsley Training Services Limited	100%
	Premier Prison Services Limited	100%
	Premier Monitoring Services Limited	100%
	Premier Geografix Limited	100%
	Pucklechurch Custodial Services Limited	100%
	Moreton Prison Services Limited	100%
	Laser (Teddington II) Limited	100%
	Altram (Manchester) Limited	100%
Rest of Europe		
Belgium	Serco Belgium SA	100%
Denmark	Metro Service A/S	100%
France	Serco France SAS	100%
Germany	Serco International GmbH	100%
	Serco GmbH & Co KG	100%
Ireland	Serco Services Ireland Limited	100%
	CCM Software Services Limited	100%
Italy	Serco SpA	100%
Guernsey	Serco Insurance Company Limited	100%
Luxembourg	Serco Facilities Management SA	100%
The Netherlands	Serco Facilities Management BV	100%
Spain	Serco Gestion de Negocias SL	100%
Switzerland	Serco Facilities Management S.A	100%

34 List of principal undertakings (continued)

Principal subsidiaries		
Asia Pacific		
Australia	Serco Group Pty Limited	100%
	Serco Australia Pty Limited	100%
	Great Southern Railways Limited	100%
New Zealand	Serco Group NZ Limited	100%
Hong Kong	Serco Group (Hong Kong) Limited	100%
Other		
Canada	Serco Facilities Management Inc	100%
USA	Serco Group, Inc	100%
	Serco, Inc	100%
	Serco Management Services, Inc. (Delaware)	100%
	Barton ATC, Inc.	100%
	Serco Management Services, Inc. (Tennessee)	100%
	JL Associates, Inc.	100%

Joint venture undertakings		
United Kingdom	Serco Gulf Engineering Limited	50%
	Defence Management Watchfield Limited	50%
	Serco-Denholm Shipping Company Limited	50%
	AWE Management Limited	33%
	Merseyrail Electrics 2002 Limited	50%
Asia Pacific		
Australia	Defence Maritime Services Pty Limited	50%
	Serco Sodexho Defence Services Pty Limited	50%
New Zealand	Serco Sodexho Defence Services Limited	50%
Other		
USA	Serco – SKE	50%
Bahrain	Aeradio Technical Services WLL	49%
Bermuda	BAS-Serco Limited	40%
Cyprus	Serco Kalisperas	50%
Singapore	Serco Guthrie Pte Ltd	50%
Turkey	Elektronik Sistemer Destek Sanavi ve Ticaret AS	51%

Full details of related undertakings will be attached to the Company's Annual Return to be filed with the Registrar of Companies.

35 International Financial Reporting Standards

The Council of the European Union announced in June 2002 that listed companies in Europe would adopt International Financial Reporting Standards (IFRS) for accounting periods beginning on or after 1 January 2005. The adoption of IFRS will be first reflected in the Group Accounts in the year ending 31 December 2005. In accordance with the Committee of European Securities Regulators (CESR) Guideline, set out below is a brief summary of how the Group is managing the convergence to IFRS.

The Group has established a global project team to manage the convergence to IFRS. The scope of this project necessarily includes:

- An initial assessment of the impact from the conversion to IFRS on the Group's reported financial results;

- A continued assessment of the impact from proposed future developments to IFRS;

- Identification of required changes to the Group's existing accounting systems and procedures;

- Targeted training and education of all employees within the businesses; and

- The timely communication to internal and external stakeholders, of areas subject to significant change.

INVESTOR AND SHAREHOLDER INFORMATION

Registrars
With effect from 2 February 2004 the Company's registrar changed to Computershare Investor Services. Computershare maintains our register of members and makes dividend payments to our Shareholders. Please direct any correspondence about your holding – including change of address and dividend mandate instructions – to Computershare at this address:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH

Computershare's shareholder website is at www.computershare.com. A dedicated shareholder services helpline is available on +44 (0)870 873 5839. The helpline is open during working hours (UK time) if you have any questions about your holding in the Company.

Shares in issue
At 31 December 2003 there were 434,880,837 Serco Group plc Ordinary 2p Shares in issue.

Dividend mandate
Dividends can be paid directly into your bank or building society account. To take advantage of this facility, please complete the dividend mandate form attached to your dividend cheque or contact Computershare by phone, fax or post.

The form is also available from the Computershare website.

Dividend Re-investment Plan
The Serco Dividend Re-investment Plan ("DRIP") gives Shareholders the chance to re-invest their dividends in Serco shares instead of receiving cash.

If you participate in the DRIP, your cash dividend will be paid directly to Computershare, who will calculate the number of shares to which you are entitled and buy them on the stock market. Because participants' share purchases are aggregated, the dealing costs are relatively low.

To register, simply complete a form and send it to the registrar. For further information about the DRIP please contact Computershare directly on the number provided above, or alternatively look under the home page section on the Computershare website.

Postal share dealing services
Serco has arranged with Cazenove & Co a simple, low-cost method of buying and selling its shares by post. Shares are bought and sold on the day Cazenove receives the instruction. For a dealing form, please contact the postal dealing department at Cazenove:

Cazenove & Co. Ltd
Share Dealing Service
20 Moorgate
London EC2R 6DA
United Kingdom

T +44 (0)20 7606 1768

The terms and conditions for this service are shown on the last page of the form.

Electronic mailing
Where the law allows, you can now choose not to receive a paper copy of the documentation we send out. Instead we can send you an email notification every time a new shareholder document is posted on our website. This will include the Annual and Interim Reports and other Shareholder communications. You can then view the document(s) on our website at www.serco.com.

To receive documents electronically you will need to register online on the Computershare website. This is a secure, straightforward online service operated free of charge by Computershare.

Unsolicited mail
We are legally obliged, whenever requested, to provide copies of our shareholder register to any third parties, so from time to time you may receive unsolicited mail. You can limit the amount of unsolicited mail you receive by contacting:

The Mailing Preference Service
Freepost 22
London W1E 7EZ
United Kingdom

Change of registered office
On 7 May 2003 the registered office of Serco Group plc changed to :

Serco House
16 Bartley Wood Business Park
Bartley Way, Hook
Hampshire RG27 9UY
United Kingdom

04

Calendar of events

10 March
Ex dividend date

12 March
Record date

26 March
Accounts published

20 April
Last day for DRIP election

30 April
Annual General Meeting

12 May
Proposed final dividend payment

September
Proposed announcement
of interim results

October
Proposed payment
of interim dividend

This report has been printed on paper which is recyclable. A great proportion of the raw material used is the by-product from other production processes ie saw mill waste and waste which results from forest thinning. The mill holds not only ISO 2002 but also the ISO 14001 accreditation for their environmental management systems which include an active policy on sustainable forestry management

Artwork and Production: Serco Media & Design **Design:** www.pocknellstudio.com **Print:** First Impression

serco

Serco Group, Inc.
20 E Clementon Road
Suite 102 South
Gibbsboro
New Jersey 08026
United States

T +1 856 346 8800
F +1 856 346 8463
E generalenquiries-na@serco.com

Serco Group plc
Registered Office
Serco House
16 Bartley Wood Business Park
Bartley Way, Hook
Hampshire RG27 9UY
United Kingdom

T +44 (0)1256 745900
F +44 (0)1256 744111
E generalenquiries@serco.com

Serco Continental Europe and Middle East
PO Box 9197
Dubai
United Arab Emirates

T +971 (0)4 3244691
F +971 (0)4 3244690
E generalenquiries-ceme@serco.com

Serco Group Pty Limited
Level 10
90 Arthur Street
North Sydney
NSW 2060
Australia

T +61 (0)2 9964 9733
F +61 (0)2 9964 9924
E generalenquiries-aspac@serco.com

Serco Group plc is a company registered in England and Wales No. 2048608