

WHERE DO WE operate?

Our operations are widely distributed across selected markets in the UK, continental Europe, the Middle East, Asia Pacific and North America. The range of our activities varies from region to region. We are finding increasing opportunities to transfer expertise.



United Kingdom

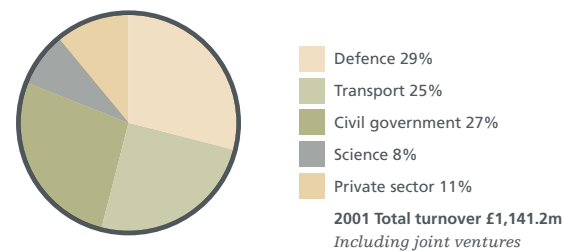
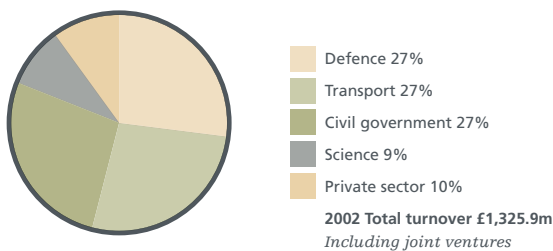
SALES 2002: £930.5m – up 17%

The UK provides some 70% of our business and remains an exciting market for us. Our expertise and proven track record, combined with a receptive marketplace, enable us to continue innovating to develop value for money solutions for both government and industry across a wide range of activities.

Key sectors

- **Defence:** Since we began maintaining the Ballistic Missile Early Warning System site at RAF Fylingdales in 1964, we have built a business that now encompasses UK contracts ranging from helicopter simulator training to managing, with our partners, the Atomic Weapons Establishment. We are a market leader in task management, operational and logistic support to the UK armed services.
- **Civil government:** We have over 25 years’ experience in delivering public services – across a range of activities that now spans justice, education, health and local authority services. We are in the forefront of the trend towards private provision of public services through ever more sophisticated and output-oriented contracts.

- **Transport:** We have built strong positions in both road and rail transport; for example, we are national Rail Operator of the Year and a market leader in fields as diverse as road traffic management systems, passenger information and rail infrastructure maintenance. We are currently building the Highways Agency’s new Traffic Control Centre for England. We operate complete rail franchises for the Docklands Light Railway and Manchester Metrolink, maintain railway property and infrastructure including nearly 1,800km of track, provide rail passenger information services from our Cardiff Call Centre and undertake infrastructure and rolling stock testing.
- **Science and technology:** We have had our roots in science and technology since the original Fylingdales radar contract. Today we manage scientific establishments including the National Physical Laboratory and are also the UK’s largest provider of nuclear safety and performance services.



SECTOR SEGMENTAL ANALYSIS – TOTAL GROUP

Continental Europe and Middle East

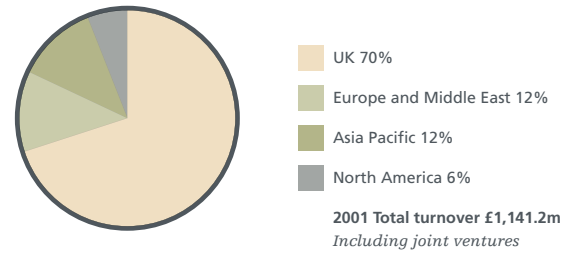
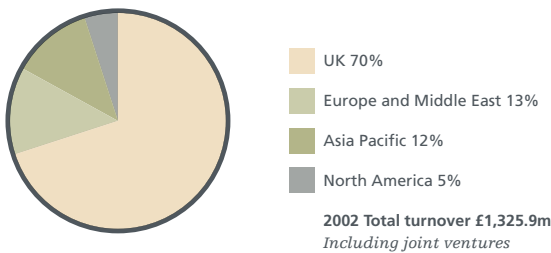
SALES 2002: £170.6m – up 22%

From our roots in IT support contracts in Italy, Belgium and the Netherlands, through our defence and government services business in Germany to our aeronautical and airport technical services expertise in the Middle East, we have an increasingly diverse business.

Key sectors

- **Defence:** Our involvement in the defence sector on the European mainland is relatively new, but we have established increasingly important relationships with the German ministry of defence and the Dutch navy.
- **Civil government:** Our services to local and national governments extend from buildings management to a range of technical services including development of safety cases for nuclear facilities.
- **Transport:** We are extending our light rail and traffic management expertise into continental Europe and have had particular success in Scandinavia. We operate the newly-opened Copenhagen Metro and Stockholm’s Central Technical System, which facilitates traffic management and the dissemination of traffic and travel information for the region.

- **IT support:** This was our original core activity in Europe and remains a growth area. We now provide support to the IT infrastructure of the European Commission, serving users in four countries. Other customers include the European Space Agency (ESA), European Parliament and Italian regional and central government.
- **Science and technology:** We first worked for ESA in the 1970s and have become one of the agency’s major suppliers – providing a range of spacecraft engineering, scientific, IT, project management and support services at sites across Europe. Other customers include the European Particle Physics Laboratory, CERN, close to Geneva.
- **Air traffic services:** We began providing airport services including air traffic control (ATC) in Bahrain in the 1940s. Now we have contracts for primary air traffic services across the region – including ATC, engineering, meteorological services, aeronautical information services, ATC training and aviation systems development.



GEOGRAPHIC SEGMENTAL ANALYSIS – TOTAL GROUP

Asia Pacific

SALES 2002: £155.1m – up 9%

As well as large, broadly based operations in Australia and New Zealand we have operations in Hong Kong and a foothold in Singapore.

Key sectors

- **Defence:** We are a major player in defence support in Australia and New Zealand. In Australia we provide 50% of all garrison support services and our port service contract for the navy is seen as a case study for future public private partnerships. In New Zealand we are the largest service provider to the forces. Looking ahead, we aim to build on our highly successful defence maritime services joint venture with P&O.
- **Civil government:** Our services include maintaining buildings and open spaces, warehousing and distribution, hospital support and water and wastewater services. Major contracts include providing civil, mechanical and electrical engineering services to City West Water in Melbourne, covering some 260,000 properties including Victoria's largest petrochemical and manufacturing facilities.
- **Transport:** In Australia we operate bus services, manage and maintain road infrastructure, build and support traffic management systems and manage airports. We own Great Southern Railway, which we have restored to profit since we bought it from the Australian government. In Hong Kong we have a number of road tunnel and parking management contracts.
- **Health:** We provide support services to a growing number of hospitals in Hong Kong and Australia.

North America

SALES 2002: £69.9m – up 7%

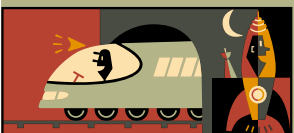
Having entered the North American market in 1993, we have steadily built businesses in the US, Canada and Bermuda. We provide a broad range of services in the federal, state and local government sectors, concentrating on air traffic control operations and management, managed fleet services, and multi-activity base operations for the defence forces.

Key sectors

- **Defence:** We provide a wide range of base support services. For example, at Wright-Patterson US Air Force Base we provide vehicle operations and maintenance for a community of 23,000 and thousands more visitors each year. In Canada we have a full multi-activity contract employing over 300 staff for the Department of National Defence at Goose Bay.
- **Civil government:** We are growing our business with state and local governments across a wide range of services. For example, we undertake parking management, enforcement and meter collection services, manage municipal vehicle fleets, conduct environmental studies and operate leisure facilities such as the multi award-winning ecological visitor centre at Hopewell Rocks in Canada.
- **Transport:** We are a leading private air traffic control operator across the US, where we now operate 58 ATC towers. We also provide meteorology and other services at civil and military airports in the US, Canada and Bermuda. Vehicle fleet maintenance is a growth activity for us in several sectors, particularly defence, utilities and civil government. In Seminole County, Florida, we manage over 1,600 county vehicles and items of municipal equipment.

INSIDE STORY
WHERE
DO WE
operate?

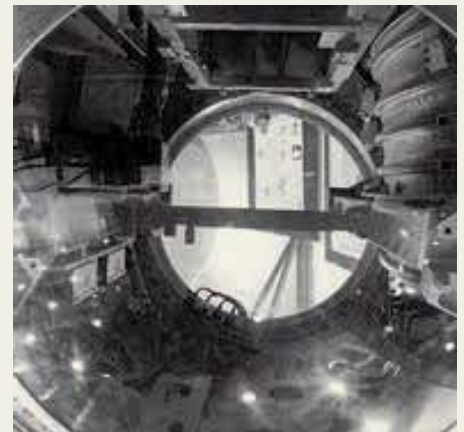
Wherever we operate, we apply the same skills and processes for managing change and maintaining continuous improvement. These skills and processes can be successfully brought to bear on virtually any kind of contract or activity – as these two very different examples demonstrate. In Australia, we used them to transform a rail business rapidly after acquiring ownership – while in Europe we’ve used them to evolve and develop our IT services to the European Space Agency over more than two decades of technological change...



Exceeding expectations – in six languages

European Space Agency IT

We've been providing technical services support to the European Space Agency (ESA) for over 20 years – since we were part of RCA. Our activities today include spacecraft engineering and scientific research projects. They also include activities that may not be rocket science, but are no less important to the organisation's effectiveness – such as supporting ESA's 3,500 computer users.



We won our first ESA computer operations contract in 1980, when computing was all about mainframes: our operators worked in computer rooms and network centres at ESA's four major sites in Holland, Germany, Italy and France.

Over time, computers changed beyond all recognition, yet service contracts stayed much the same. They specified the number of people we should supply, and the hours they should work. Working this way, we provided a reliable service and our role at ESA grew. Now our contractual relationship has taken a significant step forward. A few years ago the agency moved away from specifying the detailed inputs to the contract; instead, it defines the outputs it needs and looks for best value and innovation in delivering them.

In 1999 we began our first service level agreement (SLA) contract for ESA, providing a range of IT services. We determined how best to deliver the services, then successfully tendered against other bidders' solutions.

Four years on, this approach has exceeded the agency's expectations. Applying our 'IT seat management' approach, we now support 3,500 ESA users at 15 sites in nine countries – as well as 5,000 external users of ESA applications.

We've built a pan-European operation providing desktop support, network management, email and document management with libraries and databases, and applications infrastructure support. We design and install systems, maintain them, help people use them, and resolve any problems that arise. For first-line support we have 23

experienced call agents operating a multilingual service desk in Frascati, Italy, and there's a permanent force of technicians and engineers at nine of the 15 sites. In addition to the base services defined in the SLA, we provide a wide range of additional services from system management and database administration, to graphic design.

The contract has proved an important and innovative step for both ESA and Serco. Its flexibility has been a boon for such a diverse user population – which ranges from scientists and engineers to administrative staff. With user satisfaction running at over 98.5% we're exceeding our contractual service targets. ESA recognised this achievement by extending the original three-year contract by a further two years. And to confirm our quality credentials, our ESA team achieved ISO 9001-2000 accreditation in 2002.

WHERE
DO WE
operate?

Turning the trains around

Great Southern Railway

Five years ago, the Australian national passenger railway service was losing around AUS\$25m a year. Today, it's a profitable business. And it already has over 11,000 people lining up for its latest service – which doesn't even launch until late 2003.



We acquired the operation from the Australian government in 1997 as part of a consortium, buying out our partners in 1999. We've built it into a world-class tourism business operating three long-distance services. The Indian Pacific spans the continent from east to west, linking Sydney and Perth. The Overland links Adelaide and Melbourne, while The Ghan runs from Adelaide to Alice Springs – and on to Darwin from late 2003, to complete a north-south route across the continent.

The turnaround was based on rethinking the business from a marketing point of view. We

renamed it Great Southern Railway (GSR). We refurbished the carriages and the service to turn an Indian Pacific or The Ghan journey into a real travel experience. We created a range of products, from the budget-priced Red Kangaroo Class to the premium Gold Kangaroo Service and prestige heritage carriages.

We expanded sales distribution across the world, appointing GSR sales managers in the UK and US. And we made Indian Pacific and The Ghan journeys the centrepiece of our own Trainways packaged holiday operation – now one of Australia's fastest-growing holiday programmes. GSR retail outlets in Melbourne, Adelaide and Sydney support a wide network of travel agents and our own international call centre.

The result has been a dramatic growth in sales, with passenger revenue up 39% since we took over the business. Despite the aftermath of September 11 and the Bali bombing, GSR again achieved record sales in 2002. Growth will be further stimulated this year by the opening of the Alice Springs-Darwin link, allowing The Ghan to become a coast-to-coast service. Over 11,000 people have already joined the Top End Club to gain priority access to tickets on the new route in its first 12 months of operation. In just a few years we've transformed a burden on the taxpayer into an internationally acclaimed, customer-focused and profitable business.



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