Kevin
Okay, we'll kick off. Good morning everybody and thanks very much for coming to Serco's preliminary results presentation this morning. Just start with a couple of points of admin - can I ask you to turn off any mobile phones please because we're web casting this morning onto the internet. It'll be up this afternoon. The presentation is about 45 minutes and we've got about another 30 – 40 minutes for Q&A after that.

I would just like to begin by introducing the team this morning. To my right, you're left, Andrew Jenner, Finance Director. Chris Hyman, Chief Executive – Doctor Bob McGuiness who's Chief Executive of Serco Science and Iestyn - Executive Director.

I would just like to say at this point Iestyn will be retiring at the end of March. Iestyn was one of the management buyout members in 1987 and has been with the company for 25years and with us since floatation as an Executive Director in 1988 and, certainly on behalf of all of us here, Iestyn, thanks for everything you've done for the business and we wish you well in the future.

The format for this mornings presentation is after this introduction, Andrew will talk you through the financials, Chris will go through business performance, Bob will talk about Serco Science generally and NPL in particular, and I'll sum up at the end with a slight forward looking position.

Just turning to the financial results themselves which you'll all have seen this morning. We're extremely pleased with the results as they stand. We once again delivered mid- teens growth, just above, in terms of turnover and profits before goodwill, and indeed in earnings before goodwill. We've generated a very strong cash performance I think in the last twelve months and we see that as sustainable, going forward, and we're able to announce a double-digit growth in the dividend.

All of that performance really whilst coping with an additional £9m of pension costs that we had during the last year so all in all we're very pleased. In terms of the highlights themselves, Chris will take you through in more detail but we have managed to maintain a very high contract renewal rate and a good success rate in terms of new bids. We have been awarded a total including rebids, extensions and new work, of £4.6billion of business, of contracts, during the last twelve months. That's more than double any period in the company's history and the order book stands at 10.3billion going into 2004 You'll have seen in the last few days, the last week, we announced a couple of contracts, namely the Court Escort operations - re-bid doubling in size - and the Oman contract, neither of which are included in those numbers. The addressable market continues to increase and I'll take you through some of that a little later on. I'd just like to ask Andrew now to kick off with the financial results.

Andrew
Thank you, Kevin and good morning everyone. I'd like to take you through the highlights of our three principle statements but firstly give you some background in the areas of our accounting policies, pension funding and our lease and private placement.

Firstly – accounting policies. Urgent issues task force abstract 38 accounting through soft trusts was issued in December 2003 applicable to accounting periods ending on or after the 22 June 2004 with early adoption being recommended. The abstract requires any investment in own shares to be deducted from shareholder funds rather than being held as an asset in the balance sheet. We've adopted the abstract for 2003 and have restated our balance sheet for 2002 accordingly. With respect to FRS 17 on pensions, we continue to adopt the transitional rules and disclosures required. These require the market value of assets and liabilities of defined benefit pension schemes to be calculated and disclosed. Serco's first set of fully compliant accounts to be prepared under International Financial Reporting Standards will be for the 2005 year end, with comparatives for 2004 on the re-stated basis. We've had a project team, together with resource from Deloitte & Touche, that's been working on this for over a year now and preparing us for the impact of those known standards and those in the pipeline. I plan on giving an initial summary of the impact on our financial statements with our 2004 interim results.

Turning to pensions funding – as we've previously reported in February 2003, we merged our UK defined benefit schemes for cost and investment reasons. Together with our trustees, we continue to review the investment to ensure that the asset and liability profiles are appropriately matched. The market value net deficit of this merged scheme at the end of 2003 was approximately £70m on an asset base of £350m. To prudently address this deficit and, as previously announced, we've increased long term employer contributions by £9m a year in 2003. We expect this incremental contribution to be materially the same in 2004. We've also increased employee contributions from 2004.

Because of the growth of the business and the scale of the opportunities which we face, it's important that we maintain a strong balance sheet. So in August 2003, we took advantage of historically low interest rates to raise £117m of senior notes. The notes have a fine maturity of 12 years, average term of 10 years and average coupon of 5.8%. We used the proceeds to repay the short term bank facilities we took out to fund the remaining 50% of Premier Custodial Group and to significantly increase our debt capacity going forward. The financial governance excludes the impact of all non-recourse project debt, an approach consistent with that taken by UK lending banks.

Turning now to the profit and loss. The turnover and profit graphs demonstrate our continuing success in growing the business. Profit for 2003 is over double the level of five years ago in 1999.

Moving on now to the detail of the profit and loss account. Total turnover for 2003 was up 17.3%. The majority of this growth came through group turnover due to the acquisition of Premier in July, requiring its turnover for the second half of the year to be fully consolidated within group turnover. Gross profit on this group turnover, reflecting the average contract margin across our portfolio has been maintained at 13.7%. Administrative expenses for 2003 are up 22.8%. This includes the incremental £9m pension charge that I referred to earlier. Underlying admin expenses are up 15%. There were three exceptional items during 2003 resulting in a net profit of £3.6m. Reorganisation costs, Great Southern Railways leaseback and the Norfolk and Norwich hospital refinancing.

Taking reorganisation costs first, we completed a significant re-structuring in the first half of 2003, bringing together our UK support operations onto a single site in Hook, Hampshire to form business services. We also rationalised our Australian support offices to a single site in Sydney. The redundancy, relocation and property costs resulted in a charge of £4.5m but will generate savings of some £1.5m per year.

Secondly, and as part of our focus on cash generation, we completed the same leaseback of the remaining rolling stock of our Great Southern Railways business in Australia. This transaction generated £5.8m of cash and £4m of profit and was similar to a similar transaction completed in June 2001.

Finally, in December 2003, we completed the refinancing of the Norfolk and Norwich University Hospital, in which we are a 5% investor. The refinancing released cash from a PFI asset whilst releasing additional funding for the NHS in Norfolk. For Serco, it generated £4.1m of cash and profit and is consistent with our philosophy of holding equity stakes in PFI SPCs to increase the direct control that we have over operating contracts whilst accelerating cash from these SPCs through refinancings.

Returning to the profit and loss account, profit before goodwill and tax is up 17.4%, excluding the impact of exceptional items, this increase is 11.4%. The effective tax rate for 2003 has increased from 34% to 36.1% primarily as a result of an increase non-deductible goodwill charge arising from the acquisition of Premier. As a result of this, earnings per share before goodwill, has increased 15.1% to 11.03 pence per share.

Turning now to the highlights of our cashflow performance, we've seen a significant improvement in free cashflow with an in-flow of £47m in 2003 compared to a £10m in-flow in 2002. We've continued to convert a high proportion of operating profit and EBITDA into cash and improved working capacity has meant an increase in working capital of £11m compared to a £14m increase in 2002.

Moving now to some points of detail on that free cashflow performance. Pension fund payment of £15.5m was made in 2002 to assist the merger of the Defined Benefit Pension Scheme I referred to earlier by achieving a similar funding level across both schemes. The significant growth that we see in our business brings an accompanying demand for working capital. The working capital increase that I referred to earlier for 2003, is marginally below the average annual demand for working capital - typically about one months incremental turnover - reflecting the invoicing cycle of the majority of our contracts.

Dividends from joint venture for 2003, represents a conversion of 78% of profit of joint ventures after tax into cash. Capital expenditure for 2003 of £21.8m is at a broadly similar level to previous years, just below 2% of turn over.

This next slide, reconciles the free cashflow from the bottom of the previous slide to the total net cashflow for 2003 and then on to net debt at the end of 2003. Cash from the Norfolk and Norwich Hospital refinancing, I referred to earlier – acquisitions and disposals principally reflects our two acquisitions in 2003 – Premier for £48m and the acquisition of the Ontario driver examination service franchise for a similar amount being funded by non-recourse debt.

Financing of £156m primarily reflects the notes of £117m and the driver examination franchise non-recourse loan. Adding this total cashflow to the year of £101m to the opening net debt position leaves us with a strong balance sheet at then end of 2003. With closing recourse debt of £22m. Additionally, at the end of 2003, we had £357m of non-recourse debt which I'll cover now with a balance sheet.

The principle point I would like to make on the balance sheet is that through the acquisitions in 2003 of Premier, together with the remaining 50% of Laser – our National Physical Laboratory PFI SPC – together with our partner share holdings in Alltram – our Manchester Metro link PFI SPC – has resulted in us owning 100% of eight out of our twelve PFIs, together with the Driver Examination Franchise. While this has meant that the risk profile and the shareholders' funds on a balance sheet have remained unaffected, it has increased the visibility of the PFI debtors and corresponding non-recourse loans. Our financial review, that forms part of our annual report and accounts, gives a more detailed explanation and disclosure of these non-recourse loans.

And, finally just two points of detail on our balance sheet – firstly intangible assets has increased to £223m at the end of 2003 as a result of the goodwill arising on Premier and the driver examination franchise. Shareholders' funds for 2002 has been re-stated in accordance with abstract 38 that I referred to at the beginning of the presentation.

At that point, I would like to hand over to Chris to take you through the business performance for 2003.

Chris
Morning everyone. Thanks, Andrew.

This has been a very exciting year for us at Serco. Not only has the strong growth in our traditional markets continued, but with major wins in defence, in transport and in science but we've seen some early success in the more strategic markets in which we've been relatively new players in. We've entered the business process outsourcing markets and the public private partnership market in the North America area with our winning of the Ontario Driver Examination Services contract. We entered the train operating market, here in the UK, with our Merseyrail Electrics contract. We've accelerated our entry into the German Ministry of Defence with our Gefechtsübungszentrum contract and here in the UK on the complex programme management sector, we've made significant inroads with our Traffic Control Centre contract and the National Crime Squad. Through the acquisition of the remaining 50% of the Premier Custodial group, that Kevin referred to earlier, we've also cemented our position in this UK justice market as a very serious player. In recent years, we've also set ourselves the added target of developing some of our international markets in order to bring more diversity into the portfolio and thereby strengthen it. This year we made significant progress in this area as well with new wins, as I mentioned, in

Canada with the DES contract, the patrol boats contract in Australia – which I will come to a bit later in the presentation – Air Traffic Services in Iraq and, more recently, the joint Technical College in the Oman. In addition to our acquisition of Apron services in South Africa, we've entered that country as well in a very focused way.

This tremendous performance has resulted in 2003 being a record year for us in many ways. We've broken sales records with our largest ever win in the Merseyrail contract, our largest ever rebids – first in Goose Bay and now in the National Physical Laboratory and our largest extension over a billion pounds in the atomic weapons establishment. Our organic growth reached some 83% this year. We maintained our rebid success rate in excess of 90% and we beat our one out of two target for new bids. The high quality of the new work, together with disciplined financial management has resulted in excellent cashflows. All of this has allowed us to build up an order book which now stands at a record £10.3bn. However, as always at Serco, it's been a balance between passion and discipline. Whilst passionately addressing the many opportunities we described that came our way, we also started to exercise some stronger disciplines within the operation. Having completed the review in the UK, and the rest of Europe, the last quarter saw our focus on under performing businesses and contracts turn to the Asia Pacific region. In fact, the impact of this review during 2003 will mean that some £100m in turnover, annualised turnover, will be removed from the 2004 figures.

We will continue this drive and ensure that all our contracts, and our businesses, provide adequate returns as we see them and have the same high group prospects as our other markets.

We also continue to roll out our business services concept which we started here in the UK last year by moving our businesses to a central campus in Hampshire with central support. That has now also been completed in Asia Pacific and we will be looking to take this method to our other operations, where relevant, around the world.

The introduction of more rigorous investment criteria, which I referred to in September at our interim results, has allowed us to ensure that we only choose the best opportunities for us to bid. This has involved us turning down some significant work at the bid stage, something we hadn't focused on as much in prior years. The benefits have been enormous though. Not only does this allow us to be more selective but it puts some resilience back into the business, both in people and money. An added benefit, of course, is that this is also appreciated when disappointment comes along every now and then, as it did last year in a few contracts and bids. Most notably, the loss of the National Rail Enquiry Service contract in Cardiff and, in terms of bids, more recently the Future Strategic Tanker Aircraft contract.

Turning now to some geographic and market sector analysis. You will see that the portfolio remains strong, in both respects, with little volatility.

This, of course, will get even stronger with the new wins as they impact the full year in 2004.

But now I would like to give you a quick tour of some of the examples of the new work won during the year and more recently. Firstly, the new wins. We talked at the interim results, because they were won in the first half of the year – our Merseyrail contract and the Driver Examination Services in Canada, but in the second half of the year we also won the Gefechtsübungszentrum contract in Germany, that I mentioned.

This contract is a five year contract, worth an annual turn over of some €10m – it's for the Army Combat Training Centre and we won this contract under very stiff competition from EADS (European Aerospace and Defence Company). This, of course, establishes us in a strong position now for the future opportunities in a growing defence market in Germany.

Turning to Asia Pacific, I mentioned earlier, we secured a fifteen year contract here – valued at some AUS$16m per annum in our joint venture Defence Maritime services - for the Australian Navy to build twelve new patrol boats for them within the next forty-two months. The first of which will come off line and into water in May of next year. Our contract there will manage the in service support for the fleet for fifteen years from final acceptance next year and there will be an offer of a further five year extension. Turning to North America, we were very excited to have brought on board a new customer in the USDA forest services. A five year contract again here with an annual turnover of just under $6m, providing fleet maintenance to more than 4200 vehicles and over 100 full time employees for the 18 national forests. This again demonstrates our ability to be successful in this highly competitive market and, as I said, delighted to bring on board a new federal customer in the USDA forest services.

Very recently, moving to the Middle East, we've been delighted to be appointed the preferred bidder for the Oman Joint Technical College – a thirty year contract which is a PFI valued at some US $1.4billion. A 50/50 joint venture with a local company Bahwan Engineering. This green field PFI is to build and operate technical training colleges for the Omani Ministry of Defence. It's also an outward based delivery where we, for the first time, will be providing first National Diploma, Higher National Diploma and Degree status qualifications. It's also, as I mentioned the first PFI in the Middle East and again this contract, we believe, will take us on and open the Oman as a new and strategic market for Serco.

Turning now to some growth on the contract base. Again, in the first half of the year, very successful with the Goose Bay re-bid and then the Atomic Weapons Establishment and, of course, very recently – before the end of the year – the National Physical Laboratory re-bid which we were delighted to win. But my colleague, Dr Bob McGuiness, who's here today, will be talking to you later about this a bit more.

This year, as well, has started off in a very significant way for us. We were very pleased to receive notice that we have been made the preferred bidder for the Ballistic Missile Early Warning System – flagship contract for us which we've held at Fylingdales for 40 years. There we operate and maintain and repair of the solid state phased array radar and associated hard ware, including program design and maintenance.

One more new contract which we've got news of recently and, again, delighted to receive the news that we've re-secured the Naval Air Command Multi Activity Contract based down in Yeoviltan and Culdrose. This is a three year contract with annual turnover of some £13m. This multi-activity contract, which has now been extended, is to include the provision of aircraft engineering and operational support to the Royal Navy's Fleet Air Arm. We started this work with the Naval Air Command back in 1995. In fact this contract we first secured in April of 2000.

Turning now to the pipeline. I'm very encouraged when looking ahead because this year was not an unusual year for us as far as growth or growth potential is concerned. In fact bids worth some £5billion have been submitted and are currently under evaluation and as you can see, by this analysis, these bids are spread across our major sectors with just under £3bn in transport, a billion and a bit in defence, three quarters of a billion in civil government and a hundred m in the fairly new sectors of science and the private sector for us. In addition, there are some £14bn worth of other opportunities that we are currently addressing.

As the business continues to expand though, both geographically and by market sector, we are conscious that this high rate of growth that we enjoy, will increase the scale of our business in the coming years. We want to be ready for this time when it arrives. Accordingly, we have clarified our vision and strategy and embarked on a significant communications exercise, both internally. And within our customer base and in doing this, the need to galvanise our brand and reinforce it's culture and values to existing and new staff has been recognised by our management team. We continue to accelerate our program introduced earlier in the year to bring new skills and capability training into the company and, as well as implement a new knowledge management system to manage our information more efficiently worldwide.

And finally, looking ahead, the statistics show a very compelling future, we believe. The record £10.3bn order book that we talked about means that we've secured some 93% of this years turn over, some 77% of 2005 and 70% of the following year.

And, again, we can see that this is spread evenly across all sectors.

These statistics, together with the initiatives I've described today, and the fact that we have a tried and tested management system of delivery, a strong set of customer relationships and a proven public service ethos, leave us feeling confident that the future remains bright in our markets. I would like now to hand you over to Dr Bob McGuiness. Bob is the Chief Executive of our science business and we've asked Bob to talk to you briefly about the many opportunities, firstly in that sector but also about the very exciting re-bid for the National Physical Laboratory which we won at the end of last year. Thanks Bob.

Bob

Thank you, Chris and good morning ladies and gentleman. I'm delighted to have a few minutes to talk to you this morning about Serco science and I'd like to begin with our recent success at the National Physical Laboratory.

Now initially Serco transferred NPL to the private sector, private sector management, in 1995 and then just before Christmas when we were announced preferred bidder for the new science contract, this renewed Serco's role as the operator of NPL. Now what this means is that we manage the complete operation of NPL – that is every facet of NPLs mission as the UK's National Measurement Institute and our speak, NMI. To do that we manage about 550 scientists and engineers, many of them global leaders in their fields and in addition to that, a set of facilities and assets which are state of the art on the planet.

The new contract begins on the 1 April and will last for at least ten years and is worth a minimum of £500m to Serco, although it is quite likely that this could rise to above £1billion.

Now I want to tell you just a little bit about NPL and what we do without getting too geeky, but NPL is a national treasure, there's no doubt. It was founded in 1900 and that was just after the Germans, but before the Americans and before the Japanese. What NPL does is develop and deliver the most accurate physical measurement standards known to man. Now, in the world to day, there are about fifty-five National Measurement Institutes (NMI's) but it's widely recognised that there's a global premier league of three: that's NIST in the United States, PTB in Germany and NPL.

So what? Well, actually, measurement is quite important and, without the work that NPL does, trade - both domestic and international – would not be possible. You wouldn't be able to formulate effective regulation. It would not be possible to improve manufacturing processes. Satellite positioning wouldn't exist. You couldn't use radio therapy to cure cancer. Pilots wouldn't know where they are, and without our atomic clocks at NPL we would not have the pips on the BBC.

If you look at that financially, if we look at the DTI's own estimates, NPL under pins about a £5billion per annum contribution to UK GDP. Now we have our vision for the operation of NPL and it's based on excellent science, but it has to be relevant science. We are not a university, we are not motivated by curiosity driven research. Our research has to have a purpose that makes a difference. So what we do is, we interact with our customers to understand what is required, so we're always looking for excellence and knowledge generation – the science – but we work very hard indeed to combine that then with excellence and knowledge transfer. And what that is about is making sure that we are able to put the fruits of what we do, the scientific output, into the hands of someone – individuals or organisations – who can use it for benefit either in the economy or social impact, quality of life.

Because of that, we work very hard indeed to engage with our customer base, satisfying not only our government customer – in this case the DTI – but also industry at large, and we work hard to develop a network of relationships across industry.

What this means too, if you look at the big picture, the future economic prosperity of the UK depends, to a large extent, on innovation. The UK cannot compete with low cost economies, therefore we rely on innovation to support the technologies which will make a difference in the future, and NPL is ideally placed to do this and indeed it's a major part of our role supporting progress in the emerging technologies such as Photonics and, more recently, bio-science and nano technology.

Now as someone who spent twenty years working for a multi-national manufacturing company before I joined Serco four years ago, it's important to me, and pleasing, that we actually have delivered to UK companies, large and small, results which actually help them in what they're trying to do and they recognise this, so you will see a couple of quotes there about Serco's role in supporting industry from Jim Thorn of BOC from Mark Lewis at Taylor Hobson.

Now, turning to the recent competition for the new contract at NPL. We are the incumbent and I'm pleased to say that it is widely recognised that we do a good job at NPL. So it would have been fairly easy for us to adopt an approach of more of the same and that would have been entirely the wrong thing to do, and we did not do that. What we did was formulate a strategy for the future which was based on a radical re-structure of the organisation at NPL to make it much more outward facing in our drive to support UK industry. We developed a twenty-five year technology road map from this new structure, which is intended to continue to develop our international standing which is of importance at the international negotiating table, and continue to deliver the things we do now in partnership with over thirty-five universities, in partnership with our sister NMI's around the world, in partnership with industry and so on.

This allows us also - it develops an opportunity for us to be able to grow the commercial part of our business. Now, in terms of risk for the future, it's fairly contained because it accounts for less than 10% of our income, but never-the-less is a significant opportunity for us to grow the business at NPL. We also work in close co-operation with regional development agencies who are increasing their activity in science and technology. One of the most pleasing features of all of this by taking this approach, what were able to do in the winning bid, was deliver significantly reduced costs to the DTI and therefore to the tax payer but, at the same time, maintain Serco's margin.

Now given this recent win at NPL, this absolutely confirms Serco's leadership in science outsourcing. Now Serco Science today has a turnover of just under £200m and that's largely based on four pillars of my science business, as I like to call them. You may know about the twenty-five year contract which we have to operate AWE with our partners Lockheed Martin and BNFL. What, perhaps, is less obvious is that much of the work carried out at AWE is indeed in science. AWE at the forefront of science and fundamental physics, works on very advanced material science and is expert in a technique which is used more and more across science today and that is mathematical modelling. At AWE this is supported by super computers.

We also have Serco Assurance based at Risley near Manchester; this is the UK's leader in risk and safety management. We have TTI (Technology Transfer and Innovation LTD) – this is a company which is specialist in knowledge transfer and has in fact managed the UK's premier knowledge transfer scheme over the last twenty years and, of course, NPL – where we have a new contract which will last for a minimum of ten years.

Our vision for the science business is, as you see there, that we will be recognised by governments and, I emphasise governments around the world. Science is international, knows no boundaries and the model that we have is entirely applicable internationally so we will be recognised by governments around the world as the best private sector partner as the best private sector partner for the management of science and technology organisations, programs and schemes.

Now, the current Serco science portfolio is interesting and broad enough, but we are not short of opportunities for the future. The nuclear decommissioning agency, for which enabling legislation has already been passed in the UK and which will come into being in the summer of this year, will create up to twenty new PPPs starting in the spring of 2005.

In addition to that, as I mentioned, regional development agencies in the UK are vying with one another to set up centres of excellence in technology intended to be national centres of excellence in subjects such as platonics and micro manufacturing. We are also in discussion with another couple of government departments in the UK about potential outsourcing of their science organisations, and there is also significant international interest in our UK model. There has always been a stream of interested parties coming to the UK to find out how we do it and that has, if anything increased of late.

What that means is - in the UK alone, the markets in science accessible to Serco, we expect them to double at least by 2008 to £1bn per annum. And if you've seen the front page of the financial times this morning you will see that there is a commitment, on behalf of the UK government, to increase government funding for science. So, given our market leading position in the UK, I have to say, I'm very optimistic indeed about the future.

Thank you very much. I would like to hand you back to Kevin.

Kevin

Thanks very much Bob. I just wanted to use this last section really to give you a flavour of where some of the growth may come from in the future. But I wanted to start off with a point of principle. For a long time, we've espoused the virtues of diversity as a means to sustaining growth and Chris and Bob have both spoken about growth potential within the broader business and you've seen the statistics that the business has produced this year in terms of contracts. Underpinned by a set of common processes in the business, that diversity, means that with the scale of the markets that we have in front of us and available to us, it is just frankly inconceivable that this business should not go on growing at a rapid pace for the foreseeable future.

Just turning to some of the individual markets that we operate in, we've made estimates supported by some research that in our UK defence business the amount of work currently outsourced effectively will rise from about £3billion currently to £11billion by 2012. The quote there, "decider not provider" from Sir Malcolm Pledger who's the Chief of Defence Logistics. He's the biggest budget holder in the UK MOD and he's very clearly positioned himself as "decider not provider" and you'll hear that that's the language that's beginning to be spoken by the Prime Minister and by other government officials as they return to the public service reform agenda.

In terms of transport, Chris mentioned the £2.9bn of bids that we currently have submitted. We've now built up a good track record on portfolio within light rail, heavy rail and traffic management systems and as the Traffic Control Centre comes online and as attention is switched to making more intelligent and efficient use of national road networks then we should again be in a strong position to be able to develop markets in the UK and internationally.

The civil government market's probably our most rapidly growing part of the business at the moment. We form Serco Government Consulting last year, 2003. We've taken on some 30 consultants and really design to work with public sector spending departments and agencies to develop strategies for their organisational design and strategic management for the future and support procurement programmes. We are currently working on 32 external consulting contracts across 20 agencies, many of which we hope will lead to long term operating contracts in the future.

In terms of our education business, we've established, again, a broad portfolio and a leading position in terms of the support to the education agenda, as well as running two local education authorities in the UK. The software business we bought, CCM, about a year or so ago, has begun to offer information management services across a wide range of schools. The Government announced in February, the building schools for the future programme. There will be £35bn of additional funding allocated to 120 local education partnerships and this is much more than a building programme; it's redesigning the way that education is delivered. It's about using technology. It's about designing organisations. It's about support processes as well as the actual physical infrastructure and where we're positioned, I think, in that business should enable us to get a significant part of that particular market.

Just moving on to Justice – a theme this year with the acquisition of Premier, the rest of the Premier business - widely known that pressure on the prison estate continues to be significant. There will be further PFI prisons. There will also be currently under performing public sector prisons completed. There will be further immigration centres as, again the government's immigration policy evolve the expansion of electronic monitoring, where again we have half of the UK currently, will begin to open up new markets. The work we've done for the National Crime Squad – as the new Serious Organised Crime Agency, the new FBI's as it's been called in the papers, emerges, then we should be in a very strong position to build on the work we've done with the National Crime Squad to support communications and technology in that area.

One of the things that will come out of Sir Peter Gershwin's review that's going on at the moment is police productivity. Again, there was a report put out in the last couple of months that estimated that some 8% of police time was actually spent on active policing as opposed to administration or traffic or whatever and there's a real role there for potential private sector providers to provide support. We already work with sixty-six police agencies in terms of our traffic enforcement and our command and control systems work and through the National Crime Squad.

In terms of the health market, a small market for us at the moment, but it's the largest spending government department a £100bn per annum. There'll be 100 new hospitals over the next ten years. In addition, the foundation trust status means that more procurement decisions can be made locally by management teams that are deemed to be successful. What that will mean, I'm not sure, but nonetheless a large and potentially addressable market.

So looking outside the UK, we mentioned the Oman PFI. A year ago we announced a Jebel Ali Free Zone PPP in Dubai. The economy, in the Middle East, particularly in the United Arab Emirates, continues to expand rapidly and the use of the private sector to support government infrastructure projects continues a pace, so an area we think, again, we're well positioned for. Chris also mentioned the German MOD – early days, but the German MOD have established a public private partnership in that they are focusing on their core capabilities and looking to partner with industry for other tasks. In both the Middle East and in Germany, we have track records stretching back fifty years.

In North America, the Driver Examination Service contract will be a watershed for us. It's the first of its kind in many ways, the non-recourse debt bond-financed deal – a whole agency outsourcing driven by public outcome reducing the wait time for driving tests etc. There's great interest from other Canadian provinces and US states, all of which are finding fiscal pressures significant at the moment. So we're very confident at being able to grow our business whilst only contributing 5% of group turnover at the moment to a level which will begin to increase as we move forward.

Just finally, in terms of Asia Pacific: the Asia Pacific market remains, for us, fairly slow. We're focusing on niche markets; defence and transport and Chris mentioned the patrol boats contract for instance, seeking to look for opportunities where we can apply our processes and earn reasonable margins on that business going forward, but see it as a medium term growth target.

I just wanted to look at some of the evidence, this is very UK centric slides so I apologise for that, but some of the reports that the government has put out over the last few months. The first one is the Treasury's report on PFI, 'Meeting the investment challenge', which very firmly supports the principle of PFI as a procurement methodology applied to a wide range of government assets.

Very clearly sets out the evidence of the success of PFI in the majority of markets. The OGC under the auspices of the chancellor put out a paper in December of last year, talking about competition planning in government. That was about how to create effective supply markets to deliver the very wide ranging programmes that the Government are currently contemplating.

The report produced by Patrick Carter for the Home Office on offender management, the creator of the National Offender Management Service, envisages significantly increased competition as a means of effective supply within the Offender Management System.

Building School for the Future I've mentioned and the widely touted review by Peter Gershwin – officially reported in April but it's been in the papers for weeks – talks about the very significant amounts of money that the government can and should need to save in order to deliver against a public service reform agenda. All of which play right into our strengths.

So I just wanted to sum up before turning over to questions. 2003 was a successful year. We have a solid platform in terms of markets, in terms of process and in terms of management to be able to go on growing and future opportunities remain very significant for us.

I'd like at that point to turn over to questions….