

Bringing service to life



2007 Preliminary Results

Presented by
Serco Group plc

Agenda

Overview

Chris Hyman

Financial results

Andrew Jenner

Business review and Outlook

Chris Hyman

Q & A

International success builds on UK strengths

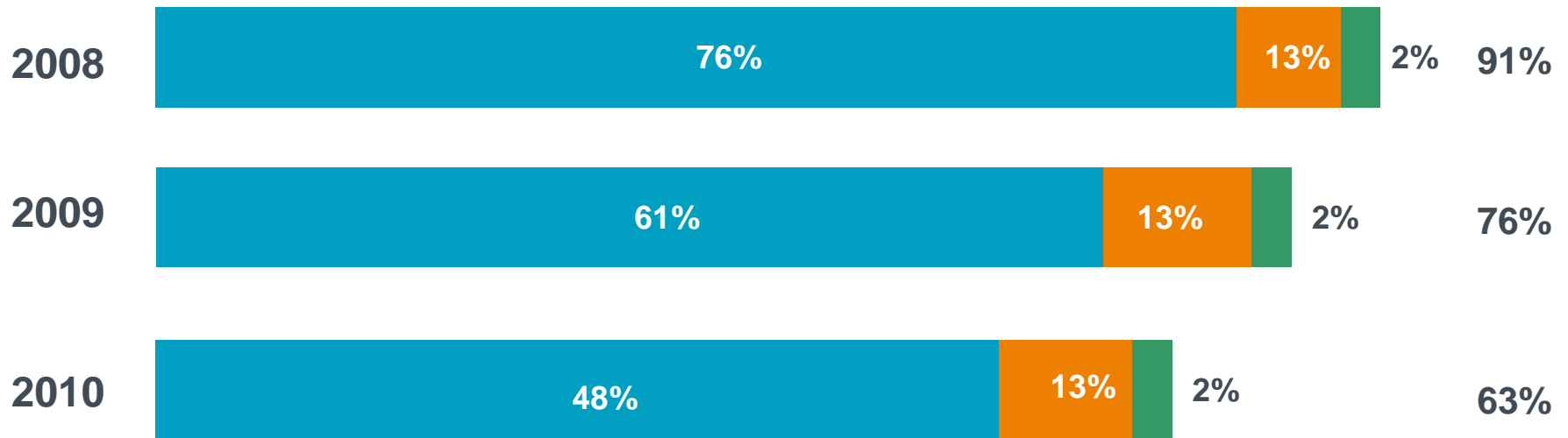
	2007	Increase
Revenue	£2,811m	+10.3%
Adjusted profit before tax	£123.2m	+17.3%
Adjusted earnings per share	18.57p	+16.6%
Dividend per share	4.25p	+18.1%
Group free cash flow	£97.6m	+14.3%

International success builds on UK strengths

- Growth driven by buoyant UK and international markets
- Effective bidding performance
 - Won >90% of rebids and 1 in 2 new bids
 - £3.6bn of business signed in the period
 - Appointed preferred bidder for £1.0bn of contracts
- Record level of international awards
- Order book to record £14.7bn

Broad pipeline supports excellent visibility

At 31 December 2007



Order book

Extensions and rebids

Preferred bidder

Higher margins and growing markets underpin outlook

- Margin improvement to date through portfolio management and efficiency
- Existing contract base driving strong organic growth
- Expanding markets underpin confidence in future
- Moving up value chain as customers seek advanced solutions
- Capabilities and international success expand pipeline to £27bn

Bringing service to life

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Andrew Jenner

Financial review

2007 Preliminary Results

Financial results

- Disclosure
- Financial performance
- Pension funding

Pro forma disclosure

- Intangible assets accounted for and amortised in line with IFRS as disclosed in note 14 to the 2006 accounts
- Post IFRS best practice – companies moving pro forma profit measures closer to statutory measures

	Amortisation	
	2006 £m	2007 £m
Customer relationships	3	3
Licences and franchises	6	6
Software and development expenditure	4	11
Pension related intangibles	3	3
	16	23

Pro forma disclosure

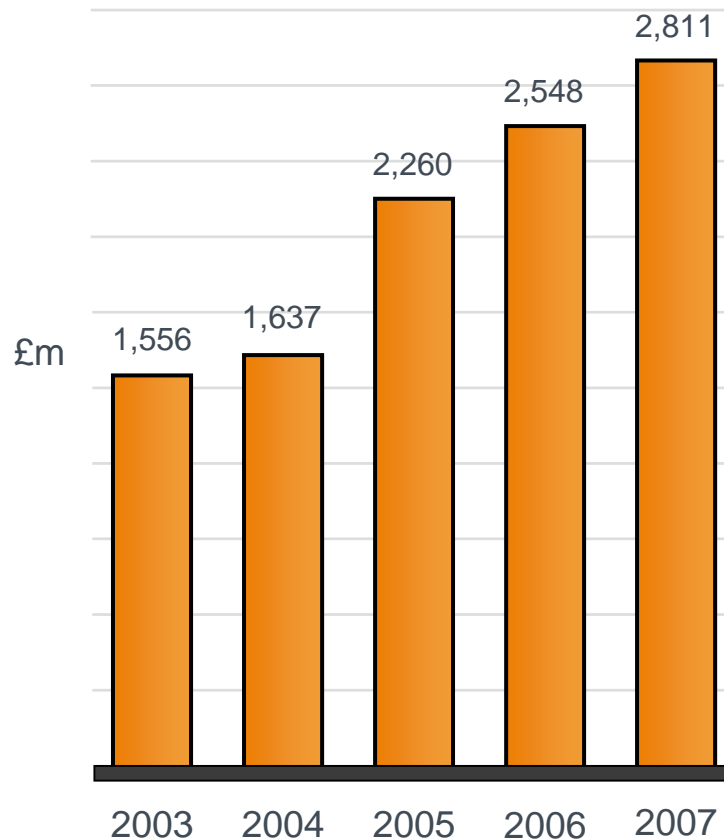
- From 2007 full year results onwards, for pro forma purposes amortisation of intangibles has been split into two:

	£m
Intangibles arising on acquisition	9
Other intangibles	14
	23

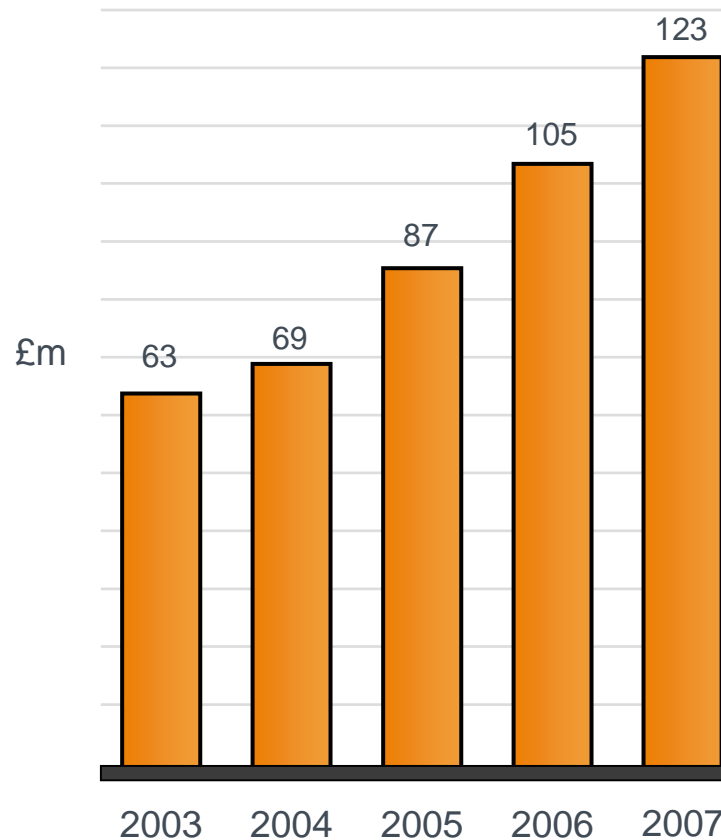
- Pro forma profit measure is profit before tax and amortisation of intangibles arising on acquisition (adjusted profit before tax)
- Profit before tax and cash remain unchanged

Income statement

Revenue



Adjusted profit before tax



Note: adjusted profit before tax is profit before tax and amortisation of acquired intangibles. For 2006, this also excludes the £11.4m gain on sale of PFI investments. 2003 adjusted profit before tax is estimated under IFRS.

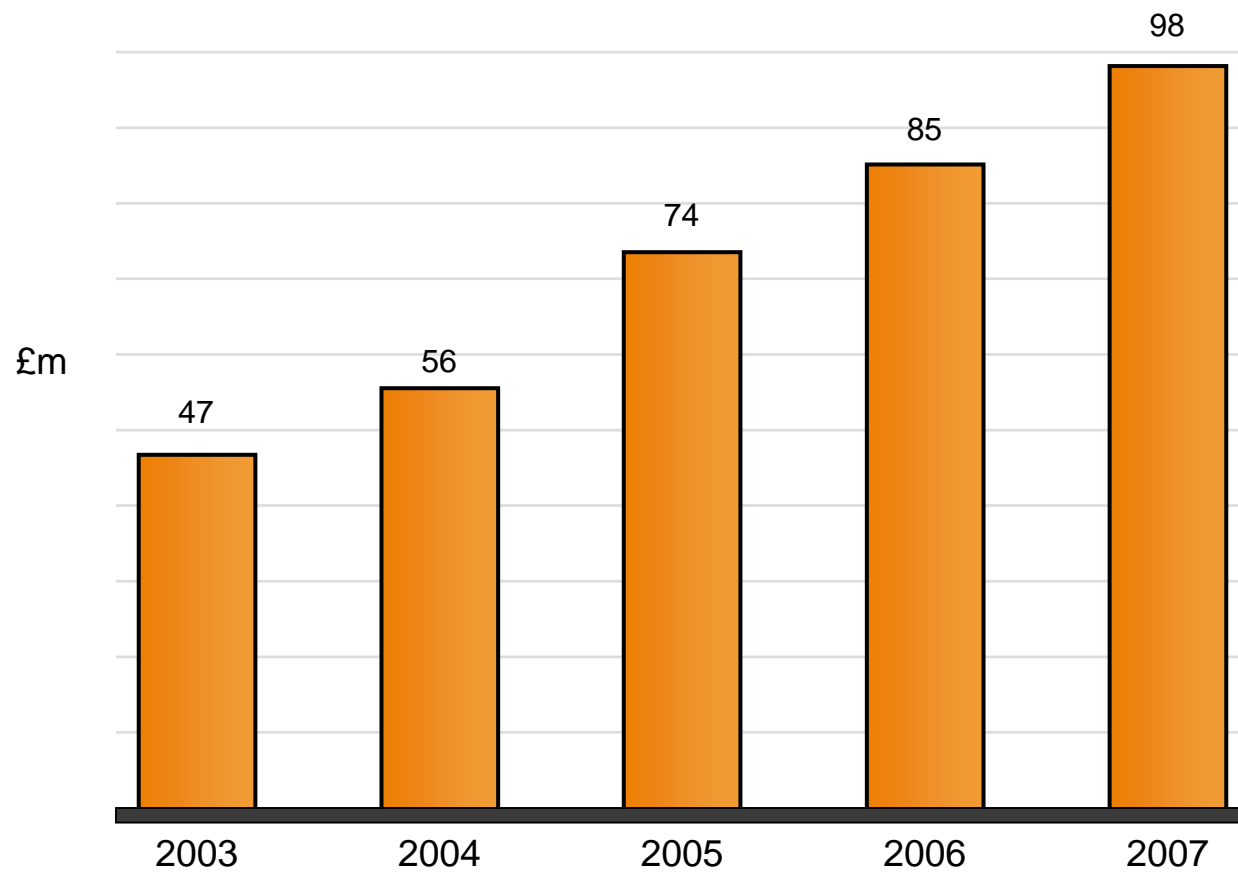
Income statement

Year ended 31 December	2007 £m	2006 £m	increase
Revenue	2,810.7	2,548.2	10.3%
Adjusted operating profit	142.0	122.8	15.6%
<i>Margin</i>	5.1%	4.8%	
Investment revenue and finance costs	(18.8)	(17.8)	
Adjusted profit before tax	123.2	105.0	17.3%
<i>Margin</i>	4.4%	4.1%	
Amortisation of acquired intangibles	(8.6)	(9.0)	
Profit before tax and gain on sale	114.6	96.0	19.4%
Gain on sale of PFI investments	-	11.4	
Profit before tax	114.6	107.4	6.7%

Income statement

Year ended 31 December	2007	2006	increase
Effective tax rate	28.1%	26.0%	
Average shares in issue	482.4m	471.2m	
Adjusted earnings per share	18.57p	15.92p	16.6%
Earnings per share	16.98p	16.62p	2.2%

Group free cash flow



Group free cash flow

Year ended 31 December	2007 £m	2006 £m
Group EBITDA	144.3	122.9
Working capital movement	(4.7)	(2.1)
Group operating cash flow	139.6	120.8
Interest	(25.6)	(10.6)
Tax	(5.4)	(6.7)
Expenditure on tangible and intangible assets	(47.9)	(47.7)
Dividends from joint ventures	36.9	29.6
Group free cash flow	97.6	85.4

Net cash flow

Year ended 31 December	2007 £m	2006 £m
Group free cash flow	97.6	85.4
Cash received on sale of PFI investments	-	76.5
Cash disposed of on sale and transaction costs	-	(58.3)
Disposals	3.3	-
Acquisitions	(7.4)	-
Other financing	(71.0)	(98.6)
Special pension contribution	(51.0)	(19.0)
Dividends paid	(17.9)	(14.5)
Net change in cash - group	(46.4)	(28.5)

Net debt

As at 31 December	2007 £m	2006 £m
Group cash and cash equivalents	138.1	177.8
Group loans	(263.3)	(334.4)
Group obligations under finance leases	(12.7)	(15.3)
Group recourse net debt	(137.9)	(171.9)
JV recourse net cash	34.9	28.2
Total recourse net debt	(103.0)	(143.7)
Group non recourse debt	(59.3)	(62.2)
Total net debt	(162.3)	(205.9)

Defined benefit pension schemes

- Net balance sheet liabilities reduced to £52.2m (2006: £120.0m)
 - asset base of £1.3bn
- Deficit on main Group scheme of £28.7m (2006: £117m)
- Reduction in deficit on Group scheme principally due to
 - special cash contribution of £51m in January 2007
 - movement in bond yields
- Lower potential volatility due to
 - smaller deficit
 - adoption of a lower-risk investment strategy

Summary

- Continued strong organic growth
- Further progress with margin improvement
- Good group free cash flow
- Strong balance sheet

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Business review
and Outlook

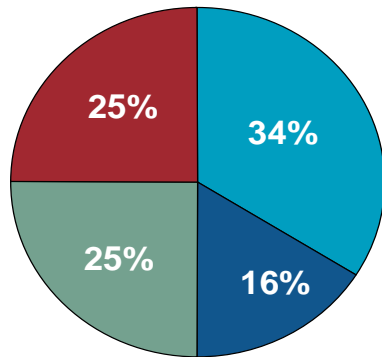
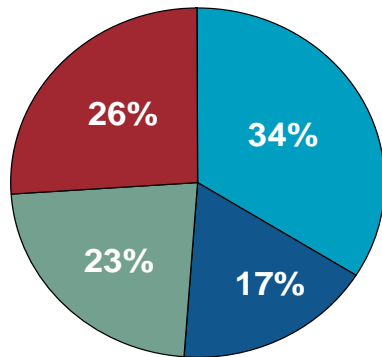
2007 Preliminary Results

Agenda

- Business review
- Platform for growth
- Outlook

Market sector and geographical analysis

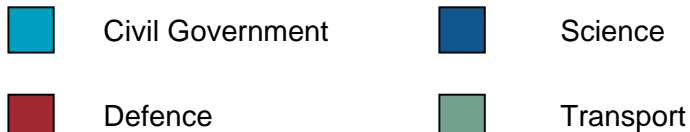
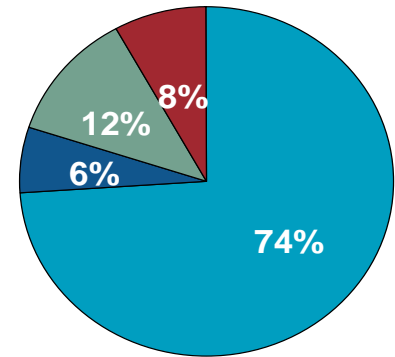
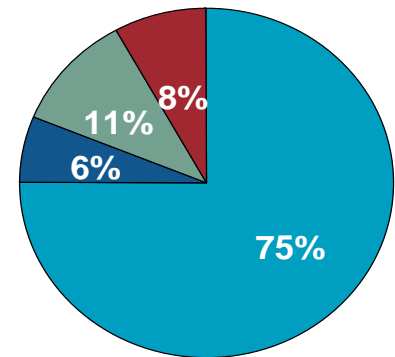
Revenue by market



2007 £2,811m

2006 £2,548m

Revenue by geography



Civil Government

Greater use of technology to deliver sophisticated services

- 8.8% revenue increase to £952m
- Home Affairs
 - UK Yarl's Wood IRC, £85m over up to eight years
 - UK e-Borders, £200m over ten years
 - Solutions and Home Affairs combining technology and service capabilities
 - Australia Borallon Prison, Aus\$100m over five years
- IT and BPO services
 - Pioneering property and IT strategic joint venture with Glasgow City Council, £265m over ten years
 - US Postal Service, \$260m ten year project management and IT

Civil Government

Greater use of technology to deliver sophisticated services

■ Integrated FM

- NHS Forth Valley, £450m over 30 years
- State Street Bank, £50m over five years
- UAE University, £70m over ten years

■ Consulting

- Framework contracts with UK central government, MoD and DEFRA; Metropolitan Police
- Acquisitions of Cornwell Management Consultants and ER Consulting

Civil Government

Growth areas

- Home Affairs
 - Growth in UK prison market
 - International prospects
 - e-Borders platform for expanding opportunities
- IT & BPO
 - Local council partnerships
 - Glasgow platform for local service and technology transformations
 - Economic regeneration
 - Technology-based service
- Consulting
 - Key strategic support for government

Defence

Strong organic growth enhanced by added value skills

- 11.8% revenue increase to £721m
- UK
 - Marine Services, £750m over 15 years
 - Two helicopter support contracts, £18m over three years
 - Apache and Sea King technical support
 - Multi activity contracts: Gibraltar and South Atlantic, £70m over five years
- US
 - LOGCAP, \$225m over five years
 - Sea Enterprise, \$156m over five years
 - Two US Navy anti-terrorism contracts totalling \$179m

Defence

Growth areas

- UK Defence Industrial Strategy
 - Support services designed into equipment procurement
 - Trend to partnering arrangements and transformational programmes
- US defence spending
 - Services to military personnel and their families
 - Security and anti-terrorism applications

Transport

UK skills enabling international opportunities

- 4.7% revenue increase to £655m
- Light rail
 - Dubai Metro (preferred bidder), more than £400m over 12.5 years
 - DLR increased capacity
- Traffic management
 - UK National Traffic Control Centre final completion in May 2007
 - Georgia traffic management center, \$12m over four years
- Heavy rail
 - Northern Rail awarded Public Transport Operator of the Year; strong operational performance despite floods
 - Merseyrail best performing railway in country

Transport Growth areas

- Light rail
 - Dubai Metro
 - Significant pipeline of opportunities in the UAE region
- NTCC technology migration
 - NTCC provides template for US and Australian markets
 - New UK traffic management pilots

Science

Technology and innovation at the heart of growth

- 19.9% revenue increase to £483m
- Atomic Weapons Establishment
 - Growth from £350m extension
- Nuclear decommissioning
 - Magnox reactor support, £15m over five years
 - Contaminated land at Sellafield, £10m over two years

Science

Growth areas

- Nuclear decommissioning
 - Sellafield bid progressing
- Nuclear capabilities
 - National Nuclear Laboratory
 - Increasing requirements for environmental assurance services

Summary

- Revenue growth of 10.3%
- £3.6bn of new contracts signed
- Record level of international awards
- Adjusted PBT growth of 17.3% with margin up to 4.4%
- Free cash flow increased by 14.3%
- Order book of £14.7bn and pipeline of £27bn
- Markets developing well
- Strong internal capabilities, skills and management

Key growth drivers

- Growing UK and international markets with governments facing:
 - Increasing demand for better and more efficient public services
 - Limited powers to keep raising taxes
 - Common challenges: climate change, migration, economic development, security, congestion
- Research demonstrates 20% savings achievable through competition
- Governments continue to push forward reform programmes

Outlook

Optimistic about 2008 and beyond:

- Confident in delivering double digit revenue growth for foreseeable future
- Further margin increases from portfolio management, efficiency and selective bidding

Bringing service to life



2007 Preliminary Results

Question & Answers

Income statement – previous basis of disclosure

Year ended 31 December	2007 £m	2006 £m	increase
Revenue	2,810.7	2,548.2	10.3%
Operating profit before amortisation and gain on sale	156.6	130.0	20.5%
<i>Margin</i>	5.6%	5.1%	
Investment revenue and finance costs	(18.8)	(17.8)	
Profit before tax, amortisation and gain on sale	137.8	112.2	22.8%
<i>Margin</i>	4.9%	4.4%	
Amortisation	(23.2)	(16.2)	
Profit before tax and gain on sale	114.6	96.0	19.4%
Gain on sale of PFI investments	-	11.4	
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Average shares in issue	482.4m	471.2m	
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Earnings per share before amortisation and gain on sale of PFI investments	20.92p	17.13p	22.1%