

SERCO INTERNATIONAL LIMITED

ANNUAL REPORT AND ACCOUNTS

31 December 2001



A company registered in England and Wales, number 2324094

SERCO INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors herewith present their Annual Report and Accounts for the year ended 31 December 2001.

ACTIVITIES

Serco International Limited is a holding company whose subsidiary companies and associated undertakings provide a wide range of services, including computer support and estate management services.

FUTURE PROSPECTS

The Company will continue to own and hold investments on behalf of Serco Group plc.

RESULTS AND DIVIDENDS

The Profit and Loss Account of Serco International Limited for the year ended 31 December 2001 is set out on page 4. The Directors do not recommend the payment of a dividend (2000: £nil).

DIRECTORS

The following Directors served throughout the year, except as noted below, and to date:

	Appointed	Resigned
R S N Ames		14 Feb 2002
C Barton		6 Feb 2001
J P Boidot		6 Feb 2001
S Cuthill		14 Feb 2002
J Dixon		14 Feb 2002
R Foran		6 Feb 2001
G LePonce		6 Feb 2001
R McGuinness	6 Feb 2001	14 Feb 2002
M Partridge		14 Feb 2002
W Robson	6 Feb 2001	2 Nov 2001
G Rumbles	2 Nov 2001	14 Feb 2002
P Synnott		6 Feb 2001
J H Taylor		14 Feb 2002
K Tiemann		6 Feb 2001
I Williams		14 Feb 2002
C Nunn	14 Feb 2002	
J Cavanagh	14 Feb 2002	
G Leach	13 May 2002	

Details of Directors' interests in Serco Group plc are shown in Note 2 to the Accounts. None of the Directors had any interest in the shares of the Company or any other Group company.

DIRECTORS' REPORT (Continued)

AUDITORS

In accordance with s379A of the Companies Act 1985, the Company has passed an elective resolution dispensing with the need to hold Annual General Meetings or re-appoint its auditors annually. Accordingly Deloitte and Touche will continue in its office as auditors.

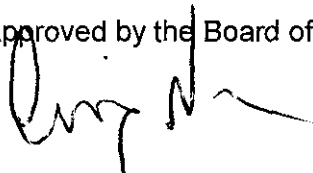
DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company 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 behalf of the Board:



C Nunn
Director

Dolphin House
140 Windmill Road
Sunbury-on-Thames
Middlesex
TW16 7HT

16 October 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SERCO INTERNATIONAL LIMITED

We have audited the financial statements of Serco International Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, 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 is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatement.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

25 October 2002

SERCO INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Cost of Sales	4	173	(106)
		<hr/>	<hr/>
Gross profit/(loss)		173	(106)
Administrative expenses	2	(750)	-
		<hr/>	<hr/>
Operating loss		(577)	(106)
Interest payable and similar charges	3	(913)	(457)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4	(1,490)	(563)
Tax credit on loss on ordinary activities	5	447	137
		<hr/>	<hr/>
Retained loss for the financial year		(1,043)	(426)
		<hr/>	<hr/>
Retained (loss)/profit at the beginning of the financial year		(372)	54
Retained loss for the financial year		(1,043)	(426)
		<hr/>	<hr/>
Retained loss at the end of the financial year		(1,415)	(372)
		<hr/>	<hr/>

There are no Recognised Gains or Losses, other than the retained loss for the year, in both the current and prior year.

There are no movements in shareholders' funds, other than the Recognised Gains or Losses for the year, in both the current and prior year.

All items in the Profit and Loss Account derive from continuing activities.

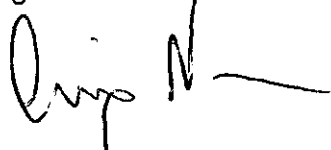
SERCO INTERNATIONAL LIMITED

BALANCE SHEET

at 31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible fixed assets	6	26	-
Investments	7	20,449	19,505
		<u>20,475</u>	<u>19,505</u>
CURRENT ASSETS			
Amounts owed by Group companies		240	-
Other debtors	8	550	150
		<u>790</u>	<u>150</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to Group Companies		(21,040)	(20,027)
Other creditors including taxation and social security		(10)	-
Accruals and deferred income	9	(391)	-
		<u>(21,441)</u>	<u>(20,027)</u>
NET CURRENT LIABILITIES		<u>(20,651)</u>	<u>(19,877)</u>
TOTAL LIABILITIES		<u>(176)</u>	<u>(372)</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Share premium	11	1,239	-
Profit and loss account		<u>(1,415)</u>	<u>(372)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(176)</u>	<u>(372)</u>

These Accounts and Notes were approved by the Board of Directors on 16 October 2002 and signed on behalf of the Board:



C Nunn
Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

1. ACCOUNTING POLICIES

These Accounts have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

These financial statements are prepared under the historical cost convention. These accounts present information about Serco International Limited as an individual undertaking and not about its group. Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of a company incorporated in England and Wales and so is therefore exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare and deliver group accounts. The smallest Group Company for which consolidated financial statements are prepared is Serco Group plc.

Investments

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

Depreciation

The depreciation charged in the financial statements is provided on a straight-line basis at rates, which, in the opinion of the Directors, will reduce the assets to their residual value by the end of their estimated useful lives, as follows:

Office equipment	-	33%
Office furniture	-	10%
Motor vehicles	-	20%

Basis of translation of foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates of the transactions. 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.

Pension costs

Retirement benefits to employees of Group companies are funded by contributions from Group companies and employees. Payments are made to trust funds that are financially separate from the Group in accordance with periodic calculations by consulting actuaries. The expected cost to the Group of providing pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes in such a way that the cost is a substantially level percentage of current and expected future pensionable payroll costs.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal agreed amounts over the periods of the leases.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

1. ACCOUNTING POLICIES (Continued)**Going concern**

The ultimate parent company has confirmed its intention to provide financial support as necessary and on this basis the directors are satisfied that the going concern basis of preparation continues to be appropriate.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Directors' emoluments (excluding pension contributions and awards under share option schemes and long-term incentive schemes)	306,602	-
Number of Directors who:	No	No
are members of defined benefit pension schemes	2	-
exercised share options	-	-
	2001 £	2000 £
Highest paid Director's remuneration: Aggregate of emoluments and awards under long-term incentive schemes (excluding pension contributions, share options gains and awards in the form of shares)	172,364	-

The amount of the accrued pension of the highest paid Director at 31 December 2001 is £15,768 (2000 - £nil).

SERCO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

I Williams is also a director of Serco Group plc. His interest in the shares of Serco Group plc is shown in the notes to the accounts of that company.

The interests of S Cuthill, J Dixon, R McGuinness and G Rumbles in the shares of Serco Group plc are shown in the notes to the accounts of Serco Limited.

	31 December 2001		1 January 2001	
	Shares	Options	Shares	Options
R S N Ames	-	11,532	-	7,308
M Partridge	-	37,313	-	16,452
J H Taylor	-	39,719	-	17,688

Information regarding employees, including Directors:

	2001 £	2000 £
Employee costs:		
Wages and salaries	430,533	-
Social security costs	40,810	-
Other pension costs	147,135	-
	<u>618,478</u>	<u>-</u>

	2001 No.	2000 No.
Average number of employees	6	-

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Interest payable to group company	(913)	(457)
	<u>(913)</u>	<u>(457)</u>

SERCO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
Loss on ordinary activities before taxation is after charging/(crediting)		
Rentals under operating leases from : Vehicles	19	-
Depreciation on tangible fixed assets	9	-
Loss on disposal of fixed assets	1	-
Foreign exchange (gain)/loss	(173)	106

Auditors' remuneration and other charges from Deloitte & Touche have been borne by the parent company, in the current and prior year.

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
The taxation credit on the loss for the year is made up as follows:		
United Kingdom corporation tax at 30% (2000- 30%)	-	-
Losses available for Group Relief	447	137
	447	137

SERCO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

6. TANGIBLE FIXED ASSETS

	Office Furniture, Equipment and Motor Vehicles £'000
Cost:	
At 1 January 2001	-
Transfers from Group companies	31
Additions	11
Disposals	(7)
At 31 December 2001	<u>35</u>
Accumulated Depreciation:	
At 1 January 2001	-
Transfers from Group companies	(3)
Charged during the year	(9)
Disposals	3
At 31 December 2001	<u>(9)</u>
Net Book Value:	
At 31 December 2001	<u>26</u>
At 31 December 2000	<u>-</u>

7. INVESTMENTS HELD AS FIXED ASSETS

a) Shares in subsidiary companies at cost:

	£'000
Balance as at 1 January	19,505
Increase in Share Premium in Serco International BV	1,238
Write down in value of Serco Sverige AB	(294)
Balance at 31 December 2001	<u>20,449</u>

SERCO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

7. INVESTMENTS HELD AS FIXED ASSETS (Continued)

- b) At 31 December 2001 Serco International Limited directly held all of the allotted share capital of, and voting rights in, the following principal subsidiaries, which are engaged in facilities management activities:

	Allotted Shares	Country of incorporation	Operates principally in
Serco Europe Limited	5,000 Ordinary Shares of £1 each	Great Britain	Europe
Serco Inactive 1 Limited	2 Ordinary Shares of £1 each	Great Britain	Inactive
Serco Southall Services Limited	2 Ordinary Shares of £1 each	Great Britain	Inactive
Serco Services Ireland Limited	400,000 Ordinary Shares of IR£1 each	Ireland	Europe
Serco International BV	5,381 Ordinary Shares of Dutch FL 100 each	Netherlands	Holding company
Serco France Sarl	500 Ordinary Shares of Ffr 100 each	France	France
Tecnodata Computer Services (UK) Limited	4 Ordinary Shares of £10 each	Great Britain	Inactive
Serco Sverige AB	40,000 Ordinary Shares of SEK 100 each	Sweden	Europe

During the year Serco Education Limited was renamed as Serco Inactive 1 Limited.

8. DEBTORS

	2001 £'000	2000 £'000
Corporation Tax	447	137
Other debtors	103	13
	<u>550</u>	<u>150</u>

9. ACCRUALS AND DEFERRED INCOME

	2001 £'000	2000 £'000
Share options	(293)	-
Other accruals	(98)	-
	<u>(391)</u>	<u>-</u>

SERCO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

10. OTHER CREDITORS

	2001 £'000	2000 £'000
Other taxes and Social Security	(10)	-
	<u>(10)</u>	<u>-</u>

11. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	2001 £	2000 £
Authorised:		
50,000 Ordinary Shares of £1 each	<u>50,000</u>	<u>50,000</u>
Called up, allotted and fully paid:		
3 Ordinary Shares of £1 each (2000: 2)	<u>3</u>	<u>2</u>

There was an issue of one share during the year to the Company's parent Serco Limited. This resulted in premium on the sale of £1,238,599.

12. OPERATING LEASE COMMITMENTS

During the year ending 31 December 2002, the Company is to make no payments in respect of operating leases

13. PENSION SCHEMES

The net pension charge for the year ended 31 December 2001 was £147,135 (2000 - £nil). This is made up as follows:

	£
The Serco-IAL and SVCS Pension Scheme	131,494
The Serco Rothschild Pension Scheme	15,641
	<u>147,135</u>

The Company participates in the following Pension Schemes:

a) The Serco-IAL Pension Scheme:

A small number of the Company's employees are members of the Serco-IAL Pension Scheme. 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.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

13. PENSION SCHEMES (Continued)

Actuarial assessments covering expense are carried out by independent qualified actuaries, with the last such review being carried out as at 31 March 1998.

Details of the results of this valuation can be found in the Serco Group Plc Consolidated Accounts.

b) The Serco Rothschild Scheme:

This is a defined contribution scheme.

FRS 17 Disclosure

Serco International Limited cannot identify its share of the underlying assets and liabilities of each scheme. Full transitional disclosures in accordance with the requirements of FRS 17 are detailed in the financial statements of Serco Group plc.

14. CONTINGENT LIABILITIES

The Company has entered into an unlimited cross guarantee with its ultimate parent company and fellow subsidiaries in order to guarantee the borrowings of the Group under the Group's borrowing arrangements.

15. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling entity of the Company is Serco Group plc, a company incorporated in England and Wales. The immediate parent company of the Company is Serco Holdings Limited a company incorporated in England and Wales.

The parent undertaking of the only group which includes the Company and for which group financial statements are prepared is Serco Group plc.

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose related party transactions with Serco Group companies. The financial statements of Serco Group plc are available from the Company Secretary, Serco Group plc, Dolphin House, Windmill Road, Sunbury-on-Thames, Middlesex TW16 7HT.