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SERCO GROUP PLC AND NOMURA INTERNATIONAL'S PRINCIPAL FINANCE GROUP ESTABLISH £1 BILLION FUND TO INVEST IN PUBLIC INFRASTRUCTURE

Serco Group plc and Nomura International plc announce a new £1 billion fund, the "Serco Nomura Infrastructure Fund". The marketing for the fund will be managed by a new company, "Serco Nomura Infrastructure Management".

The Fund will be used primarily to acquire existing public infrastructure internationally where Nomura's financial strength and Serco's operating expertise, working in partnership with the public sector, can develop these assets for the benefit of the community, staff and other stakeholders. The Fund will initially focus on Public Private Partnerships (PPPs) in the UK as well as opportunities in other areas of the world, particularly those in which Serco already has an established business such as Australia. This initiative will complement the existing activities of both companies.

Serco, the international task management and systems engineering group, specialises in managing integrated services in the UK, Australasia, Europe and North America. These services include the UK's four-minute warning defence system, the Docklands Light Railway, the UK's National Physical Laboratory and Australia's Great Southern Railway. In addition, Serco has been awarded 11 PFI contracts ranging from the financing and maintenance of helicopters for the Defence Helicopter Flying School to the design, build, finance and operation of the new Norfolk and Norwich Hospital.

Nomura International's Principal Finance Group has substantial experience of financing acquisitions such as the 57,000 houses which constitute the Ministry of Defence's married quarters estate (the largest transfer of residential properties in the UK); the 3,600 train engines and carriages of the leasing company Angel Trains (the largest of the rolling-stock companies privatised by British Rail); over 6,000 pubs which were bought from companies such as Fosters and Grand Metropolitan, creating the largest independent pub owner in the UK; William Hill's 1,500 betting shops and Thorn plc, one of the UK's two leading consumer goods rental companies.

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Guy Hands, Managing Director of Nomura International's Principal Finance Group, said:

"This Fund will combine financial resources with Serco's outstanding operational expertise. Whilst Nomura will underwrite the financial risks of taking on large infrastructure projects, Serco's skills will increase the efficiency with which customers are served.

There is an international trend towards the outsourcing of facilities management in both the public and private sectors. The UK government has taken the lead in establishing this hugely important trend through the PPP programme and we are now seeing major blue chip corporates pursuing the same idea."

Richard White, Chief Executive of Serco Group plc, said:

"Through the creation of the Fund, Serco and Nomura will be able to pursue new and exciting opportunities around the world without being limited by financial resources or operational management expertise. Funding on this scale will allow us to build on our success in managing governments' assets and developing public sector infrastructure using private finance.

Our presence in the Asia Pacific region coincides with a clear desire by Federal and State governments to develop their own Public Private Partnerships in a similar vein to the UK. Together with the world-class funding expertise and Nomura's financial strength, we are well placed to capitalise on opportunities as they arise."

This initiative is not an exclusive arrangement and does not affect relationships with other funding organisations.

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