

Stock Exchange Announcement

Serco selected as preferred bidder for two significant new UK prison contracts valued at around £600m

29 June 2009

Serco Group plc (Serco), the international service company, announces that its consortium has been selected by the UK government's National Offender Management Service (NOMS) as the preferred bidder to provide and operate two new prisons at Belmarsh West, London and Maghull, Liverpool.

Under Design, Construct, Manage and Finance contracts, Serco will operate the prisons and these contracts are expected to have a combined value to Serco of around £600m over 26½ years. Serco will now finalise commercial arrangements with NOMS. It is anticipated that construction of the prisons, by Serco's construction partner Skanska, will begin in the first half of 2010, with completion in the second half of 2011. Equity and debt finance will be provided by third parties.

The prisons will be designed and built to Category B standards, and will accommodate 900 male prisoners for Belmarsh West and 600 for Maghull. As well as ensuring a secure and safe environment, Serco will use its operational expertise to ensure a highly effective and efficient prison design, to train and mentor new staff and to deliver a range of innovative services. In conjunction with its partners Turning Point and Catch22, Serco will seek to create an environment for change in order to discourage offenders from reoffending and prepare them for employment on release, and will also support effective delivery of services such as healthcare and education in conjunction with other providers.

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These contracts will represent a further extension of Serco's home affairs business, which has developed strongly in recent years. In the UK, Serco already manages four adult prisons (the capacity of two of these has recently been extended), a Young Offenders Institution, and a Secure Training Centre for young people, as well as providing electronic monitoring and court escort services. The UK government has recently announced plans to commission a further five new prisons from the private sector, and to put the management of a number of existing state-run prisons out to competitive tender.

Serco has also successfully transferred its offender management capabilities from the UK into other geographies, notably Australia where Serco now manages two prisons and has today announced that it has been awarded a significant new contract to transform Australia's immigration centres.

Christopher Hyman, Chief Executive of Serco Group plc, said: "We are proud to extend our partnership with the Ministry of Justice and NOMS. We are committed to providing safe, secure and cost effective regimes and offender accommodation that reduce reoffending and which support offenders in leading more fulfilling lives once they have been released. Governments around the world are facing increasing justice and homeland security challenges, and we are seeing significant opportunities to use our skills to support them."

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About Serco

Serco is a FTSE 100 international service company, which combines commercial know-how with a deep public service ethos.

We improve services by managing people, processes, technology and assets more effectively. We advise policy makers, design innovative solutions, integrate systems and - most of all - deliver to the public.

Serco supports governments, agencies and companies who seek a trusted partner with a solid track record of providing assured service excellence. Our people offer operational, management and consulting expertise in the aviation, BPO, defence, education, health, home affairs, local government, science, technology, transport and the commercial sectors.

More information can be found at www.serco.com