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Serco Group

2002 AGM Statement

Serco Group plc ("Serco"), the international management services company, held its Annual General Meeting today. At the meeting Richard White, Executive Chairman of Serco, made the following comments on current trading:

Results for 2001

"Results for the year ended 31st December 2001 saw Serco once again maintain excellent growth in sales and profits, exceeding the results targeted at the start of the year. We also announced with our results our intention to raise £120 million of new equity, which we have successfully completed.

This AGM statement is the first announcement supporting our plans to issue regular trading updates.

Current trading

We remain a highly predictable business. At the beginning of this year we had already secured 82% of our estimated turnover for 2002 and this has increased to 88% as at 31st March 2002. Our order book remains at over £6 billion, equivalent to more than five years 2001 turnover, and organic growth across our businesses remains strong. We are continuing to see a flow of new bids and also opportunities to broaden the scope and range of current contracts.

In the year to date we have submitted a record level of bids valued in total to Serco at over £4 billion. This includes a number of major defence contracts in both the UK and internationally: Airfield Support Services Project, Army Training Estate, Northwood and Prime, all in the UK; Panzertruppenschule in Germany, a contract to provide fleet management and maintenance of military and civil vehicles at the Armoured Training Centre in Munster; and DIDS (Defence Integrated Distribution System) in Australia, a contract to undertake warehousing, distribution and maintenance of Defence supplies and equipment.

During the period we have won a range of new business across our operating sectors worth over £200 million. As in the past we have also renewed over 90% of contracts reaching their expiry date.

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In addition to this we announced in February that we had been selected, as part of Paradigm Secure Communications, as preferred bidder for Skynet 5. As part of the contract Serco will provide network and facilities management services, including spacecraft and network operations, network maintenance, training, supply management and through-life buildings and facilities maintenance. The contract is worth a further £220 million to Serco over 15 years.

We continue to be well positioned in a number of growing overseas markets. This week we announced the formation of Serco Gulf, a joint venture facilities management company, with the Jebel Ali Free Zone Authority. Serco Gulf will deliver engineering and other support services to the Dubai Ports Customs and Free Zone Corporation at Jebel Ali, Port Rashid and other locations in Dubai under a 10 year contract term, with total sales revenue to Serco expected to be over £40 million. This is one of the first significant multi-activity outsourcing contracts that has been awarded in the Middle East and will provide us with an opportunity to support other government departments in what is a progressive and expanding marketplace.

Bid cost accounting policy

There has been much comment on bid cost accounting recently. As previously stated our policy is to expense bid costs until we are confident of being awarded a contract, usually at preferred bidder status. If the draft UITF 51 was applied to our position at 31st December 2001, of capitalised bid costs on bids yet to reach financial close of £3 million, approximately £1 million would need to be expensed. As a consequence, the application of UITF 51, if issued in its current form, would not have a material impact on the Group for 2002 or going forward.

Outlook

We are on course to continue our successful track record of growth in 2002. Additionally our markets are expanding both in the UK and internationally. We remain confident of achieving strong long-term growth.”

- Ends -

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