

SERCO News

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Issued:

Release: Friday 19 December 1997

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SERCO GROUP PLC (“SERCO”) ANNOUNCES THE ACQUISITION OF THE REMAINING 50% OF VOTING SHARES AND 25% OF NON-VOTING SHARES IN DOCKLANDS RAILWAY MANAGEMENT LIMITED (“DRML”)

Serco has acquired the remaining 50% of the voting shares of DRML and a further 25% of the non-voting DRML shares from the current management team and Employee Shareholders Trust at DRML for a gross consideration of £3.3m. The consideration is satisfied by the issue of 329,048 Serco shares and payment of £570,000 cash.

In addition, a put and call option agreement has been signed giving the management team or Serco the right to exchange the remaining 25% of the non-voting DRML shares for Serco shares between 1 March 1999 and 1 August 1999, if certain operational targets have been met.

Upon exercise of the option the remaining 25% of non-voting DRML shares are exchangeable for 366,405 Serco shares, which is equivalent to a consideration of £3.1m.

The net assets of DRML on acquisition are approximately £0.5m. DRML has made pre tax profits of approximately £0.7m to the date of acquisition and is expected to continue to make profits of a similar amount in the future.

DRML was formed in 1996 by Serco and the executive management team at Docklands Light Railway to bid for the franchise to operate Docklands Light Railway. The bid for the seven year franchise was successful with operations starting in April 1997 and following the achievement of financial and operational targets Serco have decided to increase their interest to 100%.

The management team are contracted to continue with Serco to manage the Docklands Light Railway franchise.

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