NEWS RELEASE

Issued: Thursday 5 September 2002

Release: Thursday 5 September 2002

Contact: See below

www.serco.com

Serco Group plc
Interim results for the period ended 30 June 2002

	6 Months to 30.6.02	Restated 6 Months to 30.6.01	
Turnover	**£625.9m**	£525.9m	up 19.0%
Profit before tax – pre goodwill	**£28.4m**	£24.4m	up 16.4%
Earnings per share – pre goodwill	**4.84p**	4.36p	up 11.0%
Dividend per share	**0.64p**	0.57p	up 12.3%
*Underlying pre-tax profit – pre goodwill**	***£27.3m***	*£22.7m*	*up 20.5%*

** Underlying pre-tax profit is calculated after adjusting for the effect of acquisitions and non-recurring items. A reconciliation together with more information on our financial performance and accounting policies is in the Financial Review included in this announcement.*

Serco on track for 15th year of growth:

- **Strong organic growth**
  - 42% of first half growth from existing contract base
- **Record value of bids submitted at £4.7bn**
- **Continued success in winning contracts**
  - Contracts signed totalling £400m
  - 62 new contracts awarded
  - Further 56 contracts successfully rebid or extended, maintaining 90% success rate
  - Appointed preferred bidder for contracts totalling a further £250m, including Skynet 5 for global military satellite communications for UK armed forces
- **International growth continues**
  - Awarded one of the Middle East's first multi-activity outsourcing contracts from Dubai Ports, Customs and Free Zone Corporation
- **Continuing visibility of earnings**
  - 98% of 2002 forecast revenues already secured
- **Forward order book of £6bn**

Kevin Beeston, Executive Chairman, said:
"We are on track for a 15th successive year of strong growth. At £6 billion our forward order book remains buoyant and our future earnings are highly visible. During the first half we submitted a record level of bids valued at £4.7 billion and are currently addressing a further £12 billion of opportunities.

In the UK, the additional spending announced by the government in its Comprehensive Spending Review will further enhance our growth prospects; while our existing portfolio of international markets will generate a continuing flow of new opportunities. We are confident of achieving strong growth for the remainder of 2002, and for the longer term we anticipate sustained double-digit organic growth."

– Ends –

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The Serco Group plc Interim Report 2002 is available from today on our website at www.serco.com. This contains a full business review and supplementary graphs.

An interview with Kevin Beeston, Executive Chairman of Serco Group plc in video/audio and text will be available from 7am on www.serco.com and www.cantos.com .

A webcast of the analyst briefing is available on www.serco.com from 4.30pm.

Notes to editors

Serco is an international provider of management services to government and industry. The company covers a wide range of activities, from controlling satellites and operating computer networks for the European Space Agency, to managing and operating the Docklands Light Railway where Serco was recently voted National Rail Operator of the year. The Company employs some 34,000 staff in 36 countries.

For further information please contact Serco Group plc: T: +44 (0) 1932 755900

Kevin Beeston – Executive Chairman

Ben Woodford – Corporate Communications Director

A message from the Board

Serco is on track for a 15th successive year of strong organic growth. Our forward order book remains buoyant and our future earnings are highly visible.

Our resilience and growth are founded on reliable contracts with quality customers, predominantly national and local governments. Our continuing high success rate in winning contract rebids and extensions reflects our ability to deliver real improvements in efficiency and value for money. We have an ever-widening portfolio of contracts and markets, with a strong pipeline of new business opportunities going forward.

The UK government is strongly committed to involving the private sector in delivering public services, and a growing number of overseas governments are following similar paths. Serco has been at the forefront of this trend, working with governments to develop public private partnership (PPP) models such as private finance initiatives (PFIs). Our addressable market in PPPs continues to grow, both in the UK and internationally.

Recognising the increasing complexity of these emerging procurement models, we have increased the level of disclosure in our Annual Report and have now added a Financial Review to this Interim Report: this includes commentary on our cash flow and our accounting policies for bid costs and PFI joint ventures. We have also expanded and updated ‘Our approach to PFIs’, a document which we originally published in September 2001 to help readers understand and analyse our performance in this area. Copies are available on request, or from our website at www.serco.com .

Financial performance
In the six months to 30 June 2002, turnover was £625.9m (2001: £525.9m) – an increase of 19% on the first half of 2001. Pre-tax profit grew 16.4% to £28.4m (2001: £24.4m) before goodwill amortisation. As explained in the Financial Review, this measure is not directly comparable year-on-year. An alternative comparison shows underlying profit growth of 20.5% before goodwill. Earnings per share (EPS) before goodwill grew 11% to 4.84p. Operating cash flow, before one-off items, was 69% (2001: 56%) and 41% (2001: 33%) of operating profit and EBITDA respectively.

Further details of our financial performance are given in the Financial Review included in this announcement.

Dividend
In recognition of continued strong performance, we have increased the interim dividend by 12.3% to 0.64p per Ordinary Share (2001: 0.57p). It will be paid on 11 October 2002 to shareholders on the register at close of business on 13 September 2002.

Operational performance
Our goal is to continue strengthening our position as a leading global outsourcing company, focusing primarily on the public sector: we aim to capitalise on the worldwide trend for governments to seek private-sector support in improving the quality and efficiency of public services. Our growth strategy is to focus primarily on organic expansion, while using acquisitions, joint ventures and strategic alliances to build platforms in new or emerging markets with good long-term organic growth potential.

During the first half of the year we submitted bids totalling £4.7bn – a record level. We anticipate news of these during the second half. Excluding any success from these and excluding some £250m of bids where we have already been appointed preferred bidder, the forward order book is £6bn, equivalent to over five times our 2001 turnover with consequent high visibility of future sales.

During the half-year we won business totalling £400m. New awards accounted for 26% of this; 36% came from rebids; and 38% from extensions in duration and scope of existing contracts. Running our contracts as businesses helps us to develop new opportunities at contract level, and we have maintained our success rate of over 90% on rebids. We increasingly target long-term contracts – which give higher levels of visibility to our future earnings – and we continue to win over half the contracts we bid for. But our success is not predicated on winning large new contracts: as in the past, almost half of our turnover growth in the first half came from add-ons and extensions to existing contracts.

Major successes included appointment as preferred bidder for the new Skynet 5 satellite system, and on a three-year contract from the BBC to provide travel news on all UK road, rail, air and sea services. We won our first contract from the European Parliament, to provide IT support. And in the Middle East we won one of the region's first multi-activity outsourcing contracts from the Dubai Ports, Customs and Free Zone Corporation.

UK

The UK continues to offer abundant opportunities and remains our most significant market. First-half sales rose 23% compared with the first half of last year and market conditions favour continued healthy growth, demonstrated by our submission of over £4bn of new bids to UK customers. The government is intent on achieving significant improvement in public services with private sector support; and we expect significant new opportunities to flow from its recent Comprehensive Spending Review, which will provide an additional £125bn public spend over the next three years.

The UK has been a leader in PFIs, and Serco has been actively involved in this market as it has developed. Extensive experience in PFIs convinces us of their value in acquiring the sophisticated, long-term, multi-service contracts that we seek, both in the UK and internationally. Long-term success in this market depends on recognising and understanding the associated cash flows and risks: we have developed appropriate techniques for carefully assessing and selecting the contracts we bid, controlling bid costs and managing risk as contracts progress.

International

A distinctive feature of Serco's business is its international portfolio. Our presence in overseas markets extends the range of addressable opportunities and helps to spread risk. By enhancing our reach and scale, it also helps us to bid for larger and more sophisticated multi-service opportunities and capitalise on the UK's recognised leadership in outsourcing models.

We are focused on four overseas regions where increasingly sophisticated outsourcing opportunities are emerging – North America, Continental Europe, the Middle East and Asia Pacific.

The US is the world's largest outsourcing market. Today, the federal government purchases over US$80bn in services, including information technology, base operations and engineering services, growing by an anticipated 12% annually. The market is developing in a way that plays to our strengths, with rising investment in infrastructure and IT accompanied by an enthusiasm for innovative solutions and contract models. Our US and Canadian business is still relatively small. To make an impact in such a large market we will need to increase the scale of our operation and we continue to review the opportunities for acquisition, joint venture or strategic alliance.

In Continental Europe, where our first-half sales rose 10%, we see particular promise in Italy and Germany. Both countries are substantially increasing private sector involvement in public services. Building on our experience in the UK, we intend to continue broadening our range of services from its original focus on IT and facilities management. In Italy we submitted seven bids during the first half, and in Germany we made our largest bid yet, to operate the army's tank training school.

In Asia Pacific we continue to focus on enhancing the operational returns from the business, while preparing to address a range of emerging opportunities in New Zealand and Australia, where we await the outcome of our largest bid so far – to undertake warehousing, distribution and maintenance of defence supplies and equipment.

Managing the business

In pursuing strong long-term growth, we take care to sustain the distinctive, highly devolved Serco culture. Our ability to enter new sectors or geographic markets successfully owes much to the resilience of this culture and to the continuing development of the Serco Management System, our methodical approach to managing both people and processes.

We replicate the group management system in all our businesses and are adapting it for managing individual contracts – which we aim to run as businesses in their own right, with individual strategic development plans. Larger contracts have management boards including non-executive directors, usually drawn from other parts of Serco. In this way, we can plan organic business growth, empowering local management to develop their businesses while maintaining effective controls.

To ensure effective governance across a diverse and devolved business, our Corporate Assurance Group provides continuous, integrated assessment of business risk and ensures that our controls remain relevant and adequate. It reports formally to the Board quarterly.

People

Whatever the strengths of our strategy and systems, we know that our success depends ultimately on the dedication and hard work of our people. We thank them for their continuing support and enthusiasm.

We remain committed to developing skills at all levels and continue to provide a broad range of management training through the Serco Best Practice Centre. During the first half, nearly 1,000 of our people attended internal workshops. We have also built strong links with relevant awarding bodies, including the UK's Institute of Directors (IoD) and the first IoD/Serco Certificates in Company Direction were achieved in April 2002.

Recognising the need to engage with employees and their representatives who may fear the impact of outsourcing on their own prospects, we continue to build constructive relationships with trade unions. In the UK we have been supporting the TUC Partnership Initiative, which aims to foster partnership between employers and trade unions: we have formed several 'working partnership' relationships with unions at contract level and will look at others in the future.

Outlook

Looking ahead, revenue visibility is excellent: assuming a continuing 90% renewal rate on rebids, we already have contracts in place to provide 98% of forecast revenue this year, 84% in 2003 and 71% in 2004.

We continue to increase our contract bid pipeline. After submitting bids worth some £4.7bn in the first half, we are currently addressing a further £12bn of opportunities. As always, we will be bidding for a well-balanced mix of business, including add-ons and extensions to existing contracts, new contracts across a broad spectrum of sectors, and a few carefully selected large contracts with annual values to Serco of between £50m and £100m.

In the UK, the additional spending announced by the government in its Comprehensive Spending Review will further enhance our growth prospects; while our existing portfolio of international markets will generate a continuing flow of new opportunities. We are confident of achieving strong growth for the remainder of 2002, and for the longer term we anticipate sustained double-digit organic growth.

Financial review

Financial performance

Sales

Total sales increased by 19% to £625.9m. This includes a contribution of £22.8m from Serco Assurance (formerly the consulting division of AEA Technology), which was acquired in September 2001.

Gross profit

Gross profit of £71.1m represents a return on sales of 13.6%, up from 13.3% for the six months to 30 June 2001.

Pre-tax profit

Pre-tax profit increased 16.4% to £28.4m before goodwill amortisation.

Underlying pre-tax profit

Underlying pre-tax profit before goodwill grew 20.5% to £27.3m. This is stated after adjusting for a £1.1m contribution from Serco Assurance, which is included in the half-year results for the first time. This contribution is before goodwill and after financing and phase-in costs.

Underlying profit for the first six months of 2001 is stated after adjusting for a net contribution of £1.7m from three non-recurring items: £10.2m cost of the unsuccessful National Air Traffic Services (NATS) acquisition, £3.4m investment in the People and Technology programme and £15.3m profit from refinancing the rolling stock of Great Southern Railway (GSR).

	6 Months to 30.6.02 £'m	6 Months to 30.6.01 £'m	Increase
Reported pre-tax profit before goodwill amortisation	**28.4**	24.4	16.4%
Net one-off items	**–**	(1.7)	
Acquisition: Serco Assurance	**(1.1)**	–	
Underlying pre-tax profit before goodwill amortisation	**27.3**	22.7	20.5%

Tax

The tax charge was £8.3m (2001: £7.3m), representing an effective tax rate of 34% (2001: 32.5%).

Earnings per share

Taking into account the above and the new equity issued in March, earnings per share before goodwill amortisation grew by 11% to 4.84p (2001: 4.36p).

Dividends

The proposed interim dividend of 0.64p per share is a 12.3% increase on 2001.

Cash flow
During the six months to 30 June 2002 there was a net cash inflow of £95.9m. This was after making a one-off payment of £15.5m into the Serco Pension and Life Assurance Scheme in February and receiving £118m from the equity issue in March. These items are explained in greater detail below.

Operating cash flow, before one-off items, was £11.7m, which converts 69% (2001: 56%) of our operating profit into cash.

We believe that, as operating profit is calculated after deducting goodwill and depreciation, the appropriate measure for operating cash flow performance is the conversion of Group EBITDA (Earnings Before Interest, Tax, Depreciation, Goodwill Amortisation) before one-off items into cash. For the six months to 30 June 2002 this was 41% (2001: 33%).

Dividends from joint ventures increased from £2.4m in the six months to 30 June 2001 to £6.2m in the six months to 30 June 2002.

Capital expenditure, excluding investment in PFI Special Purpose Companies (SPCs), for the six months to 30 June 2002 was £8.2m; as a proportion of turnover this expenditure has remained at a similar level to previous years.

Share placement
In March £118m, net of fees, was successfully raised through an international bookbuilt placing of 39.5m new shares representing 9.9% of Serco's issued share capital. This enabled the Serco Assurance acquisition finance to be repaid and the balance sheet to be strengthened to finance future growth.

Private Finance Initiatives (PFIs)
The document 'Our Approach to PFIs', which was originally issued in September 2001, has been updated and provides a summary of our accounting for PFIs. It is available on our website www.serco.com or in printed form on request.

PFI profile
For the six months to 30 June 2002 PFIs contributed £51.5m to turnover and £7.1m to profit for the year, of which £46.3m of the turnover and £3.7m of the profit related to the operating contracts, and £5.2m of the turnover and £3.4m of the profit to Serco's share of the SPCs.

SPC funding and accounting
SPC funding is provided by long-term loans which are non-recourse to Serco.
- Our share of non-recourse debt of joint venture SPCs at 30 June 2002 is £211.1m. This is included within investments in joint ventures shown on the Summary Balance Sheet.
- Traffic Information Services (TiS) Limited is the first SPC where Serco has chosen to own 100% of the equity. This SPC has the contract to deliver the Traffic Control Centre contract. A non-recourse loan of £19.7m to fund the asset, currently in the course of construction, is included in long-term creditors in the Summary Balance Sheet. £5.6m was drawn down in the six months to 30 June 2002 and is shown separately in the Summary Cash Flow Statement.
- In June 2002 the senior lenders and the terms of the senior debt on the Joint Services Command and Staff College PFI were changed. This transaction had no effect on profit but allowed £6.7m of cash to be passed from the SPC to Serco by way of dividend and loan.

Review of joint venture accounting and controls
In March 2002, in recognition of the perceived uncertainties arising from certain joint venture accounting practices in the US, the Board undertook a specific review, including asking Deloitte & Touche to undertake an independent review of our accounting procedures and internal controls over our joint ventures. This review confirms the Board's view that all our joint ventures exist for genuine commercial reasons, are correctly accounted for and that our controls and disclosures are appropriate.

Bid costs
Urgent Issues Task Force (UITF) Abstract 34 'Pre-contract costs' was issued in May 2002 for accounting periods ending on or after 22 June 2002. UITF Abstract 34 requires all bid costs to be expensed up to the point where award of a contract is 'virtually certain'. Bid costs incurred after this point may be capitalised. At 31 December 2001 we had £1.2m of bid costs capitalised in relation to contracts for which we had not formally reached preferred bidder status. Applying the Abstract has resulted in a prior period adjustment to treat these capitalised costs as expensed in 2001. There was no material impact on the first half of 2001 or earlier accounting periods. Having made this adjustment our accounting policies now fully comply with UITF Abstract 34.

Deferred taxation
Financial Reporting Standard (FRS) 19 'Deferred Taxation' was issued in December 2000 for accounting periods ended on or after 23 January 2002. FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

The tax charge for the six months ended 30 June 2002 is based on the tax charge expected for the year to 31 December 2002, which has been calculated in accordance with FRS 19.

As at 31 December 2001 the Group did not have a material level of unprovided deferred tax liabilities or unrecognised deferred tax assets. The application of FRS 19 will not have a material effect on the tax charge for the period.

Pensions
Two of Serco's pension schemes are defined benefit schemes. FRS 17 'Retirement Benefits' was issued in November 2000 to replace SSAP 24 for accounting periods ending on or after 22 June 2003. In July 2002 the Accounting Standards Board announced it was delaying the introduction of FRS 17 until 2005, following an announcement by the International Accounting Standards Board to also issue a new standard.

For 2002 we will continue to apply the transitional rules and disclosures. FRS 17 requires the market value of assets and liabilities to be calculated for defined benefit schemes and to be included on the balance sheet. At 31 December 2001 there was a small net deficit of £3.6m in relation to the defined benefit schemes. While we are not required to undertake a full actuarial valuation of the schemes at 30 June 2002, we estimate that the deficit has increased to £15m. The asset base of the schemes is approximately £300m and long-term contribution rates will address this shortfall if the deficit continues.

The pension charge under FRS 17 for the six months to 30 June 2002 would not have been materially different from the SSAP 24 pension charge.

It is our intention to merge Serco's two defined benefit pension schemes by early 2003 to help improve cost and investment efficiencies. To assist this process £15.5m was injected into the Serco Pension and Life Assurance Scheme in February 2002 to achieve a similar funding level for both schemes.

Presentation of results
As explained above, we have adopted FRS 19 and UITF Abstract 34 in this Interim Report. The adoption of UITF Abstract 34 has resulted in the restatement of the financial statements for the year to 31 December 2001.

In addition, results for the six months to 30 June 2001 have been restated to allow effective comparison with the results for the six months to 30 June 2002. These restatements have no impact on the Group's profit or cash:

- In accordance with industry practice £5.9m of joint venture turnover shown in the 2001 Interim Report, representing the finance income element of the capital repayment from PFIs, has been restated and shown as joint venture interest receivable.
- To achieve consistency with the presentation adopted at 31 December 2001, and in accordance with FRS 5, the PFI asset under construction on the Traffic Control Centre contract has been reclassified from fixed assets to current assets in the Summary Balance Sheet. The corresponding cash outflow is now shown separately in the Summary Cash Flow Statement as a deduction from cash flow from operating activities rather than within capital expenditure.

As in the past we have included a proforma profit and loss account to assist in analysing the Group's results.

Auditors
We have asked Deloitte & Touche to perform a review of the financial statements and notes included in this Interim Report. This is the first time we have asked for such a review and there is no statutory requirement to do so. The review is conducted in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. The opinion given is not an audit opinion, but assesses whether the accounting policies and presentation have been consistently applied.

Independent review report to Serco Group plc

Introduction
We have been instructed by the company to review the financial information for the six months ended 30 June 2002 which comprises the Summary Profit and Loss Account, Summary Balance Sheet, Summary Cash Flow Statement and related notes 1 and 2. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with UK auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
London

5 September 2002

Notes
A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the UK governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Proforma Summary Consolidated Profit and Loss Account
For the six months ended 30 June 2002

	6 Months to 30.6.02 £'000	Restated 6 Months to 30.6.01 £'000	Restated Year to 31.12.01 £'000
Turnover: Group and share of joint ventures – continuing operations	**625,936**	525,895	1,141,203
Less: Share of joint ventures	**(103,895)**	(91,668)	(227,510)
Group turnover	**522,041**	434,227	913,693
Cost of sales	**(450,903)**	(376,476)	(789,686)
Gross profit	**71,138**	57,751	124,007
Administrative expenses	**(46,539)**	(40,203)	(88,742)
Exceptional item: Cost of unsuccessful NATS acquisition	**–**	(10,187)	(10,187)
Exceptional item: GSR refinancing	**–**	15,356	15,356
Share of profits arising from joint ventures – including group joint venture costs and joint venture interest	**6,212**	4,242	9,820
Profit before group interest and goodwill	**30,811**	26,959	50,254
Net group interest	**(2,416)**	(2,563)	(5,092)
Profit on ordinary activities before taxation – pre amortisation of goodwill	**28,395**	24,396	45,162
Amortisation of goodwill	**(3,870)**	(1,970)	(5,123)
Profit on ordinary activities before taxation	**24,525**	22,426	40,039
Taxation on profit on ordinary activities	**(8,339)**	(7,288)	(13,012)
Profit on ordinary activities after taxation	**16,186**	15,138	27,027
Dividends	**(3,257)**	(2,270)	(7,265)
Retained profit	**12,929**	12,868	19,762

Basis of preparation
As in our 2001 Annual Review and Accounts we have included a Proforma Summary Consolidated Profit and Loss Account as an alternative presentation to aid in the understanding of the Group results. The Proforma is derived directly from the Summary Consolidated Profit and Loss Account.

Summary Consolidated Profit and Loss Account
For the six months ended 30 June 2002

	6 Months to 30.6.02 £'000	Restated 6 Months to 30.6.01 £'000	Restated Year to 31.12.01 £'000
Turnover: Group and share of joint ventures – continuing operations	**625,936**	525,895	1,141,203
Less: Share of joint ventures	**(103,895)**	(91,668)	(227,510)
Group turnover	**522,041**	434,227	913,693
Cost of sales	**(450,903)**	(376,476)	(789,686)
Gross profit	**71,138**	57,751	124,007
Administrative expenses	**(50,409)**	(42,173)	(93,865)
Amortisation of goodwill	**(3,870)**	(1,970)	(5,123)
Other administrative expenses	**(46,539)**	(40,203)	(88,742)
Exceptional item: Cost of unsuccessful NATS acquisition	**–**	(10,187)	(10,187)
Other operating costs relating to joint ventures	**(3,887)**	(3,352)	(8,888)
Operating profit - continuing operations	**16,842**	2,039	11,067
Exceptional item: GSR refinancing	**–**	15,356	15,356
Share of operating profit in joint ventures	**9,589**	7,508	17,374
Net interest			
Group	**(2,416)**	(2,563)	(5,092)
Share of joint ventures	**510**	86	1,334
Profit on ordinary activities before taxation	**24,525**	22,426	40,039
Taxation on profit on ordinary activities	**(8,339)**	(7,288)	(13,012)
Profit on ordinary activities after taxation	**16,186**	15,138	27,027
Dividends	**(3,257)**	(2,270)	(7,265)
Retained profit	**12,929**	12,868	19,762
Earnings per share (EPS) of 2p each:			
Basic EPS, after amortisation of goodwill	**3.91p**	3.86p	6.94p
Basic EPS, before amortisation of goodwill	**4.84p**	4.36p	8.25p
Diluted EPS, after amortisation of goodwill	**3.90p**	3.84p	6.91p
Diluted EPS, before amortisation of goodwill	**4.84p**	4.33p	8.22p
Dividend per share	**0.64p**	0.57p	1.86p

Notes to the Summary Consolidated Profit and Loss Account are provided at the back of this announcement.

Summary Consolidated Balance Sheet
As at 30 June 2002

	As at 30.6.02 £'000	Restated As at 30.6.01 £'000	Restated As at 31.12.01 £'000
Fixed Assets			
Intangible assets	**141,570**	70,346	141,170
Tangible assets	**51,379**	46,411	48,724
Investments in joint ventures	**30,650**	31,707	30,510
Investment in own shares	**18,487**	9,350	18,983
Total fixed assets	**242,086**	157,814	239,387
Current assets/(liabilities)			
Stocks	**29,771**	28,231	35,838
Debtors	**295,054**	217,790	275,810
Cash (net of overdraft)	**60,039**	43,467	(35,835)
Trade and other creditors	**(145,868)**	(147,310)	(163,294)
Accruals and deferred income	**(119,004)**	(91,832)	(128,629)
Net current assets/(liabilities)	**119,992**	50,346	(16,110)
Long-term creditors+	**(72,847)**	(59,643)	(68,570)
Provisions for liabilities and charges	**(27,276)**	(25,916)	(25,636)
Equity shareholders' funds	**261,955**	122,601	129,071

+ Includes £19.7m of PFI related non-recourse bank loans at 30 June 2002 (at 30 June 2001: £6.6m and at 31 December 2001: £14.1m).

Summary Consolidated Cash Flow Statement
For the six months ended 30 June 2002

	6 Months to 30.6.02 £'000	Restated 6 Months to 30.6.01 £'000	Restated Year to 31.12.01 £'000
Operating profit pre NATS cost	**16,842**	12,226	21,254
Exceptional item: Cost of unsuccessful NATS acquisition	**–**	(10,187)	(10,187)
Operating profit	**16,842**	2,039	11,067
Depreciation and amortisation of goodwill	**11,494**	8,131	18,283
Movement in working capital	**(16,652)**	(13,542)	(13,866)
One-off pension fund contribution	**(15,500)**	–	–
Net cash (outflow)/inflow from operating activities before PFI asset expenditure	**(3,816)**	(3,372)	15,484
Expenditure on PFI asset in the course of construction*	**(5,063)**	(6,501)	(13,733)
Net cash (outflow)/inflow from operating activities after PFI asset expenditure	**(8,879)**	(9,873)	1,751
Dividends received from joint ventures	**6,172**	2,376	9,645
Returns on investments and servicing of finance	**(2,952)**	(2,711)	(5,604)
Taxation	**(2,468)**	(1,824)	(6,417)
Capital expenditure and financial investment	**(8,907)**	9,300	(14,623)
Capital expenditure and financial investment	**(8,907)**	(8,559)	(30,966)
Exceptional item: GSR refinancing	**–**	17,859	16,343
Acquisitions and disposals	**(3,187)**	(3,493)	(73,586)
Equity dividends paid	**(5,536)**	(4,425)	(6,664)
Net cash outflow before financing	**(25,757)**	(10,650)	(95,498)
Financing	**121,631**	8,620	14,166
Financing	**116,031**	2,020	66
Non-recourse debt financing PFI asset*	**5,600**	6,600	14,100
Increase/(decrease) in cash	**95,874**	(2,030)	(81,332)
Opening balance	**(35,835)**	45,497	45,497
Closing balance	**60,039**	43,467	(35,835)

*PFI asset under construction financed by non-recourse loan.

Interim Report
As required by Section 240 of the Companies Act 1985, notification is hereby given that the accounting information contained in the Interim Report for 2002 does not comprise a full set of accounts and that no full accounts have been delivered to the Registrar of Companies. The interim results for both 2001 and 2002 are unaudited whilst the results for the 2001 full year were audited, and an unqualified audit report was made. The 2001 full year accounts have been delivered to the Registrar of Companies.

Distribution of Report
Copies of this Report are being sent to all shareholders of Serco Group plc. Copies can be obtained from our website www.serco.com or on request from the Registered Office:

Serco Group plc
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Middlesex TW16 7HT
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Notes
For the six months ended 30 June 2002

1. Earnings per share

The calculation of basic earnings per Ordinary Share after goodwill is based on profits of £16,186,000 for the six months ended 30 June 2002 (2001: £15,138,000) and the weighted average number of 414,132,355 (2001: 392,139,870) Ordinary Shares of 2p each in issue during the period.

The calculation of basic earnings per Ordinary Share before goodwill is based on profits of £20,056,000 for the six months ended 30 June 2002 (2001: £17,108,000) and the weighted average number of 414,132,355 (2001: 392,139,870) Ordinary Shares of 2p each in issue during the period.

The calculation of diluted earnings per Ordinary Share after goodwill is based on profits of £16,186,000 for the six months ended 30 June 2002 (2001: £15,138,000) and the weighted average number of 414,798,700 (2001: 394,727,800) Ordinary Shares of 2p each in issue during the period.

The calculation of diluted earnings per Ordinary Share before goodwill is based on profits of £20,056,000 for the six months ended 30 June 2002 (2001: £17,108,000) and the weighted average number of 414,798,700 (2001: 394,727,800) Ordinary Shares of 2p each in issue during the period.

2. Analysis of profit before tax – pre goodwill

	6 Months to 30.6.02 £'000	6 Months to 30.6.01 £'000
Profit on ordinary activities before taxation reported	**24,525**	22,426
Amortisation of goodwill	**3,870**	1,970
Profit on ordinary activities before taxation – pre amortisation of goodwill	**28,395**	24,396
Exceptional item: Cost of unsuccessful NATS acquisition	**–**	10,187
Investment: People and Technology project	**–**	3,440
Exceptional item: GSR refinancing	**–**	(15,356)
Less: Serco Assurance contribution after phase-in costs and associated financing costs	**(1,091)**	–
Underlying profit on ordinary activities before taxation – pre amortisation of goodwill	**27,304**	22,667