

Issued:

Release: 31 October 1997

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Great Southern Railway Consortium completes acquisition of Australian National Railways Passenger Business

Great Southern Railway Limited ('GSR'), a company in which Serco, through its subsidiary Serco Asia Pacific Pty Limited, has approximately a 48 per cent stake announces the completion of its acquisition of the passenger rail operations of the Australian National Railways commission ('Pax Rail'). The other GSR shareholders are GB Railways Group plc, RailAmerica Inc., Macquarie Bank Limited, Legal & General Financial Services Ltd and G13 Pty Limited. Pax Rail consists of the passenger rail assets associated with three interstate passenger rail services, which are principally used for leisure travel.

Pax Rail has been acquired by GSR for A\$16m (£6.7m). In addition to the consideration for Pax Rail, GSR has also raised approximately A\$8m for working capital and expenses. In the year ended 30 June 1997, Pax Rail made an operating loss of A\$14.4m (£6.0m) on revenues of A\$53.9m (£22.5m). The net assets being acquired by GSR are estimated to be approximately A\$16m. The assets consist of a fleet of approximately 186 passenger carriages and motorail wagons, together with the leases and contract required for the operation of the three interstate passenger rail services.

Serco completed its subscription in GSR on 31 October 1997 by investing c.£5.0m cash for 3.9m GSR Ordinary Shares of A\$1.00 each and 3.9m stapled Rail Loan Notes of A\$2.00 each which represent 47.9% of the issued share capital and Rail Loan Notes of GSR. The Rail Loan Notes bear interest at 21% fixed per annum to the extent that there is cash available. Unpaid interest will not be accumulated and the Rail Loan Notes mature in 10 years. Serco is subscribing for the Ordinary Shares and Rail Loan Notes using its internal resources.

As part of the transaction, Serco is to provide on train services employing approximately 200 people, to GSR for an initial term of 5 years.

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