

News Update

Issue 1

This release is designed to update analysts and investors on some of the developments at Serco since the interim results on 31 August. We plan to issue further updates from time to time.

Contract News

Restormel Borough Council

Serco has been appointed preferred bidder for streetscene services worth £4.5m per annum for a contract term of up to 10 years. Serco will provide a wide range of important public facing services including recycling, street cleaning, refuse collection, landscaping and cleaning.

Bracknell Forest Borough Council

Serco has been appointed preferred bidder for a contract to implement an electronic social care records system. This will enable social workers to record information about their clients more quickly and will move the council towards a paperless office environment. The contract is for five years and was won by Serco Solutions (the former ITNET).

Stevenage Borough Council and Hertsmere Borough Council

Serco Solutions will provide a managed service for the infrastructure supporting the councils' transactional websites. Although small in revenue terms, the contract represents Serco's first foray into shared service provision.

Fairfax County, Virginia

Serco Inc (formerly RCI) is one of the contractors selected to provide IT support to this authority. The maximum value of contracts that can be awarded under the program (the "ceiling value") is \$25m. Services include facility administration, business process re-engineering and user, database and application support.

European Central Bank (ECB)

Serco has been awarded a three-year framework contract, with two possible one-year extensions, to provide a wide range of IT operations and support services. The contract, Serco's first with the ECB, is valued at around €2.5m per annum.

Feltham Young Offenders Institute & Remand Centre

Serco has won a contract to provide all health care services. The service includes providing all nurses and deploying GPs and other health professionals. This builds on our acquisition of a doctors 'out of hours' business and subsequent contract wins. The contract is worth £4m over three years with provision for a two-year extension.

Newham Primary Care NHS Trust

Serco has been appointed to improve care for patients with long term illnesses, including diabetes, coronary heart disease and arthritis. Serco will manage patients' conditions through community matrons, who will analyse their needs and arrange home-based support. Serco will also train community matrons and develop supporting information, to help devise the best care for each patient. The contract runs for an initial two years and is valued at around £1m per annum.

East London Traffic Control System

Serco has won rebids for hardware and software maintenance. The hardware contract is worth a total of £4m over three years, with a possible two-year extension. The software contract is worth nearly £1m over three years. Serco has held the hardware contract for 16 years and the software contract for ten years.



Los Angeles Parking Meter Collections

Serco successfully rebid this contract, which is valued at more than \$1m per year for up to five years, which represents 25% growth in annual revenue over the previous contract. This was the fourth time Serco has won the contract.

Worldwide Laundry Services

Serco won the joint rebid with Shao Brothers to provide afloat laundry services to the Royal Navy. Valued at £20m to Serco over five years, the contract has grown significantly since it was first awarded in June 1997 and now employs 60 staff aboard 30 ships.

Maritime Composite Training System (MCTS)

Insyte (BAE) has awarded Serco a strategically important contract, following its appointment as preferred bidder for phase one of MCTS. MCTS will provide the Royal Navy with a new shore-based warfare operator training capability. The Serco contract is worth £12m over 12 years.

Magnox

63 staff have transferred from BNFL Magnox Electric to Serco, along with an operating contract with Magnox. The staff are predominantly highly qualified experts in the nuclear field. The move enhances Serco's platform for continuing to develop our partnership with the Nuclear Decommissioning Authority.

European Organisation for the Exploitation of Meteorological Satellites

Serco and its partners have successfully rebid a contract to provide operations controllers and analysts. Serco's work for EUMETSAT dates back to the 1970s. The new contract is worth around €1.4m per annum over three years, with the option of two one-year extensions.

Signet plc

Serco Solutions is preferred bidder to extend its existing contract with the world's largest speciality retail jeweller. The new contract will run for five years. Serco provides Signet with service desk, desktop, batch processing and data centre services, to support its stores infrastructure across the UK. The relationship dates back to 1995.

Premier Transmission Limited (PTL)

PTL has renewed its contract with Serco Solutions until 2008. PTL owns and operates the Scotland to Northern Ireland natural gas pipeline (SNIP). Serco provides PTL with resilient ICT infrastructure that supports the critical application used to trade and ship gas. Continuous operation of SNIP is vital to Northern Ireland. The contract is valued at around £0.5m.

North American Defence

In North America, Serco Inc continues to receive numerous new task orders and expand or extend existing contracts. Examples of work contracted so far in the second half of 2005 are given below.

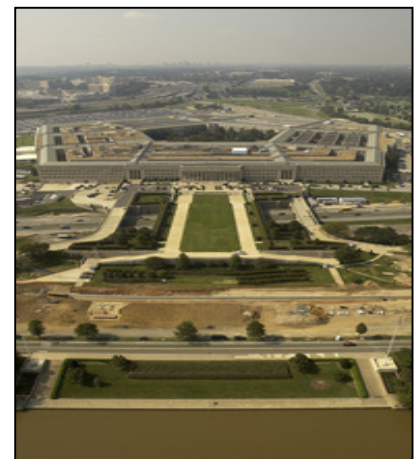
HR Support

Serco delivers personnel services, studies and analysis support and recruitment processing services to the US Army. The program has resulted in a good flow of task orders for Serco, so far totalling around \$13.8m in the second half of 2005.

In November Serco was awarded a contract to provide 102 embedded recruiters for the US Army Recruiting Command (USAREC). The base contract is for one year with two one-year options. Each contract year could be worth up to \$10m to Serco.

Army Education Centers

Serco delivers support throughout the US and Korea to Army Education Centers. This includes counselling, test examination and facilities support. Growth has come from greater support for the Army Reserve and the Electronic Army University, with second half task orders totalling \$3.7m. Serco has been awarded a further year's extension to this contract, which it has held for five years.



Logistic Support – the Price Fighter Contract

Serco provides the US Department of Defense (“DoD”) with engineering and analytical expertise to assess the prices it pays to third-party suppliers and contractors. Second half task orders totalling \$4.5m have been received to date, with growth driven by increased ERP, cost analysis and program management work.

Information Management Support Center (IMCEN)

IMCEN provides information management support to HQ, Department of the Army. Serco is one of the contractors selected to deliver network operations, helpdesk and training, and application development support. The “ceiling value” is more than \$50m in the first year, with nearly \$100m available in total over the following five years. Serco has already begun to receive new task orders under this important contract.

Technology Support

Among other new programs, Serco has won work to date of \$1.4m providing ship installation support to the US Navy, and has begun delivering integrated IT and telecommunications services to the DoD under a program with a ceiling value of \$3m.