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Serco Group plc ("Serco") Announces Acquisition of the Remaining Shares of Great Southern Railway Limited ("GSR")

Serco, through its subsidiary Serco Asia Pacific Pty Limited, has agreed to acquire the remaining 50.8% of shares in GSR from the other GSR shareholders: GB Railways Group Plc; RailAmerica Inc.; Belike Nominees Pty Limited; Colonial Investment Services Limited; and, G13 Pty Limited for A\$18.9 million (approximately £7.6 million). GSR consists of the passenger rail assets associated with three interstate passenger rail services in Australia, which are principally used for leisure travel. The assets consist of a fleet of approximately 186 passenger carriages and motorail wagons.

GSR made an operating loss of A\$5.0 million (approximately £2.0 million) on revenues of A\$61.7 million (approximately £24.7 million) in the year to 30 September 1999. The performance of GSR since acquisition in 1997 has been constantly improving and Serco anticipates GSR being profitable in 2000, with continued growth thereafter. The net liabilities being assumed in GSR are estimated to be A\$2.5 million (approximately £1.0 million).

Serco has agreed to acquire the remaining 50.8% of the issued share capital and Rail Loan Notes of GSR (4.6 million GSR Ordinary Shares of A\$1 each and 4.6 million Stapled Rail Loan Notes of A\$2 each) by paying A\$10.4 million (approximately £4.2 million) cash by 15 October 1999 with a further A\$8.5 million (approximately £3.4 million) payable on 15 March 2000. Serco is purchasing the Ordinary Shares and Rail Loan Notes using its internal resources.

Richard White, Executive Chairman, stated: "This acquisition positions the Group well for future government privatisations by demonstrating Serco's ability and commitment to creating commercially successful enterprises with growth opportunities for the future."

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