CAPITA

29 February 2008

THE CAPITA GROUP PLC

Preliminary Results for the year ended 31 December 2007

STRONG PERFORMANCE AND EXCELLENT PROSPECTS

Financial Highlights

	Year ended 31 December 2007	Year ended 31 December 2006	**Change**
Turnover	£2,073m	£1,739m	**+19%**
Operating profit *	£271.3m	£225.1m	**+21%**
Profit before tax *	£238.4m	£200.1m	**+19%**
Earnings per share*	28.1p	23.1p	**+22%**
Total dividend per share	12.0p	9.0p	**+33%**

*before intangible amortisation of £9.7m (2006: £6.9m)

Key points

- Excellent organic growth: record major contract wins and renewals of £1.89bn in 2007 (2006: £1.37bn)
- Following an unprecedented £1.5bn of client decisions over the last 3 months, bid pipeline stands at £2.5bn (Feb 2007: £2.6bn). Markets remain highly active
- Continued operating margin progression: increased by 14 basis points to 13.1% (2006: 12.9%)
- Strong operating cash flow up by 20% to £334m (2006: £279m)
- 33% dividend increase plus special dividend of 25p per share paid in October 2007
- £272m returned to shareholders, including the proposed final dividend.

Paul Pindar, Chief Executive of The Capita Group Plc, commented:

"Capita performed strongly in 2007 with a record level of new major contracts in the year.

We enter 2008 with confidence. There is strong demand for outsourcing and our businesses across the Group are experiencing good trading conditions.

Our successes in 2007 and progress in the first few weeks of this year underpin our continued growth in 2008. With healthy sales prospects and consistently good operational performance, we are positioned well for further strong performance thereafter."

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CAPITA

The Capita Group Plc

Preliminary Statement for the year ended 31 December 2007

Capita performed strongly in 2007. Organic growth was excellent with businesses across the Group performing well and with a record level of new major contracts secured in the year.

In the year ended 31 December 2007, turnover increased by 19% to £2,073m (2006: £1,739m). Operating profit before amortisation rose by 21% to £271.3m (2006: £225.1m) and profit before taxation and amortisation increased by 19% to £238.4m (2006: £200.1m). Earnings per share before amortisation grew by 22% to 28.1p (2006: 23.1p).

Operating cash flow rose by 20% to £334m (2006: £279m). We have increased our total dividend for the year by 33% to 12.0p (2006: 9.0p). Additionally, we paid a special dividend of 25p per share in October 2007, returning £155m to shareholders. (The special dividend was accompanied by a commensurate share consolidation.) We have also returned a further £44m to shareholders through purchasing our own shares. In total, including the proposed final dividend, we will be returning £272m (2006: £279m) to shareholders in respect of the 2007 financial year.

Building value for shareholders

To ensure we build value for shareholders on a consistent basis over the long term, we focus on a number of key financial measures:

- **Margins** - We have continued our long term trend of improving operating margins (before amortisation) which have increased by 14 basis points during the period to 13.1%. This is due to a combination of factors including operational leverage, increased use of our offshore facilities, a continued focus on sharing IT platforms and rationalising infrastructure.

- **Cash flow** - The strength of our business model continues to be reflected in our excellent underlying cash flow, with £334m (2006: £279m) generated by operations in the period, representing an operating profit to cash conversion rate of 123% (2006: 124%). Our free cash flow increased by 19% to £184m (2006: £154m).

We use surplus cash to add value in 3 main ways – through acquisitions, share buybacks and dividends:

  - **Acquisitions** - Acquisitions help us to enter new markets where we can grow organically, strengthen existing market positions and build economies of scale, or access a new customer base. In 2007, we spent £114m on 12 acquisitions and investments and our pipeline of potential acquisition targets remains at a healthy level. While continuing to be highly selective, we anticipate a similar volume of small to medium sized transactions in 2008.

  - **Share buybacks** - Opportunistic share buybacks help us to maintain an efficient capital structure and minimise our long term cost of capital. In the period to 31 December 2007, the Group bought back 6.6m shares (representing 1.1% of the issued share capital) at an average price of 665p. Following these buybacks, there are 609m shares in issue. The Group has authority to re-purchase up to 10% of its issued share capital and we plan to seek renewal of this authority at the Annual General Meeting.

- **Regular dividends** - A key element in the creation of shareholder value is a progressive dividend policy. The Board is recommending a final dividend of 8.0p per ordinary share (2006: 6.3p), making a total of 12.0p (2006: 9.0p) for the year. This represents an increase of 33%. The final dividend will be payable on 9 May 2008 to shareholders on the register at the close of business on 28 March 2008. Including the proposed final dividend, Capita's total dividend will have grown at a compound annual rate of 32% over the 5 years to 31 December 2007. Our confidence in the strength and resilience of Capita's business model has allowed us to reduce annual dividend cover gradually. For 2007 we continued this trend, reducing cover to 2.35 times (2006: 2.6 times).

- **Special dividends** - Taking account of the Company's strong cash flows, potential acquisition pipeline and other potential investment opportunities, in July 2007 the Board declared a special dividend of 25p per share – returning £155m of surplus capital to shareholders. This was paid in addition to the interim dividend of 4.0p on 19 October 2007.

  We also undertook a share consolidation, issuing 30 new shares for every 31 old shares. The principal purpose of this was to ensure that (subject to normal market movements) the market price of each new ordinary share matched what the share price would have been if the special dividend had not been paid. This means that earnings per share and share prices can still be compared fairly with previous financial periods.

  Group interest cover for the year ended 31 December 2007 was 8 times.

- **Capital expenditure** - We aim to contain capital expenditure at or below 4% of revenue. During the year, we met this objective with net capital expenditure at 3.5% (2006: 3.6%) of revenue.

- **Return on capital employed** - We focus on driving a steadily increasing return on capital. During 2007, the post tax return on average capital employed has improved to 19.6% (2006: 18.5%). This compares to our estimated weighted average cost of capital which is 8.6%.

Our marketplace

The market for Business Process Outsourcing ("BPO") in the UK and Ireland continues to provide strong growth opportunities. Industry analysts estimate the total potential market at £94.8bn per annum. In 2007, services outsourced totalled an estimated £5.1bn (2006: £4.6bn), representing only 5% of the total potential market. The BPO market is forecast to grow at 10% per annum until 2011*.

We are superbly positioned to exploit this market potential. Our increasing scale and capability provide us with a clear competitive edge across our markets and enable us to present compelling propositions to clients. With our recent strong performance in securing new business, we have extended the leading positions we hold in the majority of our markets, particularly local government and life and pensions. We remain the clear market leader in the overall UK BPO market with 22% (2006: 21%) market share*.

Generating profitable growth

We generate profitable growth by winning business from new and existing customers in the UK and Ireland and supplement this by acquiring businesses that broaden our skill base and extend our market reach.

Organic growth

Each of our businesses employs sales teams focused upon securing growth from both existing and new customers. Performance across these businesses was strong in 2007.

Our centrally managed Major Sales Team pursues complex, long term contracts worth over £10m which require a wide range of the Group's skills and generate high quality, recurring revenues. Securing and renewing major contracts is an important component of our growth.

Our sales performance in 2007 was excellent. We secured 8 major contracts with a total value of £1.89bn (2006: £1.37bn) and we maintained our 1 in 2 win rate.

Major contracts won in 2007 include:

- **Swindon Borough Council** - to deliver a wide range of local government services in a partnership worth £243m over 15 years. (This contract had previously been estimated to be worth £140m over 10 years when we were selected as preferred bidder in October 2006). The contract commenced on 1 February 2007 and a smooth transition was achieved.

- **Southampton City Council** - to develop a 10 year strategic partnership worth £290m to deliver a wide range of services including customer services, IT and property and to administer procurement, HR, payroll and revenues and benefits. The contract commenced on 1 October 2007.

- **Service Birmingham** - was set up by Birmingham City Council and Capita to support ICT and business transformation within the Council. A 10 year, £475m contract to deliver ICT transformation was signed in April 2006. ICT transformation is substantially completed and key performance indicators (KPIs) are consistently being met. Governance arrangements were also put in place for additional business transformation programmes to be proposed and implemented. The first was approved in July 2006 and related to Corporate Services and the programme is on target to deliver cashable savings of £28m in 2007/2008. In May 2007, the Council approved the business case to transform Customer Services, with a budget of £142m over 10 years. Service Birmingham was successful at the Computing Awards 2007, being awarded IT Outsourced Project and IT Professional of the Year.

- **Resolution plc** - selected as strategic partner to deliver customer services, IT services, policy servicing, claims and new business processing for 4.5 million policyholders and future new business. The contract is worth £580m over 12 years and involves both closed and open book policies. Service commenced on 1 August 2007 and has already been performing well in the first few months. Approximately 2,000 Resolution staff transferred to Capita.

- **Prudential** - strategic outsourcing partner to administer 7 million mature life and pensions policies including group and individual pensions, investment bonds and life and endowment policies. The contract is worth approximately £722m over 15 years. Capita will provide customer servicing, policy administration, new business processing, claims activity and related IT support to Prudential UK.

  Approximately 1,750 Prudential staff working in the UK will transfer to Capita and Capita will acquire business and assets from Prudential, for a consideration of £25m, including part of the business of PPMS, Prudential's offshore operation based in Mumbai, involving the transfer of 1,250 staff and resulting in the doubling of Capita’s offshore operations.

2008 has started well: In January, we announced that we had been selected as preferred operations outsourcing partner by Marsh Ltd.

- **Marsh Ltd** - selected as preferred operations outsourcing partner to transform and deliver Marsh’s back office administration services based in Norwich. Final negotiations are taking place and the proposed partnership is estimated to be worth approximately £200m to Capita over 10 years. Under the agreement, Capita will provide support and processing services to enhance Marsh's broking activities to clients across its business. Following due consultation, approximately 650 Marsh employees will transfer under TUPE to Capita and the current offshored work will be transferred from the current external provider in India to Capita's offshore facilities. Service commencement is anticipated to be early April 2008.

Today, we are pleased to announce that Capita has been selected as preferred partner for British Islamic Insurance Holdings (“BIIH”). We have also signed an additional contract with eircom and been awarded a one year extension to the Teachers’ Pension Scheme contract to September 2011, a contract that we have been administering successfully since 1996.

- **British Islamic Insurance Holdings** - selected as preferred outsourcing partner for its insurance and other financial products in the UK. Final negotiations are taking place and the proposed partnership is estimated to be worth approximately £87m to Capita over 8 years. Under the agreement, Capita will sell policies on behalf of BIIH both direct to consumers and via independent financial advisers, provide customer relations and processing services and an IT platform from which to launch new products. Service commencement, subject to regulatory approvals and contract, is anticipated to be early April 2008.

- **eircom** - Ireland’s leading telecoms provider, has signed a further contract with Capita to deliver part of its directory enquiry service. The contract is worth £17m over a 5 year term and will be run from eircom’s existing call centre in Cork. The service will commence in March 2008.

- Accordingly, in the first 8 weeks of 2008, we have won major contracts with an aggregate value of £314m.

Bid pipeline: Within the past 3 months awards have been made regarding £1.5bn of contract opportunities in our bid pipeline of which Capita has won 68% by value. As a consequence, our bid pipeline currently stands at £2.5bn (Feb 2007: £2.6bn) but is already being replenished at a healthy rate, reflecting the quality of business opportunities across our markets.

The bid pipeline only includes bid situations in which we are shortlisted as one of four or fewer competitors and caps our largest bids at £500m. Behind this is an active prospect list of opportunities which are yet to reach a shortlist stage.

Contract renewals: There are now no material contracts (defined as having annual revenue in excess of 1% of 2007 turnover) due for renewal in 2008 and 2009.

Stimulating growth through acquisition

A key element of our growth is the acquisition of small to medium sized companies which extend our presence in existing marketplaces or provide a foothold in a new market. We have substantial experience of integrating acquired businesses and achieving synergies with our existing operations. In 2007 we completed 12 acquisitions and investments including:

- **Harry Weeks** - a business travel software company specialising in online rail ticketing solutions for corporates and travel intermediaries, was acquired in February for £21m and further extends our business travel administration offering. The corporate facing product has been enhanced, rebranded and launched in early 2008 and is successfully supporting the ongoing growth of Capita Business Travel. The core technology, currently used by in excess of 70% of the travel management community, has seen further growth and now stands alone under the newly named company, Evolvi Rail Systems.

- **CMGL** - purchased for £32m in March 2007, expands our offering and client base in the outsourced claims and insurance management services arena, particularly within the discontinued business market. The business has now been successfully integrated with Capita London Market Services. It has developed a healthy new business pipeline and is well placed to deliver strong organic growth during 2008 and 2009.

- **PricewaterhouseCoopers CI LLP** - a trust administration business providing trust formation and ongoing administration services in accordance with Jersey, Guernsey and English law, acquired for £12.75m. The business has been successfully integrated with Capita's other trust administration businesses in Jersey.

- **Higham Dunnett Shaw (HDS)** - acquired for a consideration of £15m. The acquisition adds valuable new expertise and capacity to Capita Hartshead's group pensions administration business. It provides a number of synergies with our existing service and adds important new services, such as expertise in the bulk purchase annuities market. Furthermore, the acquisition enhances our propositions when bidding for major life and pensions outsourcing opportunities, due to its particular experience in policy and client retention. We are now well placed to provide a full end-to-end service for clients of all sizes and achieve significant economies of scale.

A focus on some of our markets

Four of our target markets merit further comment. Life and pensions, general insurance and local government were our most active markets in 2007 and are expected to remain so in 2008. Conversely, central government was our quietest market in 2007.

- **Life and pensions:** Since our entry into this market in 2002, through contract wins and acquisitions, we have created a business employing 7,000 people. With the start of the Prudential contract this year, we will be administering 22 million policies and have a resource of 10,000 people. This positions us as clear market leader administering over half of the policies outsourced to date. The market remains highly active with only 35% of all policies outsourced to date.

- **General insurance:** We entered this market in November 2000 and again have expanded our service offering through a combination of acquisitions and contracts. Services now range across the entire back office and customer interface. The scale and breadth of the business now position us well to provide clients with extensive outsourced and managed services solutions. This is demonstrated by our recent selection by Marsh Ltd to become their preferred operations outsourcing partner and our ability to set up an entire new service infrastructure for BIIH.

- **Local government:** We have been supporting local authorities ever since Capita's formation and have now built up an unrivalled span of services and delivery models to help transform the way local authorities work. Over the past 2 years, this breadth of services has resulted in us winning several transformation contracts encompassing the entire back office and customer service infrastructure for clients such as Birmingham and Southampton City Councils and Swindon Borough Council.

- **Central government:** Across Government there remains constant pressure to increase efficiency while simultaneously enhancing service quality. In the short term, we expect growth in this market to be mainly fuelled by requirements for outsourcing to deliver new service infrastructures for new initiatives rather than transforming existing administration infrastructure.

Increasing scale and capabilities of our offshore operations

Development of our blended onshore/offshore delivery model provides further flexibility and benefits to our clients. Our offshore operation in India is developing strongly both in scale and scope of services. In 2007, it became Capita's largest multi-client service centre employing more than 1,300 staff. In May 2007, we expanded our central Mumbai site by an additional 600 seats and the operation now processes more than one million transactions per month. It is fully representative of the Group's target markets, servicing both public and private clients and supports a number of our businesses.

The offshore operation has played a significant role in helping to secure major new business, including our contracts with Resolution, Prudential and Marsh. By the end of 2008, we expect to grow the offshore business to 3,000 staff, a year ahead of plan, and will have achieved a major step forward in scale which can be leveraged to benefit the Group and our clients.

We are currently securing an additional site in Pune in India. The site will initially have 50,000 sq.ft. fitted out, with an option on a further 50,000 sq.ft. and is due to be operational in June 2008. This will provide us with greater access to employees in a different region, increased operational flexibility and a robust operational back-up infrastructure.

Valuing our people

Our success is driven by our people. Irrespective of whether they have joined us with contracts, through acquisitions or direct recruitment, they play a vital role in helping us meet client expectations and supporting our growth. They are valuable ambassadors for the Group and as such are instrumental to securing new business. The Board would like to thank everyone across the Group for the role they play in Capita's success. We applaud and thank you all warmly for your enthusiasm, hard work and commitment to service excellence.

Group Board changes

With effect from 1 March 2008, Martin Bolland will join Capita as Non-Executive Director. Martin is a Chartered Accountant and qualified at PricewaterhouseCoopers in 1980. For the last 10 years, Martin was working with Alchemy Partners LLP, a private equity house which focused on the mid market, of which he was a founding partner. Previously, he held a number of positions including Chief Executive and Vice President Finance within Lonrho Hotels and Non-Executive Director at Jacques Vert plc. Martin's appointment represents a significant addition to our Board and we look forward to his contribution to the team.

At the end of September 2008, Peter Cawdron will be standing down as Non-Executive Director, after serving 11 years on the Group Board. Peter has been a valuable member of the Board and his knowledge of the business and insight have been great assets to the Group. We will miss his input and wish him every success for the future.

Future prospects

We enter 2008 with confidence. There is strong demand for outsourcing and our businesses across the Group are experiencing good trading conditions.

Our successes in 2007 and progress in the first few weeks of this year underpin our continued growth in 2008. With healthy sales prospects and consistently good operational performance, we are positioned well for further strong performance thereafter.

-Ends-

*Source: Ovum 2007

Preliminary Statement

Consolidated income statement

for the year ended 31 December 2007

	Notes	2007 Before amortisation £m	2007 Amortisation £m	2007 Total £m	2006 Before amortisation £m	2006 Amortisation £m	2006 Total £m
Continuing operations:							
Revenue	1	**2,073.3**	**-**	**2,073.3**	1,738.5	-	1,738.5
Cost of sales		**1,498.5**	**-**	**1,498.5**	1,256.5	-	1,256.5
Gross profit		**574.8**	**-**	**574.8**	482.0	-	482.0
Administrative expenses	2	**303.5**	**9.7**	**313.2**	256.9	6.9	263.8
Operating profit	1	**271.3**	**(9.7)**	**261.6**	225.1	(6.9)	218.2
Finance revenue		**1.6**	**-**	**1.6**	1.0	-	1.0
Finance costs		**(35.7)**	**-**	**(35.7)**	(26.0)	-	(26.0)
Investment income		**1.2**	**-**	**1.2**	-	-	-
Profit before tax		**238.4**	**(9.7)**	**228.7**	200.1	(6.9)	193.2
Income tax expense		**(66.0)**	**3.5**	**(62.5)**	(55.4)	1.9	(53.5)
Profit for the year		**172.4**	**(6.2)**	**166.2**	144.7	(5.0)	139.7
Attributable to:							
Equity holders of the parent		**172.4**	**(6.2)**	**166.2**	144.8	(5.0)	139.8
Minority interest		**-**	**-**	**-**	(0.1)	-	(0.1)
		172.4	**(6.2)**	**166.2**	144.7	(5.0)	139.7

	Notes	2007 Before amortisation	2007 Amortisation	2007 Total	2006 Before amortisation	2006 Amortisation	2006 Total
Earnings per share	3						
- basic		**28.10p**	**(1.01)p**	**27.09p**	23.10p	(0.78)p	22.32p
- diluted		**27.63p**	**(0.99)p**	**26.64p**	22.56p	(0.76)p	21.80p

Consolidated statement of recognised income and expense

for the year ended 31 December 2007	2007 £m	2006 £m
Actuarial gains on defined benefit pension schemes	**25.4**	12.8
Exchange differences on translation of foreign operations	**1.1**	(0.7)
Gain on available for sale investments	**-**	0.3
Gains on cash flow hedges	**5.6**	-
Tax on items taken directly to equity	**(5.0)**	11.0
Net income recognised directly in equity	**27.1**	23.4
Profit for the year	**166.2**	139.7
Total income and expense for the period	**193.3**	163.1
Attributable to:		
Equity holders of the parent	**193.3**	163.2
Minority interest	**-**	(0.1)
	193.3	163.1

Consolidated balance sheet

as at 31 December 2007	2007 £m	2006 £m
Non-current assets		
Property, plant and equipment	**193.4**	171.0
Intangible assets	**745.7**	630.0
Financial assets	**60.6**	32.6
Trade and other receivables	**11.1**	6.8
Employee benefits	**20.3**	-
Deferred taxation	**1.4**	22.1
	1,032.5	862.5
Current assets		
Financial assets	**0.9**	-
Trade and other receivables	**456.4**	394.9
Cash	**0.8**	9.7
	458.1	404.6
Total assets	**1,490.6**	1,267.1
Current liabilities		
Trade and other payables	**556.9**	449.4
Financial liabilities	**57.7**	50.4
Provisions	**1.8**	1.0
Income tax payable	**36.3**	33.5
	652.7	534.3
Non-current liabilities		
Trade and other payables	**9.2**	0.8
Financial liabilities	**480.2**	378.7
Provisions	**0.8**	0.7
Employee benefits	**15.9**	26.8
	506.1	407.0
Total liabilities	**1,158.8**	941.3
Net assets	**331.8**	325.8
Capital and reserves		
Issued share capital	**12.6**	12.3
Share premium	**374.9**	308.1
Treasury shares	**-**	-
Capital redemption reserve	**1.8**	1.7
Foreign currency translation	**0.7**	(0.4)
Net unrealised gains reserve	**4.0**	-
Retained earnings	**(62.2)**	4.0
Equity shareholders' funds	**331.8**	325.7
Minority interest	**-**	0.1
Total equity	**331.8**	325.8

Consolidated cash flow statement

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Operating profit on continuing activities before interest and taxation		**261.6**	218.2
Depreciation		**46.1**	42.2
Amortisation of other intangible assets (treated as depreciation)		**1.5**	1.2
Amortisation of intangible assets created on acquisition		**9.7**	6.9
Share based payment expense		**8.6**	8.5
Pension charge		**15.2**	15.9
Pension contributions		**(21.0)**	(19.1)
(Profit)/loss on sale of property, plant and equipment		**(0.1)**	0.3
Movement in provisions		**0.9**	(1.9)
Increase in debtors		**(71.4)**	(48.8)
Increase in creditors		**82.9**	55.6
Cash generated from operations		**334.0**	279.0
Income tax paid		**(45.8)**	(40.3)
Interest paid		**(33.5)**	(23.1)
Interest received		**1.6**	1.0
Net cash generated from operating activities		**256.3**	216.6
Net cash used in investing activities			
Purchase of property, plant and equipment		**(67.9)**	(63.0)
Proceeds from sale of property, plant and equipment		**1.0**	1.9
Purchase of intangible fixed assets		**(5.0)**	(1.4)
Acquisition of subsidiary undertakings and businesses		**(94.7)**	(37.6)
Cash acquired with subsidiary undertakings		**4.4**	1.0
Purchase of financial assets		**(4.4)**	(7.6)
Investment loan		**(16.6)**	(11.7)
		(183.2)	(118.4)
Net cash used in financing activities			
Issue of ordinary share capital		**67.2**	50.4
Share buybacks		**(43.9)**	(244.9)
Share transaction costs		**(0.5)**	(1.2)
Dividends paid	4	**(218.6)**	(47.7)
Capital element of finance lease rental payments		**(0.4)**	(0.4)
Instalment debtor movement	5	**20.4**	-
Asset based securitised financing	5	**(17.8)**	(0.7)
Repayment of loan notes and long term loans		**(34.6)**	(3.4)
Proceeds on issue of bond		**100.9**	179.1
Financing arrangement costs		**(0.3)**	(0.9)
		(127.6)	(69.7)
Net (decrease)/increase in cash and cash equivalents	5	**(54.5)**	28.5
Cash and cash equivalents at the beginning of the period		**9.2**	(19.3)
Cash and cash equivalents at 31 December		**(45.3)**	9.2
Cash and cash equivalents comprise:			
Overdraft		**(46.1)**	(0.5)
Cash at bank and in hand		**0.8**	9.7
Total		**(45.3)**	9.2

Notes to the Preliminary Statement

31 December 2007

1. Segmental information

The Group's operations are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit offering a different package of related services across the Group's markets.

Before eliminating sales between business units on consolidation, the Group accounts for sales between business units as if they were to a third party at market rates.

The tables below present revenue, result and certain asset and liability information for the Group's business segments for the years 2007 and 2006. All operations in 2007 are continuing.

Year ended 31 December 2007

	HR solutions	Property consultancy services	Insurance and specialist services	Financial services	Integrated services	ICT and advisory services	Life & pensions services	Professional services	Total
Segment revenue	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total segment revenue	**265.7**	**244.6**	**350.0**	**158.2**	**317.5**	**383.3**	**264.8**	**302.4**	**2,286.5**
Inter-segment revenue	**(19.8)**	**(12.7)**	**(25.5)**	**(1.3)**	**(15.1)**	**(91.4)**	**(9.3)**	**(38.1)**	**(213.2)**
Third party revenue	**245.9**	**231.9**	**324.5**	**156.9**	**302.4**	**291.9**	**255.5**	**264.3**	**2,073.3**
Segment result									
Result after depreciation	**24.4**	**20.4**	**37.5**	**37.9**	**48.8**	**29.7**	**32.3**	**48.9**	**279.9**
Share based payment	**(1.0)**	**(1.1)**	**(1.5)**	**(0.6)**	**(2.2)**	**(0.7)**	**(0.7)**	**(0.8)**	**(8.6)**
Intangible amortisation	**(0.1)**	**(0.7)**	**(3.0)**	**(1.2)**	**(1.3)**	**(0.5)**	**(1.4)**	**(1.5)**	**(9.7)**
	23.3	**18.6**	**33.0**	**36.1**	**45.3**	**28.5**	**30.2**	**46.6**	**261.6**
Net finance costs									**(34.1)**
Investment income									**1.2**
Profit before tax									**228.7**
Corporation taxation									**(62.5)**
Profit after tax									**166.2**

Year ended 31 December 2006

	HR solutions	Property consultancy services	Insurance and specialist services	Financial services	Integrated services	ICT and advisory services	Life & pensions services	Professional services	Total
Segment revenue	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total segment revenue	226.0	225.5	310.1	120.9	317.6	329.3	186.9	249.5	1,965.8
Inter-segment revenue	(20.1)	(26.1)	(26.9)	(0.1)	(16.7)	(77.0)	(2.6)	(57.8)	(227.3)
Third party revenue	205.9	199.4	283.2	120.8	300.9	252.3	184.3	191.7	1,738.5
Segment result									
Result after depreciation	18.7	13.9	32.8	32.1	48.7	25.8	23.4	38.2	233.6
Share based payment	(1.0)	(1.1)	(1.5)	(0.6)	(2.1)	(0.7)	(0.7)	(0.8)	(8.5)
Intangible amortisation	-	(0.2)	(2.2)	(0.9)	(0.9)	(0.4)	(1.2)	(1.1)	(6.9)
	17.7	12.6	29.1	30.6	45.7	24.7	21.5	36.3	218.2
Finance costs									(25.0)
Profit before tax and minority interests									193.2
Corporation taxation									(53.5)
Minority interests									0.1
Profit after tax and minority interests									139.8

Notes to the Preliminary Statement

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2. Administrative expenses

Included in the middle column disclosed on the face of the consolidated income statement, against the line item administrative expenses, is the following:

	2007 £m	2006 £m
Intangible amortisation	**9.7**	6.9
	9.7	6.9

3. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2007 £m	2006 £m
Net profit attributable to ordinary equity holders of the parent from continuing operations	**166.2**	139.8

	2007 Number million	2006 Number million
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**613.6**	626.3
Dilutive potential ordinary shares:		
Employee share options	**10.3**	15.0
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**623.9**	641.3

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The following additional earnings per share figures are calculated based on earnings attributable to ordinary equity holders of the parent before amortisation of £172.4m (2006: £144.8m) and after amortisation of £166.2m (2006: £139.7m). They are included as they provide a better understanding of the underlying trading performance of the Group.

	2007 P	2006 P
Basic earnings per share - before amortisation and impairment	**28.10**	23.10
- after amortisation and impairment	**27.09**	22.32
Diluted earnings per share - before amortisation and impairment	**27.63**	22.56
- after amortisation and impairment	**26.64**	21.80

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4. Dividends paid and proposed

	2007 £m	2006 £m
Declared and paid during the year		
Ordinary shares (equity):		
Final for 2006 paid: 6.3p per share (2005: 4.9p per share)	**39.2**	31.1
Interim for 2007 paid 4.0p per share (2006: 2.7p per share)	**24.7**	16.6
Special dividend for 2007: paid 25.0p per share (2006: nil p per share)	**154.7**	-
	218.6	47.7
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Ordinary shares (equity):		
Final for 2007: 8.0p per share (2006: 6.3p per share)	**48.7**	38.9

5. Reconciliation of net cash flow to movement in net funds/(debt)

At December 2007

	Net debt at 1 January 2007 £m	Acquisitions in 2007 (exc. cash) £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 31 December 2007 £m
Cash and cash equivalents	9.7	**-**	**(8.9)**	**-**	**0.8**
Overdrafts	(0.5)	**-**	**(45.6)**	**-**	**(46.1)**
Cash	9.2	**-**	**(54.5)**	**-**	**(45.3)**
Loan notes	(22.2)	**-**	**26.4**	**(5.9)**	**(1.7)**
Long term debt	-	**(8.2)**	**8.2**	**-**	**-**
Bonds	(372.0)	**-**	**(100.9)**	**11.8**	**(461.1)**
Currency swaps	(6.4)	**-**	**-**	**(11.7)**	**(18.1)**
Interest rate swaps	-	**-**	**-**	**0.1**	**0.1**
Finance leases	(0.5)	**(0.1)**	**0.4**	**-**	**(0.2)**
Sub-total net debt	(391.9)	**(8.3)**	**(120.4)**	**(5.7)**	**(526.3)**
Asset based securitised finance	(27.5)	**-**	**17.8**	**-**	**(9.7)**
	(419.4)	**(8.3)**	**(102.6)**	**(5.7)**	**(536.0)**

The instalment debtor movement represents the net movement on the underlying balances with customers.

At December 2006	Net debt at 1 January 2006 £m	Acquisitions in 2006 (exc. cash) £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 31 December 2006 £m
Cash and cash equivalents	-	-	9.7	-	9.7
Overdrafts	(19.3)	-	18.8	-	(0.5)
Cash	(19.3)	-	28.5	-	9.2
Loan notes	(22.7)	-	0.5	-	(22.2)
Long term debt	-	(2.9)	2.9	-	-
Bonds	(198.6)	-	(178.6)	5.2	(372.0)
Currency swaps	(2.6)	-	-	(3.8)	(6.4)
Interest rate swaps	1.6	-	-	(1.6)	-
Finance leases	(0.2)	(0.7)	0.4	-	(0.5)
Sub-total net debt	(241.8)	(3.6)	(146.3)	(0.2)	(391.9)
Asset based securitised finance	(28.2)	-	0.7	-	(27.5)
	(270.0)	(3.6)	(145.6)	(0.2)	(419.4)

Notes to the Preliminary Statement
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6. Preliminary announcement
The preliminary announcement is prepared in accordance with International Financial Reporting Standards.

A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 28 February 2008.

The announcement represents non-statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory annual accounts for the year ended 31 December 2007, upon which an unqualified audit opinion has been given and which did not contain a statement under section 235, 237(2) or 237(3) of the Companies Act 1985, will be sent to the Registrar of Companies.

Copies of the announcement can be obtained from the Company's registered office at 71 Victoria Street, Westminster, London, SW1H 0XA.

It is intended that the Annual Report and Accounts will be posted to shareholders on 31 March 2008 and will be available to members of the public at the registered office of the Company from that date.