CAPITA

22 February 2007

THE CAPITA GROUP PLC

Preliminary Results for the year ended 31 December 2006

STRONG 2006 PERFORMANCE

Financial Highlights

	Year ended 31 December 2006	Year ended 31 December 2005	**Change**
Turnover	£1,739m	£1,436m	**+21%**
Operating profit *	£225.1m	£183.1m	**+23%**
Profit before tax *	£200.1m	£169.6m	**+18%**
Earnings per share *	23.1p	18.6p	**+24%**
Total dividend per share	9.0p	7.0p	**+29%**

* before intangible amortisation of £6.9m (2005: £16.5m, including impairment of £12.om) and after share based payment charge of £8.5m (2005: £7.6m).

Key points

- Operating margins increased by 19 basis points to 12.9% (2005: 12.8%)
- Operating cash flow of £279m (2005: £232m)
- £1.37bn major contract wins and renewals in 2006 (2005: £1.14bn)
- Bid pipeline of £2.6bn (February 2006: £2.2bn)
- Life & pensions and local government markets particularly buoyant
- £301m returned to shareholders, including the proposed final dividend

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

"Capita has performed very strongly in 2006. We have secured record levels of new business, thereby strengthening our position as the UK's market leader in providing BPO services to the public and private sectors.

"Our successes in 2006 and progress in early 2007 mean that the ingredients for a successful year are already in place. The Board anticipates delivering strong growth in 2007."

For further information:

The Capita Group Plc Tel: 020 7799 1525
Paul Pindar, Chief Executive
Shona Nichols, Corporate Communications Director
Capita Press Office Tel: 0870 2400 488

Financial Dynamics Tel: 020 7269 7121
Andrew Lorenz/Susanne Walker

CAPITA

The Capita Group Plc

Preliminary Statement for the year ended 31 December 2006

Capita has performed very strongly in 2006. We have secured record levels of new business, thereby strengthening our position as the UK's market leader in providing business process outsourcing (BPO) services to the public and private sectors. Our successes during 2006 position us well for 2007.

In the year ended 31 December 2006, turnover increased by 21% to £1,739m (2005: £1,436m). Operating profits before amortisation and after share based payment charge rose by 23% to £225.1m (2005: £183.1m) and profits before taxation and amortisation and after share based payment charge increased by 18% to £200.1m (2005: £169.6m). Earnings per share before amortisation and after share based payment charge grew by 24% to 23.1p (2005: 18.6p).

Operating cash flow rose by 20% to £279m (2005: £232m). We have increased dividends by 29% and returned a further £245m to shareholders through purchasing our own shares. In total, including the proposed final dividend, we will be returning £301m (2005: £96m) to shareholders in respect of the 2006 financial year.

We remain enthused by the many opportunities that exist to develop the Group and we will continue to build long term value for our shareholders, customers and our employees.

Building value for shareholders

To ensure we are building value for shareholders, we focus on a number of key measures. We believe that the disciplines set out below collectively form an integral part of building value for our shareholders on a consistent basis over the long term.

- We have continued our long term trend of improving operating margins (before amortisation and after share based payment charge), which have increased 19 basis points during the period to 12.9%. This is due to several factors including increasing volumes of work being processed through existing infrastructure, excellent operational performance across our contract base and our continued focus on seeking efficiencies in service delivery, including increasing the proportion of services delivered from India.

- The strength of Capita and its business model is reflected in our excellent underlying cash flow, with £279m (2005: £232m) generated by operations in the year, representing an operating profit to cash conversion rate of 124% (2005: 127%). Our underlying free cash flow increased by 21% to £154m (2005: £127m).

- We aim to contain capital expenditure at or below 4% of revenue, although there may be rare occasions when we exceed this where the financial strength of Capita can be used as a competitive advantage. In 2006, we met this objective with net capital expenditure being 3.6% (2005: 3.7%) of annual revenue. This was achieved after significant investment in Capita's advanced IT platforms supporting, in particular, our life & pensions business.

- We focus on driving a steadily increasing return on capital. During 2006, the post tax return on average capital employed has improved to 18.5% (2005: 17.1%). This compares to our estimated weighted average cost of capital which is 8.4%.

- A key element in the creation of shareholder value is a progressive dividend policy. The Board is recommending a final dividend of 6.3p per ordinary share making a total of 9p (2005: 7p) for the year. This represents a 29% increase in dividends paid in respect of the 2005 financial year. Over the 5 years to 31 December 2006, we have grown Capita's annual dividend at a compound rate of 32%. The final dividend will be payable on 4 May 2007 to shareholders on the register at the close of business on 30 March 2007. Our confidence in the strength and resilience of Capita's business model allows us to reduce annual dividend cover to 2.6 times (2005: 2.7 times).

- There may be circumstances in which market conditions allow us to add value for shareholders through share buybacks, thus ensuring we have an efficient capital structure which will minimise our long term cost of capital. During 2006, the Group bought back 53m shares (representing 7.9% of the issued share capital) at an average price of £4.64. 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.

- We have continued with our strategy of acquiring small to medium-sized businesses which are priced at a level which adds value for our shareholders. In 2006, we spent £48m on 11 acquisitions and investments. This year, our pipeline of potential businesses to be acquired remains at a healthy level. We will continue to be extremely selective but, notwithstanding this, we anticipate a sustained volume of small transactions during 2007.

- Over the 10 years to 14 February 2007, the market capitalisation of the Group has increased from £360m to £4.1bn. The total shareholder return in this period has been 10.5 fold, equivalent to a 27% compound annual return.

Our marketplace

We have maintained our number 1 position in the BPO market as well as retaining leading positions across the majority of our 9 chosen markets, including: local government, central government, education, transport, life & pensions and insurance.* Our extensive infrastructure and capability provide us with a strong competitive edge across our markets and enable us to present strong propositions to clients.

The market for BPO in the UK and Ireland continues to provide strong growth opportunities. In 2006, this market was estimated at £4.6bn, split 35% and 65% between the public and private sectors respectively. Our public/private sector split is currently 52%/48% and over time we expect to move closer to the overall market split. Industry analysts, Ovum, estimate that the total potential market is worth £94.8bn per annum.*

Generating profitable organic growth & developing through acquisitions

Of the 21% increase in turnover in 2006, 16% was achieved through organic growth and the remaining 5% was derived through acquisitions.

We have 2 complementary approaches to creating organic growth. First, our centrally managed Major Sales Team seeks to secure contracts typically with a value of £10m or above. These contracts are complex, integrated projects that require a wide range of the Group's skills and which generate high quality, recurring revenues.

Secondly, each of our businesses employs sales teams focused upon securing growth from both existing and new customers. Across the Group we have over 20,000 customers and our retention rate is excellent.

Additionally, we achieve growth through acquiring businesses which enable us to build on our existing capabilities or establish a presence in a new market area.

Securing major contracts

Securing and renewing major contracts is an important component of our growth. Our sales performance in 2006 was excellent. We secured 23 major new and extended contracts with an aggregate value of £1.37bn (2005: £1.14bn). Significant new contracts won include a 10 year contract worth £132m with the BBC, a 3 year contract worth £120m with the Department of Trade & Industry (DTI), a 7 year contract worth £120m with DSG international plc, a 15 year contract worth £100m with Fujitsu and preferred bidder status on a 10 year contract worth £250m with Co-operative Insurance.

2007 has started well. In early January, we announced a 15 year contract worth £19m with Countrywide Assured to provide administration services for 80,000 life and pensions policies. At the beginning of February, we announced that we had signed a contract with Swindon Council to deliver local services in a 15 year strategic partnership worth £243m. This contract had previously been estimated as worth £140m over 10 years when we announced our selection as preferred supplier in October 2006. Today, I am pleased to announce that we have been selected as preferred partner to provide outsourced occupational health services to the Department for Work and Pensions, the Department for Education and Skills and the Health and Safety Executive, estimated to be worth £10m over 5 years.

As a consequence of this activity, the total value of major contracts won and extended in the first 8 weeks of 2007 is £132m. We are also now in the position where we have no material contracts (defined as having annual revenue in excess of 1% of 2006 turnover) due for renewal in 2007 and 2008 and only 2 in 2009.

Our current bid pipeline stands at £2.6bn (February 2006: £2.2bn) and contains some exciting opportunities, particularly within the life and pensions and local government markets. The bid pipeline only includes bid situations in which Capita is shortlisted as one of 4 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.

We have already secured strong revenue growth for 2007 and our efforts are now focused upon achieving a similar position for 2008.

Development across our businesses

Our businesses have developed well across the year securing new and repeat business. We have also continued our strategy of expanding existing offerings and entering new market segments through acquiring small, niche businesses. Our operational capabilities continue to grow, evidenced by the smooth running of our major integrated contracts and our separate businesses. Some highlights from across our Divisions are detailed below.

Our operations supporting the financial services sector have performed superbly, demonstrated by the growth in our fund and unit trust administration business. During the year, we more than doubled funds under administration which today exceed £30bn. Growth has come organically, through acquisition and also by increasing our product range and entering new markets, including Jersey and Dublin for offshore funds. We provide a wide range of fund administration services including a "hosting" solution for fund managers. Under this arrangement, the fund manager outsources the administration of 39 out of 40 functions to Capita. The manager retains the function of investment management.

In the life and pensions market, we are the leading outsourcing provider with an estimated 39% market share of contracts let.* We currently administer 4.5m life, savings and pensions policies and this market continues to be very active. Our new Prudential contract, delivering administration services from Belfast to Prudential's UK life and pensions operations, transferred smoothly at the beginning of October and already progress has been made in improving service quality and efficiency. Our SIPP business currently administers self invested personal pensions for a number of leading life and investment firms including Scottish Life, St. James's Place and MetLife. SIPP administration is a strong growth area of the pensions market. Capita Hartshead delivered another year of strong performance, gaining 28% market share of the current outsourced market and 12% of the overall occupational pension scheme administration market.

In the year, businesses across the Group increasingly worked together to combine services and resources to meet clients' widening requirements. One reason why we were chosen as preferred partner by Co-operative Insurance was our ability to provide unit trust administration seamlessly alongside our life and pensions capabilities. Another joint proposition draws on our life and pensions, general insurance, SIPP, unit trust administration and software capabilities to enhance the interface between providers and distributors, enabling products to be brought to market swiftly and reducing the cost of distribution. We broadened this proposition in the year by acquiring Synaptic Systems, a leading provider of on-line life, pensions and investment research.

2006 has seen a leap forward in the development of our integrated HR solutions business, with the commencement of the BBC and Northern Ireland Civil Service contracts and the establishment of an HR administration centre in Northern Ireland. The breadth and strength of our HR strategy, resourcing, payroll administration, learning and development and outplacement resourcing businesses played a key role in securing these contracts. Our resourcing businesses performed well in the year. Capita Resourcing has experienced good growth, winning significant new business and successfully extending existing managed services contracts with BAA, BUPA and NATS. Capita Education Resourcing maintained market share and increased its further education supply business by 117%. Veredus, our search and selection business, secured contracts with a number of new and existing clients including National Assembly for Wales, DTI and the Arts Council.

Although the central government market has been quieter in 2006, there has been increasing demand for our services across the local government and education markets. Our ICT led transformation partnership with Birmingham City Council is progressing well with measurable service quality improvements and significant savings already achieved. Capita Local Government Services grew strongly in the year, securing major partnerships with Rossendale Borough Council and South Oxfordshire and the Vale of White Horse District Councils and winning administration and customer services business from new and existing clients, including Bristol and Edinburgh City Councils and Barking and Dagenham Council. Following the introduction of the Government's "Every Child Matters: Change for Children" strategy, we reviewed our service offering in this area and are now recognised as leading providers of both consultancy and interim management and software support to children's services authorities.

Growth of our BPO offshore operation in India has accelerated, with the business doubling in size in the past 12 months. We have over 800 staff working across 2 sites in Mumbai. By the end of 2007, we will have secured a third site in a second Indian city and we anticipate employing 1,500 staff. By 2009, we anticipate that we will have approaching 3,000 people based in India. Our offshore facilities are delivering significant savings, providing operational flexibility, raising service quality and increasing productivity. Capita is directly benefiting through offshoring some of its own support functions, some administration operations that support multiple client groups (our financial services and life & pensions divisions are the largest internal users) and back office processes for some of our existing long term contracts. Additionally, our ability to offer a standalone offshoring or blended offshore/onshore operating model to new clients provides a strong competitive proposition and will be the main driver of growth for our offshore operations.

Valuing our people

The value that we have created for our stakeholders in Capita is a direct result of the competence and commitment that our staff give to the company. The culture within Capita is a key differentiator from our competition. We have a stable and consistent management team, a low turnover of senior people and a tremendous spirit throughout the Company. The Board would like to thank everyone for the role they play in Capita's success. We also welcome the employees that have joined us since the beginning of 2006. We now employ 27,800 people in the UK, Ireland, the Channel Islands and India.

Board changes

Rod Aldridge, Capita's founder and Chairman, retired from the Board on 31 July 2006. Rod played a major role in building and developing the company for over 20 years and the Board and staff across Capita wish him every success with his new interests. Following Rod's retirement, Eric Walters was appointed as Non-Executive Chairman on 1 August 2006, having been a Non-Executive Director of Capita for over 5 years. Also on 1 August 2006, Simon Pilling was appointed to the Group Board as an Executive Director, having served on Capita's Executive Divisional Board. The Board was further strengthened with the appointment of Bill Grimsey as Non-Executive Director with effect from 9 October 2006.

Future prospects

Capita enters 2007 with confidence. Our markets continue to generate opportunity, our sales prospects are exciting and our operational performance is consistently strong.

Our successes in 2006 and progress in early 2007 mean that the ingredients for a successful year are already in place. The Board anticipates delivering strong growth in 2007.

-Ends-

* Source: Ovum 2006

Preliminary Statement

Consolidated income statement

for the year ended 31 December 2006

	Notes	2006 Before amortisation £m	2006 Amortisation £m	2006 Total £m	2005 Before impairment and amortisation £m	2005 Impairment and amortisation £m	2005 Total £m
Continuing operations:							
Revenue	1	**1,738.5**	**-**	**1,738.5**	1,435.5	-	1,435.5
Cost of sales		**1,256.5**	**-**	**1,256.5**	1,054.6	-	1,054.6
Gross profit		**482.0**	**-**	**482.0**	380.9	-	380.9
Administrative expenses	2	**256.9**	**6.9**	**263.8**	197.8	16.5	214.3
Operating profit	1	**225.1**	**(6.9)**	**218.2**	183.1	(16.5)	166.6
Finance revenue		**1.0**	**-**	**1.0**	0.4	-	0.4
Finance costs		**(26.0)**	**-**	**(26.0)**	(13.9)	-	(13.9)
Profit before tax		**200.1**	**(6.9)**	**193.2**	169.6	(16.5)	153.1
Income tax expense		**(55.4)**	**1.9**	**(53.5)**	(47.0)	1.2	(45.8)
Profit for the year		**144.7**	**(5.0)**	**139.7**	122.6	(15.3)	107.3
Attributable to:							
Equity holders of the parent		**144.8**	**(5.0)**	**139.8**	122.8	(15.3)	107.5
Minority interest		**(0.1)**	**-**	**(0.1)**	(0.2)	-	(0.2)
		144.7	**(5.0)**	**139.7**	122.6	(15.3)	107.3
Earnings per share	3						
- basic		**23.10p**	**(0.78)p**	**22.32p**	18.60p	(2.32)p	16.28p
- diluted		**22.56p**	**(0.76)p**	**21.80p**	18.33p	(2.28)p	16.05p

Consolidated statement of recognised income and expense

for the year ended 31 December 2006

	2006 £m	2005 £m
Actuarial gains/(losses) on defined benefit pension schemes	**12.8**	(3.7)
Exchange differences on translation of foreign operations	**(0.7)**	0.2
Gain on available for sale investments	**0.3**	-
Tax on items taken directly to equity	**11.0**	3.7
Net income recognised directly in equity	**23.4**	0.2
Profit for the year	**139.7**	107.3
Total income and expense for the period	**163.1**	107.5
Attributable to:		
Equity holders of the parent	**163.2**	107.7
Minority interest	**(0.1)**	(0.2)
	163.1	107.5

Consolidated balance sheet

at 31 December 2006	Notes	2006 £m	2005 £m
Non-current assets			
Property, plant and equipment		**171.0**	150.1
Intangible assets		**630.0**	588.7
Financial assets		**32.6**	13.8
Trade and other receivables		**6.8**	5.8
Deferred taxation		**22.1**	25.1
		862.5	783.5
Current assets			
Trade and other receivable		**394.9**	343.8
Cash		**9.7**	-
		404.6	343.8
Total assets		**1,267.1**	1,127.3
Current liabilities			
Trade and other payables		**449.4**	378.0
Financial liabilities		**50.4**	49.9
Provisions		**1.0**	1.3
Income tax payable		**33.5**	32.5
		534.3	461.7
Non-current liabilities			
Trade and other payables		**0.8**	1.3
Financial liabilities		**378.7**	221.7
Provisions		**0.7**	2.0
Employee benefits		**26.8**	43.0
		407.0	268.0
Total liabilities		**941.3**	729.7
Net assets		**325.8**	397.6
Capital and reserves			
Issued capital		**12.3**	13.4
Share premium		**308.1**	258.1
Treasury shares		**-**	(0.4)
Capital redemption reserve		**1.7**	0.2
Foreign currency translation		**(0.4)**	0.3
Retained earnings		**4.0**	125.8
Equity shareholders' funds		**325.7**	397.4
Minority interest		**0.1**	0.2
Total equity		**325.8**	397.6

Consolidated cash flow statement

for the year ended 31 December 2006	Notes	2006 £m	2005 £m
Cash flows from operating activities			
Operating profit on continuing activities before interest and taxation		**218.2**	166.6
Depreciation		**42.2**	31.7
Amortisation of other intangible assets (treated as depreciation)		**1.2**	4.9
Amortisation of intangible assets created on acquisition		**6.9**	4.5
Impairment of goodwill	2	**-**	12.0
Share based payment charge		**8.5**	7.6
Pension charge		**15.9**	12.0
Pension contributions		**(19.1)**	(16.6)
Loss on sale of property, plant and equipment		**0.3**	0.5
Movement in provisions		**(1.9)**	(2.4)
Increase in debtors		**(48.8)**	(19.4)
Increase in creditors		**55.6**	30.8
Cash generated from operations		**279.0**	232.2
Income tax paid		**(40.3)**	(38.2)
Interest paid		**(23.1)**	(13.9)
Interest received		**1.0**	0.4
Net cash generated from operating activities		**216.6**	180.5
Net cash used in investing activities			
Purchase of property, plant and equipment		**(63.0)**	(49.7)
Proceeds from sale of property, plant and equipment		**1.9**	0.4
Purchase of intangible fixed assets		**(1.4)**	(4.0)
Acquisition of subsidiary undertakings and businesses		**(37.6)**	(101.9)
Cash acquired with subsidiary undertakings		**1.0**	2.7
Purchase of trade investments in insurance captives		**(7.6)**	(12.0)
Investment loan		**(11.7)**	-
		(118.4)	(164.5)
Net cash used in financing activities			
Issue of ordinary share capital		**50.4**	9.9
Share buybacks		**(244.9)**	(49.6)
Share transaction costs		**(1.2)**	(0.3)
Dividends paid	4	**(47.7)**	(38.0)
Capital element of finance lease rental payments		**(0.4)**	(0.2)
Asset based securitised financing	5	**(0.7)**	1.4
Repayment of loan notes and long term loans		**(3.4)**	(7.3)
Proceeds on issue of bond		**179.1**	75.0
Financing arrangement costs		**(0.9)**	(0.1)
		(69.7)	(9.2)
Net increase in cash and cash equivalents	5	**28.5**	6.8
Cash and cash equivalents at the beginning of the period		**(19.3)**	(26.1)
Cash and cash equivalents at 31 December		**9.2**	(19.3)
Cash and cash equivalents comprise:			
Overdraft		**(0.5)**	(19.3)
Cash at bank and in hand		**9.7**	-
Total		**9.2**	(19.3)

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. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

During 2006 the Group changed the management reporting structure of its operations and therefore the disclosure below presents the information under the new structure. The comparatives have been restated accordingly.

Year ended 31 December 2006

	HR solutions services	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)	(0.9)	(2.2)	(0.9)	(0.9)	(0.4)	(1.2)	(0.2)	(6.9)
Impairment charge	-	-	-	-	-	-	-	-	-
	17.5	11.9	29.1	30.6	45.6	24.8	21.5	37.2	218.2
Net 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

Year ended 31 December 2005

	HR solutions services	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	216.5	200.7	271.4	99.4	287.0	191.0	117.1	190.1	1,573.2
Inter-segment revenue	(14.3)	(10.2)	(17.7)	(1.9)	(24.3)	(46.0)	(2.3)	(21.0)	(137.7)
Third party revenue	202.2	190.5	253.7	97.5	262.7	145.0	114.8	169.1	1,435.5
Segment result									
Result after depreciation	15.9	17.1	25.4	24.9	43.7	15.9	14.2	33.6	190.7
Share based payment	(0.9)	(1.0)	(1.3)	(0.5)	(1.9)	(0.6)	(0.6)	(0.8)	(7.6)
Intangible amortisation	(1.7)	(0.5)	(0.9)	(0.3)	(0.6)	-	(0.5)	-	(4.5)
Impairment charge	-	-	-	-	-	-	-	(12.0)	(12.0)
	13.3	15.6	23.2	24.1	41.2	15.3	13.1	20.8	166.6
Finance costs									(13.5)
Profit before tax and minority interests									153.1
Corporation taxation									(45.8)
Minority interests									0.2
Profit after tax and minority interests									107.5

Notes to the Preliminary Statement
31 December 2006

2 Administrative expenses

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

	2006 £m	2005 £m
Intangible amortisation	**6.9**	4.5
Impairment	**-**	12.0
	6.9	16.5

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:

	2006 £m	2005 £m
Net profit attributable to ordinary equity holders of the parent from continuing operations	**139.8**	107.5

	2006 Number million	2005 Number million
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**626.3**	660.1
Dilutive potential ordinary shares:		
Employee share options	**15.0**	9.7
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**641.3**	669.8

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 and impairment of £144.8m (2005: £122.8m). They are included as they provide a better understanding of the underlying trading performance of the Group.

	2006 P	2005 p
Basic earnings per share - before amortisation and impairment	**23.10**	18.60
- after amortisation and impairment	**22.32**	16.28
Diluted earnings per share - before amortisation and impairment	**22.56**	18.33
- after amortisation and impairment	**21.79**	16.05

Notes to the Preliminary Statement

31 December 2006

4 Dividends paid and proposed

2006	2005

	£m	£m
Declared and paid during the year		
Ordinary shares (equity):		
Final for 2005 paid: 4.9p per share (2004: 3.6p per share)	**31.1**	24.0
Interim for 2006 paid 2.7p per share (2005: 2.1p per share)	**16.6**	14.0
	47.7	38.0
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Ordinary shares (equity):		
Final for 2006: 6.3p per share (2005: 4.9p per share)	**38.9**	32.0

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

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)**

At December 2005	Net debt at 1 January 2005 £m	Acquisitions in 2005 (exc. Cash) £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 31 December 2005 £m
Cash and cash equivalents	-	-	-	-	-
Overdrafts	(26.1)	-	6.8	-	(19.3)
Cash	(26.1)	-	6.8	-	(19.3)
Loan notes	(27.1)	-	4.4	-	(22.7)
Long term debt	-	(2.9)	2.9	-	-
Bonds	(123.0)	-	(74.9)	(0.7)	(198.6)
Currency swaps	(3.1)	-	-	0.5	(2.6)
Interest rate swaps	1.4	-	-	0.2	1.6
Finance leases	(0.2)	(0.2)	0.2	-	(0.2)
Sub-total net debt	(178.1)	(3.1)	(60.6)	-	(241.8)
Asset based securitised finance	-	(26.8)	(1.4)	-	(28.2)
	(178.1)	(29.9)	(62.0)	-	(270.0)

Notes to the Preliminary Statement
31 December 2006

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 21 February 2007.

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 2006, 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 29 March 2007 and will be available to members of the public at the registered office of the Company from that date