CAPITA

26 February 2009

THE CAPITA GROUP PLC

Preliminary Results for the year ended 31 December 2008

STRONG PERFORMANCE AND EXCELLENT PROSPECTS

Financial Highlights

	Year ended 31 December 2008	Year ended 31 December 2007	**Change**
Turnover	£2,441m	£2,073m	**+18%**
Underlying operating profit *	£320.9m	£271.3m	**+18%**
Underlying profit before tax *	£277.2m	£238.4m	**+16%**
Underlying earnings per share*	33.26p	28.10p	**+18%**
Total dividend per share	14.4p	12.0p	**+20%**

** excludes intangible amortisation of £18.6m (2007: £9.7m) and the non-cash impact of mark to market movement on callable swaps of £32m*

Key points

- Excellent organic growth. Major contract wins and renewals of £1.24bn in 2008 (2007: £1.89bn). £610m contracts secured in first 7 weeks of 2009.
- Bid pipeline stands at £3.1bn (Feb 2008: £2.5bn); markets remain highly active.
- Continued operating margin progression: increased by 6 basis points to 13.15% (2007: 13.09%).
- Strong underlying operating cash flow up by 17% to £392m (2007: £334m).
- 20% dividend increase, maintaining our progressive dividend policy.

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

"Capita delivered a strong performance in 2008. Organic growth was excellent with a wide range of new major contracts secured in the year and with businesses across the Group delivering robust results.

Despite the economic climate, we believe Capita is well placed to continue its growth. Current conditions present a healthy flow of opportunities for us. Our pipeline of sales prospects, strong forward visibility of revenues from our long term contracts and consistent operational performance position us well for further strong progress.

Prospects for Capita in 2009 are encouraging. Our success in the first few weeks of 2009, a high level of sales activity and a strong demand for outsourcing in the current economic conditions underpin our outlook for continued growth in 2009 and thereafter."

For further information:

The Capita Group Plc — Tel: 020 7799 1525
Paul Pindar, Chief Executive
Shona Nichols, Corporate Communications Director
Capita Press Office — Tel: 0207 654 2152 or 0870 2400 488 out of hours

Financial Dynamics — Tel: 020 7269 7121
Andrew Lorenz

CAPITA

The Capita Group Plc

Preliminary Statement for the year ended 31 December 2008

Capita delivered a strong performance in 2008. Organic growth was excellent with a wide range of new major contracts secured in the year and with businesses across the Group delivering robust results.

In the year ended 31 December 2008, turnover increased by 18% to £2,441m (2007: £2,073m). Underlying operating profit* rose by 18% to £320.9m (2007: £271.3m) and underlying profit before taxation* increased by 16% to £277.2m (2007: £238.4m). Underlying earnings per share* grew by 18% to 33.26p (2007: 28.10p).

Underlying operating cash flow** rose by 17% to £392m (2007: £334m). We have increased our total dividend for the year by 20% to 14.4p (2007: 12.0p). We have returned £69m to shareholders through purchasing our own shares. In total, including the proposed final dividend, we will be returning £156m (2007: £272m) to shareholders in respect of the 2008 financial year.

** underlying profit excludes intangible amortisation of £18.6m (2007: £9.7m) and the non-cash impact of mark to market movement on callable swaps of £32m*
*** underlying cash flow excludes an exceptional additional pension contribution to the Group Final Salary Pension Scheme of £10m.*

Building value for shareholders

In addition to the financial measures reported above we focus on a number of other key financial measures to ensure we build value for shareholders on a consistent basis over the long term:

- **Margins** - We have continued our long term trend of improving operating margins (before amortisation) which have increased by 6 basis points during the period to 13.15%. We have achieved this progression even though we invested heavily in our Life & Pensions business and implemented a record number of major new contracts.

- **Cash flow** - The strength of our business model continues to be reflected in our excellent underlying cash flow, with £392m (2007: £334m) generated by operations in the period, representing an operating profit to cash conversion rate of 122% (2007: 123%). Our underlying free cash flow increased by 19% to £219m (2007: £184m).

  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 2008, we spent £147.4m on 12 acquisitions. The current economic climate is creating a healthy pipeline of acquisition opportunities, particularly in financial services and IT. We expect this to continue throughout 2009. There is a good volume of opportunities valued at attractive levels. We will continue to be disciplined when assessing opportunities.

- **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 2008, the Group bought back 10.4m shares (representing 1.7% of the issued share capital) at an average price of 659p. Following these buybacks, there are 611m 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 9.6p per ordinary share (2007: 8.0p), making a total of 14.4p (2007: 12.0p) for the year. This represents an increase of 20%. The final dividend will be payable on 18 May 2009 to shareholders on the register at the close of business on 14 April 2009. Including the proposed final dividend, Capita's total dividend will have grown at a compound annual rate of 29% over the 5 years to 31 December 2008. Our confidence in the strength and resilience of Capita's business model has allowed us to reduce annual dividend cover gradually. We continued this trend for 2008, reducing cover to 2.31 times (2007: 2.34 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% (2007: 3.5%) of revenue.

- **Return on capital employed** - We focus on driving a steadily increasing return on capital. During 2008, the post tax return on average capital employed has improved to 20.4% (2007: 19.6%). This compares to our post tax estimated weighted average cost of capital which is 8.2%.

Additional financial information

Pension payment - Following our recent tri-annual funding valuation, we have decided to make an exceptional additional pension contribution of £50m into our final salary pension scheme. £10m was paid in December 2008 and £40m in January 2009. The tri-annual valuation showed a £26m deficit at 6 April 2008 and we have estimated that the deficit has increased as at 31 December 2008. We believe that this is an appropriate payment to make at this time to reduce significantly our estimated deficit.

Interest rate profile - We aim to maintain a balanced interest rate risk profile. We have £679m* of private placement debt (£100m matures later this year and £579m matures between 2012 and 2018). In February 2008, Capita executed a series of callable swaps to convert from a variable rate based upon paying six month LIBOR to a fixed rate of interest of 5.25% on £479m of private placement debt. Following the dramatic fall in interest rates at the end of 2008 and an increase in the implied volatilities, these swaps show a negative mark to market value of £32m at 31 December 2008. This represents a non-cash accounting loss in the year that will reverse as the mark to market valuation will tend towards zero as the swaps approach maturity or cancellation. The Group maintains a balanced interest rate risk profile by way of the remaining private placement debt of £200m and a revolving credit facility of £245m that both pay floating rate interest. As at 31 December 2008, all of this credit facility was unutilised.

Group interest cover for the year ended 31 December 2008 was 7.4 times.

** see note 6 in the attached detailed financial information.*

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 £94.2bn per annum. In 2008, the total UK BPO market was £5.6bn (2007: £5.1bn), representing only 6% of the total potential market. The BPO market is forecast to grow at 9% per annum until 2012[†].

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 25.5% (2007: 22%) market share[†] and in 2008 our private sector/public sector revenue split was 52%/48% (2007: 48%/52%).

In the current economic climate, we expect an increasing number of organisations will review their business models and explore where outsourcing could lower costs and offer more service flexibility. With our scale and expertise, we are well placed to help these clients create more adaptable, lower cost operating models while improving service quality. Furthermore, our financial strength and stability is becoming a key competitive advantage.

With strong demand for outsourcing continuing across our chosen markets, we will remain focused on selecting opportunities where we believe we can meet clients' expectations, maintain controlled growth and achieve a reasonable return for the Group.

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

We have a centrally managed Major Sales Team and sales teams within each of our businesses focused upon securing growth from both existing and new customers.

Our Major Sales Team pursues complex, long term contracts which bring together 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 2008 was excellent. We secured and extended 17 major contracts with a total value of £1.24bn (2007: 8 contracts totalling £1.89bn) and we maintained our 1 in 2 win rate.

Major contracts won in 2008 include:

- **Life and pensions:** A contract worth £137m over 10 years to provide administrative services for 1.1 million **Abbey Life** life and pensions policies. The deal involves the transfer of 300 Bournemouth-based staff to Capita under TUPE and service commences in March 2009.

[†]source: Ovum 2008

- **Insurance**: 2 contracts:

  A contract to deliver **Marsh UK's** back office administration functions based in Norwich and Pune, India, worth £187m over 10 years. Services were transitioned smoothly in July 2008 and we are exploring how the partnership can be widened to support Marsh further.

  We also signed a deal with **Principle Insurance Holdings** to provide outsourced services for Principle's motor and home insurance. As part of the contract, worth in excess of £80m over 8 years, Capita is providing an IT platform from which to launch and sell Sharia compliant insurance (or Takaful) products direct to consumers in the UK.

- **Local government:** 4 contracts:

  A strategic partnership with **Sefton Metropolitan Borough Council**, valued at £70m over 10 years, to deliver a wide range of property and highway services. Service commenced in July 2008.

  A joint venture, **Capita Glamorgan Consultancy**, created to deliver a wide range of highways, transportation and associated environmental management and other related services. The contract is worth £75m to Capita over 15 years.

  With **Service Birmingham**, an additional contract, worth £110m over 8 years, to manage and transform Birmingham City Council's contact centre. Service commenced on 1 July 2008.

  A 7 year contract with **Sheffield City Council** worth over £200m. The partnership, which may be extended by 3 further 2 year periods, will improve services and help drive business transformation for the benefit of everyone in the City.

- **Central government:** 2 contracts:

  A 10 year contract with the **Health and Safety Executive (HSE),** worth £14m per year, to administer a new gas installer registration scheme in Great Britain. The HSE installer site has gone live and installers can now register with the new Gas Safe Register™ scheme. The consumer facing website is due to go live on 1 April 2009.

  A contract with the **Department of Health**, worth £60m over 3 years, to deliver NHS Choices, the NHS' online presence. The contract, which may be extended by a further 2 years, represents a significant step forward for Capita in the health marketplace and provides a platform for further growth in this market.

We also secured a further 8 contracts worth between £10m and £50m with an aggregate value of £154m.

2009 has started well. In the first 8 weeks of 2009, we have been selected to deliver major contracts with an aggregate value of £610m, including being the preferred partner to administer 3.2m mature life and pensions policies for AXA Sun Life in a contract anticipated to be worth £500m over 15 years and contracts with Breckland District Council, Charnwood Borough Council, eircom and Threadneedle.

Bid pipeline: Alongside these contract wins, our bid pipeline has been replenished and reflects the quality of business opportunities across our markets. The bid pipeline currently stands at £3.1bn (Feb 2008: £2.5bn) and only includes bid situations in which we are shortlisted as 1 of 4 or fewer competitors and caps our largest bids at £500m.

Contract renewals: We have only one material contract (defined as having annual revenue in excess of 1% of 2008 turnover) due for renewal before the end of 2011.

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 2008, we completed 12 acquisitions for a total consideration of £147.4m, including:

- **ComputerLand UK** - which provides managed IT services and products across both the public and private sectors, was purchased in March for £27.8m (net of cash acquired). This acquisition adds substantially to the breadth and depth of Capita's existing capability, particularly through the bringing together of both companies' managed IT services. Capita will be able to re-direct IT spend both by the Group and clients through ComputerLand. This will retain spend within the Group and offers enhanced propositions to existing and new clients. A healthy pipeline of cross-selling opportunities has already been identified and discussions initiated.

- **Lancaster Insurance Services** - specialises in insurance administration for classic cars. The acquisition of Lancaster at the end of March for £16.5m (net of cash acquired), adds both new, specialist expertise and important cost synergies to Capita's personal insurance intermediary and administration business. The business has been integrated swiftly and is performing well.

- **ABS Network Solutions Limited** - acquired in October for £13.6m (net of cash acquired). ABS Networks provides IP (internet protocol) based business networking solutions and brings CISCO accreditations and capability in emerging technologies. This acquisition enables Capita to enhance further its network services business and the strong relationship that ABS has with CISCO will enable cost savings in spend on CISCO equipment across the Group.

- **IBS OPENSystems** - acquired in July for £69.6m (net of cash acquired). IBS provides software systems and related services for the management of social housing and the collection and payment of revenues and benefits to local authorities and housing associations in the UK. This acquisition has been referred by the Office of Fair Trading to the Competition Commission and we are fully engaged with them in their review.

In the first 2 months of 2009 we have spent a further £13.6m on 2 acquisitions, a trust administration business, FMS and a healthcare intelligence and quality improvement services business, CHKS Limited.

A focus on our most active and emerging markets

Our most active markets remain life and pensions and local government. Central government, a market which has been less active in recent times, is also starting to offer some interesting opportunities.

- **Life and pensions:** Capita is the leader in this market. Our scale, focus on customer service and investment in specialist technology makes us a compelling choice as an outsourcing partner. 2008 saw the successful transfer of 3,000 staff located in the UK and Mumbai to Capita with the Prudential contract. Consequently, we now have a resource of 10,000 people across our life and pensions operations. Including our proposed strategic partnership with AXA announced this year, we will be responsible for administering 26 million policies in total. The market is highly active and continues to offer many new contract opportunities.

- **Local government:** As local authorities seek to provide flexible, quality public services within tight budgets, many are exploring the benefits that can be delivered through strategic outsourcing partnerships. Our unrivalled breadth of services and experience across local government has enabled us to win a number of multi-service and major business transformation contracts in 2008. Our ability to offer a wide spectrum of property consultancy services also positions us strongly in this market, as evidenced within our contracts with Southampton CC, Sefton MBC, the Capita Glamorgan Consultancy and Breckland DC. In 2009, we expect a continuing steady flow of opportunities in this market.

- **Central government:** In 2008, 2 of our major contract wins were with central government departments - the Gas Safe Register™ for the Health and Safety Executive and NHS Choices for the Department of Health. This market is beginning to gain momentum. We believe that greater demands on public spending will bring an increased requirement to deliver high quality public services at reduced cost. We are well placed to help achieve this.

- **Health:** Following our success in winning the contract to deliver NHS Choices, which gives us insight into health issues and policy as well as engagement at a central government and health trust level, we are increasing our focus on the health market. It is acknowledged that an increase in private sector involvement is required in order to deliver the transformation in the health sector demanded by the Government and public alike. We are exploring ways in which Capita's proven experience in providing key non-clinical services can be extended further across the health market.

Increasing scale and capabilities of our offshore operation

Our offshore operation in India is developing strongly both in scale and scope of services and allows us to offer clients a flexible, efficient, blended onshore/offshore delivery model. It has played a significant role in helping to secure major new business, including contracts with Marsh and Abbey Life.

Following the transfer of 1,700 people from Prudential's Indian operation to Capita in October 2008, we now have 3 sites in Mumbai and we have also established a new site in Pune. This year, as part of the proposed AXA partnership, 600 people will transfer from their Indian operations to Capita - 200 employees will join our Pune operation and 400 will transfer to a new facility in Bangalore. Following this transfer, we will have 3,600 people in India. By the end of 2009, we expect to have over 4,500 staff in India.

Economic sensitivities

In the current volatile economic climate, areas of our business that may be more sensitive to economic weakness are unit and investment trust administration where fees are related to the value of funds under administration, some of our recruitment businesses (particularly our search and selection business) and elements of our property consultancy business. However, much of our activity in these areas is underpinned by long term contracts and involves the supply of essential public services. The areas potentially affected represent less than 10% of our Group revenues and this risk has been factored into our 2009 business planning process.

Valuing our people

Capita celebrates 25 years of operation this year and the Board would like to take this opportunity to thank all the talented employees across our history who have played a key role in Capita's consistent growth. Whether our people join us through direct recruitment, contracts or acquisitions, their hard work, commitment and enthusiasm play a vital role in helping us to meet client expectations and in supporting our growth. In 1984, the company had 2 employees. Today, we have over 36,000 whose combined contribution fuels the continued success of the Group.

We are continuing to invest in senior management to support the growth we anticipate going forward. In 2008, we recruited 62 senior managers taking our senior management team to 433.

Group Board

To support our growth, we made some changes to the Board in 2008. In March 2008, Martin Bolland joined Capita as a Non-Executive Director and is now Senior Independent Director. He has already made an excellent contribution to the business. At the end of September 2008, Peter Cawdron stepped down as Non-Executive Director, after serving 11 years on the Board. We thank him for his valuable contribution and wish him well.

In August 2008, Simon Pilling, who previously shared the role of Joint Chief Operating Officer with Paddy Doyle, took on this role exclusively and became Capita's Chief Operating Officer. Paddy Doyle decided to move to a part time role and from 1 January 2009, he is working 2 days per week for Capita and remains an active Executive Group Board member. Also in August 2008, Maggi Bell joined the Board as Business Development Director. She adds significant value to our Board as we continue to broaden and strengthen the Board's skills.

Future prospects

Despite the economic climate, we believe Capita is well placed to continue its growth. Current conditions present a healthy flow of opportunities for us. Our pipeline of sales prospects, strong forward visibility of revenues from our long term contracts and consistent operational performance position us well for further strong progress.

Prospects for Capita in 2009 are encouraging. Our success in the first few weeks of 2009, a high level of sales activity and a strong demand for outsourcing in the current economic conditions underpin our outlook for continued growth in 2009 and thereafter.

-Ends-

Preliminary Statement

Consolidated income statement

for the year ended 31 December 2008

	Notes	2008 Underlying £m	2008 Amortisation and callable swaps £m	2008 Total £m	2007 Underlying £m	2007 Amortisation and callable swaps £m	2007 Total £m
Continuing operations:							
Revenue	1	**2,441.4**	**-**	**2,441.4**	2,073.3	-	2,073.3
Cost of sales		**1,757.8**	**-**	**1,757.8**	1,498.5	-	1,498.5
Gross Profit		**683.6**	**-**	**683.6**	574.8	-	574.8
Administrative expenses	2	**362.7**	**18.6**	**381.3**	303.5	9.7	313.2
Operating profit	1	**320.9**	**(18.6)**	**302.3**	271.3	(9.7)	261.6
Net finance costs	3	**(43.5)**	**(32.0)**	**(75.5)**	(34.1)	-	(34.1)
Investment (loss)/income		**(0.2)**	**-**	**(0.2)**	1.2	-	1.2
Profit before tax		**277.2**	**(50.6)**	**226.6**	238.4	(9.7)	228.7
Income tax expense		**(74.9)**	**14.1**	**(60.8)**	(66.0)	3.5	(62.5)
Profit for the year		**202.3**	**(36.5)**	**165.8**	172.4	(6.2)	166.2
Attributable to:							
Equity holders of the parent		**202.3**	**(36.5)**	**165.8**	172.4	(6.2)	166.2
Minority interest		**-**	**-**	**-**	-	-	-
		202.3	**(36.5)**	**165.8**	172.4	(6.2)	166.2
Earnings per share	4						
- basic		**33.26p**	**(6.00)p**	**27.26p**	28.10p	(1.01)p	27.09p
- diluted		**32.96p**	**(5.95)p**	**27.01p**	27.63p	(0.99)p	26.64p

Consolidated statement of recognised income and expense

for the year ended 31 December 2008

	2008 £m	2007 £m
Actuarial (losses)/gains on defined benefit pension schemes	**(48.1)**	25.4
Exchange difference on translation of foreign operations	**5.9**	1.1
Gains on cash flow hedges	**20.1**	5.6
Tax on items taken directly to equity	**23.3**	(5.0)
Net income recognised directly in equity	**1.2**	27.1
Profit for the year	**165.8**	166.2
Total income and expense for the period	**167.0**	193.3
Attributable to:		
Equity holders of the parent	**167.0**	193.3
Minority interest	**-**	-
	167.0	193.3

Consolidated balance sheet

at 31 December 2008	2008 £m	2007 £m
Non-current assets		
Property, plant and equipment	**238.3**	193.4
Intangible assets	**907.0**	745.7
Financial assets	**332.4**	60.6
Trade and other receivables	**8.1**	11.1
Employee benefits	**-**	20.3
Deferred taxation	**3.0**	1.4
	1,488.8	1,032.5
Current assets		
Financial assets	**5.2**	0.9
Trade and other receivables	**583.6**	456.4
Cash	**86.7**	0.8
	675.5	458.1
Total assets	**2,164.3**	1,490.6
Current liabilities		
Trade and other payables	**690.4**	556.9
Financial liabilities	**116.5**	57.7
Provisions	**2.3**	1.8
Income tax payable	**40.4**	36.3
	849.6	652.7
Non-current liabilities		
Trade and other payables	**9.6**	9.2
Financial liabilities	**882.7**	480.2
Provisions	**1.0**	0.8
Employee benefits	**24.5**	15.9
	917.8	506.1
Total liabilities	**1,767.4**	1,158.8
Net assets	**396.9**	331.8
Capital and reserves		
Issued share capital	**12.8**	12.6
Share premium	**410.4**	374.9
Shares held in Trust	**(0.2)**	-
Capital redemption reserve	**1.8**	1.8
Foreign currency translation	**6.6**	0.7
Net unrealised gains reserve	**18.5**	4.0
Retained earnings	**(53.0)**	(62.2)
Equity shareholders' funds	**396.9**	331.8
Minority interest	**-**	-
Total equity	**396.9**	331.8

Included in aggregate financial liabilities is an amount of £953.1m (2007: £461.1m) which represents the fair value of the Group's bonds which should be considered in conjunction with the aggregate value of currency and interest rate swaps of £274.3m included in financial assets (2007: £19.1m included in financial liabilities and £1.1m in financial assets; aggregate £18.0m). Consequently, this gives an effective liability of £678.8m (2007: £479.1m).

Consolidated cash flow statement

for the year ended 31 December 2008	2008 £m	2007 £m
Cash flows from operating activities		
Operating profit on continuing activities before interest and taxation	**302.3**	261.6
Depreciation	**50.0**	46.1
Amortisation of other intangible assets (treated as depreciation)	**1.5**	1.5
Amortisation of intangible assets created on acquisition	**18.6**	9.7
Share based payment expense	**9.2**	8.6
Pension charge	**19.3**	15.2
Pension contributions	**(28.5)**	(21.0)
Loss/(Profit) on sale of property, plant and equipment	**1.1**	(0.1)
Investment loss	**0.2**	-
Movement in provisions	**(2.2)**	0.9
Increase in receivables	**(90.7)**	(71.4)
Increase in payables	**111.2**	82.9
Cash generated from operations before exceptional additional pension contribution	**392.0**	334.0
Income tax paid	**(48.6)**	(45.8)
Exceptional additional pension contribution	**(10.0)**	-
Net Interest paid	**(38.4)**	(31.9)
Cash generated from operations after income tax, interest and exceptional additional pension contribution	**295.0**	256.3
Net cash used in investing activities		
Purchase of property, plant and equipment	**(86.4)**	(67.9)
Proceeds from sale of property, plant and equipment	**0.3**	1.0
Purchase of intangible fixed assets	**-**	(5.0)
Acquisition of subsidiary undertakings and businesses	**(188.4)**	(94.7)
Cash acquired with subsidiary undertakings	**8.9**	4.4
Disposal/(Purchase) of financial assets	**23.1**	(4.4)
Investment loan	**(6.2)**	(16.6)
Return on investment in Joint Venture	**0.1**	-
	(248.6)	(183.2)
Net cash used in financing activities		
Issue of ordinary share capital	**35.7**	67.2
Share buybacks	**(68.4)**	(43.9)
Share transaction costs	**(0.4)**	(0.5)
Dividends paid	**(78.0)**	(218.6)
Capital element of finance lease rental payments	**(0.2)**	(0.4)
Instalment debtor movement	**0.7**	20.4
Asset based securitised financing	**-**	(17.8)
Repayment of loan notes and long term loans	**(3.3)**	(34.6)
Proceeds on issue of bonds	**200.2**	100.9
Financing arrangement costs	**(0.7)**	(0.3)
	85.6	(127.6)
Net increase in cash and cash equivalents	**132.0**	(54.5)
Cash and cash equivalents at the beginning of the period	**(45.3)**	9.2
Cash and cash equivalents at 31 December	**86.7**	(45.3)
Cash and cash equivalents comprise:		
Overdraft	**-**	(46.1)
Cash at bank and in hand	**86.7**	0.8
Total	**86.7**	(45.3)

Notes to the Preliminary Statement
for the year ended 31 December 2008

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 and result for the Group's business segments for the years 2008 and 2007. All operations in 2008 are continuing.

Year ended 31 December 2008

Segment revenue	HR Solutions £m	Property Consultancy £m	Insurance Services £m	Investor Services £m	Integrated Services £m	ICT and Partnership Services £m	Life & Pensions £m	Professional Services £m	Total £m
Total segment revenue	**278.5**	**284.2**	**263.6**	**173.9**	**393.4**	**464.8**	**489.0**	**378.9**	**2,726.3**
Inter-segment revenue	**(20.3)**	**(22.0)**	**(17.4)**	**-**	**(6.0)**	**(125.4)**	**(26.1)**	**(67.7)**	**(284.9)**
Third party revenue	**258.2**	**262.2**	**246.2**	**173.9**	**387.4**	**339.4**	**462.9**	**311.2**	**2,441.4**
Segment result									
Result after depreciation	**25.3**	**24.0**	**32.7**	**40.3**	**58.4**	**35.7**	**56.5**	**57.2**	**330.1**
Share based payment	**(1.1)**	**(1.2)**	**(1.6)**	**(0.7)**	**(2.3)**	**(0.7)**	**(0.8)**	**(0.8)**	**(9.2)**
Intangible amortisation	**(0.2)**	**(1.4)**	**(3.7)**	**(3.7)**	**(1.2)**	**(1.6)**	**(3.5)**	**(3.3)**	**(18.6)**
	24.0	**21.4**	**27.4**	**35.9**	**54.9**	**33.4**	**52.2**	**53.1**	**302.3**
Net finance costs (before callable swaps)									**(43.5)**
Callable swaps									**(32.0)**
Investment loss									**(0.2)**
Profit before tax									**226.6**
Corporation taxation									**(60.8)**
Profit after tax									**165.8**

Year ended 31 December 2007

Segmental Revenue	HR Solutions £m	Property Consultancy £m	Insurance Services £m	Investor Services £m	Integrated Services £m	ICT and Partnership Services £m	Life & Pensions £m	Professional Services £m	Total £m
Total segment revenue	243.2	244.6	260.5	158.2	413.2	352.0	274.1	340.7	2,286.5
Inter-segment revenue	(18.2)	(12.7)	(19.0)	(1.3)	(8.2)	(92.5)	(10.5)	(50.8)	(213.2)
Third party revenue	225.0	231.9	241.5	156.9	405.0	259.5	263.6	289.9	2,073.3
Segment result									
Result after depreciation	22.3	20.4	30.3	37.9	58.3	28.3	33.7	48.7	279.9
Share based payment	(1.0)	(1.1)	(1.2)	(0.6)	(2.5)	(0.6)	(0.8)	(0.8)	(8.6)
Intangible amortisation	(0.1)	(0.7)	(2.6)	(1.3)	(1.6)	-	(1.5)	(1.9)	(9.7)
	21.2	18.6	26.5	36.0	54.2	27.7	31.4	46.0	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

Notes to the Preliminary Statement

for the year ended 31 December 2008

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:

	2008	2007
	£m	£m
Intangible amortisation	**18.6**	9.7
	18.6	9.7

3. Net finance costs

Included in the middle column disclosed on the face of the consolidated income statement, against the line item net finance costs, is the following:

	2008	2007
	£m	£m
Mark to market callable swaps	**32.0**	-
	32.0	-

In February 2008, Capita executed a series of interest rate callable swaps to convert from paying a rate based on 6 month LIBOR to fixed rate interest on its bonds (private placement debt) of £479m as follows: firstly, in respect of the 2 tranches totalling £100m maturing in 2009, swaps at a fixed rate of 5.22%; secondly, in respect of all other tranches - maturing between 2012 and 2017 - callable swaps (giving the counterparty the option to cancel the trades in September/December 2009 and semi-annually thereafter) at a weighted average fixed rate of 4.64%. At this time, 6 month LIBOR was 5.625% and prevailing market expectations suggested that swap rates would not fall below 4.64%. At the time the transactions were entered into 4.64% was considered to represent good value as a long term cost of funds. The value of this callable derivative was £32m and is recognised as a financial liability at the balance sheet date.

4. 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:

	2008	2007
	£m	£m
Net profit attributable to ordinary equity holders of the parent from operations	**165.8**	166.2

	2008 Number million	2007 Number million
Weighted average number of ordinary shares (excluding trust shares) for basic earnings per share	**608.3**	613.6
Dilutive potential ordinary shares:		
Employee share options	**5.5**	10.3
Weighted average number of ordinary shares (excluding trust shares) adjusted for the effect of dilution	**613.8**	623.9

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 callable swap valuation of £202.3m (2007: £172.4m) and after amortisation and callable swap valuation of £165.8m (2007: £166.2m). They are included as they provide a better understanding of the underlying trading performance of the Group.

		2008	2007
		p	p
Basic earnings per share	– underlying	**33.26**	28.10
	– after amortisation and callable swaps	**27.26**	27.09
Diluted earnings per share	– underlying	**32.96**	27.63
	– after amortisation and callable swaps	**27.01**	26.64

5. Dividends paid and proposed

	2008 £m	2007 £m
Declared and paid during the year		
Ordinary shares (equity):		
Final for 2007 paid: 8.0p per share (2006: 6.3p per share)	**48.8**	39.2
Interim for 2008 paid: 4.8p per share (2007: 4.0p per share)	**29.2**	24.7
Special dividend for 2007: paid 25.0p per share	**–**	154.7
	78.0	218.6
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Ordinary shares (equity):		
Final for 2008: 9.6p per share (2007: 8.0p per share)	**58.6**	48.8

6. Reconciliation of net cash flow movements in net funds / (debt)

At December 2008	Net Debt at 1 January 2008 £m	**Acquisitions in 2008 (exc. cash) £m**	**Cash flow movements £m**	**Non-cash flow movements £m**	**Net debt at 31 December 2008 £m**
Cash and cash equivalents	0.8	**-**	**85.9**	**-**	**86.7**
Overdrafts	(46.1)	**-**	**46.1**	**-**	**-**
Cash	(45.3)	**-**	**132.0**	**-**	**86.7**
Loan notes	(1.7)	**-**	**3.3**	**(5.3)**	**(3.7)**
Bonds †	(461.1)	**-**	**(199.5)**	**(292.5)**	**(953.1)**
Currency swaps in relation to US$ denominated bonds †	(18.1)	**-**	**-**	**287.7**	**269.6**
Interest rate swaps in relation to GBP denominated bonds †	0.1	**-**	**-**	**4.6**	**4.7**
Finance leases	(0.2)	**-**	**0.2**	**-**	**-**
Sub-total net debt	(526.3)	**-**	**(64.0)**	**(5.5)**	**(595.8)**
Asset based securitised finance*	(9.7)	**-**	**(0.7)**	**-**	**(10.4)**
Callable swaps	-	**-**	**-**	**(32.0)**	**(32.0)**
	(536.0)	**-**	**(64.7)**	**(37.5)**	**(638.2)**

The aggregate bond fair value above of £953.1m (included in financial liabilities) includes the GBP value of the US$ denominated bonds at 31 December 2008. To remove the Group's exposure to currency fluctuations it has entered into currency swaps which effectively hedge the movement in the underlying bond fair value. The interest rate swap is being used to hedge the exposure to changes in the fair value of GBP denominated bonds. The combined fair value of the swaps, of £274.3m, is included in financial assets.

†The sum of these items held at fair value equates to the underlying value of the Group's bond debt of £678.8m.

*The asset based securitised finance movement represents the net movement on the underlying balances with customers.

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)	-	(100.6)	11.5	(461.1)
Currency swaps in relation to US$ denominated bonds	(6.4)	-	-	(11.7)	(18.1)
Interest rate swaps in relation to GBP denominated bonds	-	-	-	0.1	0.1
Finance leases	(0.5)	(0.1)	0.4	-	(0.2)
Sub-total net debt	(391.9)	(8.3)	(120.1)	(6.0)	(526.3)
Asset based securitised finance	(27.5)	-	17.8	-	(9.7)
	(419.4)	(8.3)	(102.3)	(6.0)	(536.0)

7. 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 25 February 2009.

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 2008, 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 26 March 2009 and will be available to members of the public at the registered office of the Company from that date.