CAPITA

23 February 2012

**CAPITA PLC**
**Preliminary Results for the year ended 31 December 2011**

**Steady performance in 2011 and a good platform for further progress in 2012**

**Financial Highlights**

| | **Year ended 31 December 2011** | Year ended 31 December 2010 | **Change** |
|---|---|---|---|
| Turnover | **£2,930m** | **£2,744m** | **+7%** |
| Underlying operating profit* | **£427.4m** | **£395.1m** | **+8%** |
| Underlying profit before tax* | **£385.2m** | **£364.2m** | **+6%** |
| Underlying earnings per share* | **48.49p** | **44.98p** | **+8%** |
| Total dividend per share | **21.4p** | **20.0p** | **+7%** |

** Excludes non-underlying items being: intangible amortisation and acquisition expenses and release of contingent consideration of £71.9m (2010: £47.8m), the non-cash impact of mark to market movement on financial instruments of £7.1m (2010: £6.6m), and £3.3m (2010: £nil) for increased counterparty credit and currency risk. After these non-underlying items: reported operating profit is £355.5m (2010: £347.3m), reported profit before tax is £302.9m (2010: £309.8m) and reported earnings per share is 39.16p (2010: 38.44p).*

**Key points**

- £2.0bn of major contract wins secured in 2011 (2010: £0.8bn), including £0.9bn new contracts and £1.1bn renewals
- Maintaining win rate of just below 1 in 2 reflecting the strength of our relationships and track record
- Broadened our operational capability and market reach: £341m spent on 21 acquisitions in 2011
- New service delivery capability established in Continental Europe
- Underlying profit before tax increased by 6% to £385.2m
- Underlying operating margin was 14.59% (2010: 14.40%)
- Operating cash flow before settlements[1] of £364m (2010: £442m)
- £620m major contract sales secured to date in 2012
- Selected this month as Recommended Supplier for the Army's Recruiting Partnering Project
- Despite a number of recent client decisions, pipeline stands at £4.6bn as at 22 February 2012 (July 2011: £4.7bn)

**Paul Pindar, Chief Executive of Capita plc, commented:**

"2011 was a challenging year in which we achieved reasonable revenue growth and maintained our underlying operating margin. However, it was also a successful year for Capita in respect of major sales wins, with a record total value of £2.0bn new and extended contracts secured during the year (2010: £0.8bn). This strong sales performance underlines our continued ability to present innovative service solutions that deliver quality and cost benefits to our clients, whilst delivering attractive rewards to Capita. We also completed a series of acquisitions in 2011 which will play a key role in extending our capabilities, enhancing our propositions to clients and making a valuable contribution to our long term growth.

We already have good visibility of stronger revenue growth this year due to renewed organic growth from our major contract sales performance in 2011 and to date in 2012 and the contribution from acquisitions. This visibility and the current buoyant sales environment, evidenced by the rapid replenishment of our bid pipeline, underpin our confidence in good growth prospects and performance for 2012 and beyond."

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*[1] Settlements consist of a £17.9m settlement for Arch cru and an additional pension contribution of £10.0m on the transfer back of the Cumbria County Council pension scheme.*

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CAPITA

**Capita plc**

**Preliminary Statement for the year ended 31 December 2011**

2011 was a challenging year in which we achieved reasonable revenue growth and maintained our margin. However, it was also a successful year for Capita in respect of major sales wins, with a record total value of £2.0bn new and extended contracts secured during the year (2010: £0.8bn). This included £0.9bn from new contract wins and £1.1bn from contract renewals. We also completed a series of acquisitions in 2011 which play a key role in extending our capabilities, enhancing our propositions to clients and making a valuable contribution to our long term growth.

In the full year 2011, revenue increased by 7% to £2,930m (2010: £2,744m). Underlying operating profit[2] rose by 8% to £427.4m (2010: £395.1m) and underlying profit before taxation[2] increased by 6% to £385.2m (2010: £364.2m). Underlying earnings per share[2] grew by 8% to 48.49p (2010: 44.98p). We have increased our total dividend for the full year 2011 by 7% to 21.4p per share (2010: 20.0p).

After non-underlying items, reported operating profit was £355.5m (2010:£347.3m) and basic earnings per share were 39.16p (2010: 38.44p). These figures were impacted by higher amortisation of goodwill arising from increased levels of acquisitions.

Our performance in 2011 was impacted by the more challenging economic environment, including a range of austerity measures implemented across Government. This adversely affected a number of our trading activities, including our property consultancy and parts of our IT and resourcing businesses, and also resulted in lower discretionary revenue being generated from existing clients. As anticipated, we have reported an overall organic revenue decline of 7% for the full year 2011 due to the combination of these challenging trading conditions and due to an unusually high level of revenue attrition. Throughout 2011, we focussed on taking actions to ensure optimum efficiency across all our businesses going forward.

Despite this background, we have achieved overall revenue growth of 7%, with good progress across the majority of our businesses and a significant contribution from acquisitions completed in 2011 and those completed part way through 2010.

**Building value for shareholders**

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

- **Margin** - We constantly monitor operating margins and manage operating costs to ensure that the business is running efficiently and cost effectively. The valued nature of the services we deliver to clients together with our scale, in particular our extensive shared service infrastructure, flexible delivery models and effective procurement, allows us to maintain our margins.

  In 2011, the Group's underlying operating margin[2] was 14.59% (2010: 14.40%). In 2011, operating profit was impacted by a number of notable items including: unusually high restructuring costs (including redundancies) and the settlement of certain historic captive insurance claims. This adverse impact was offset by a past pension service credit of £23.9m which includes the change to indexation benefits from RPI to CPI.

[2] *Excludes non-underlying items being: intangible amortisation and acquisition expenses and release of contingent consideration of £71.9m (2010: £47.8m), the non-cash impact of mark to market movement on financial instruments of £7.1m (2010: £6.6m), and £3.3m (2010 :£nil) for increased counterparty credit and currency risk. After these non-underlying items: reported operating profit is £355.5m (2010: £347.3m), reported profit before tax is £302.9m (2010: £309.8m) and reported earnings per share is 39.16p (2010: 38.44p).*

- **Cash flow** - In 2011, £364m (2010: £442m) was generated by operations representing an operating profit to cash conversion rate (defined as cash generated from operations before settlements divided by underlying operating profit[2] for the year) of 85% (2010: 112%).

  As previously highlighted, operating cash flow before settlements[3] has been impacted by the conclusion of the National Strategies programme and additional working capital requirements for new and expanded contracts, in particular our Building Schools for the Future projects, Service Birmingham and certain life and pensions contracts.

  Due to the recent more challenging economic conditions, the beneficial payment terms that we have historically secured from certain clients are more difficult to obtain and this inevitably impacts our working capital profile as these payment terms revert to industry norms. However, we expect that our operating cash to operating profit conversion rate will improve in 2012 and again in 2013.

  Free cash flow defined as operating cash flow before settlements[3], less capital expenditure, interest and taxation for the year was £157m (2010: £241m). This decrease was due to the movement in working capital noted above.

  After meeting the requirements of the business, we use surplus cash to add value in 3 main ways: through acquisitions, dividends and share buybacks:

  - **Acquisitions** - Acquisitions have consistently added value to our client propositions and been a key driver for enhancing value to our shareholders by both building platforms for future organic growth and by generating excellent returns on capital. Over the 4 years to 31 December 2011, we estimate our acquisitions have delivered a post tax return of approximately 14%. As a result of a favourable acquisition environment in 2011, we enjoyed a particularly active year for the Group with £341m invested in 21 transactions. Our focus is now on achieving the successful integration of these businesses and realising synergies. We expect our acquisition activity to reduce going forward in 2012 and to revert to historic levels.

  - **Regular dividends** - The Board is recommending a final dividend of 14.2p per ordinary share (2010: 13.4p), making a total of 21.4p (2010: 20.0p) for the year. This represents an increase of 7%. The final dividend will be payable on 28 May 2012 to shareholders on the register at the close of business on 20 April 2012. Including the proposed final dividend, Capita’s total dividend will have grown at a compound annual rate of 19% over the 5 years to 31 December 2011. Dividend cover is 2.27 times for 2011.

  - **Share buybacks** - Opportunistic share buybacks help us to maintain an efficient capital structure and minimise our long term cost of capital. We did not complete any share buybacks in 2011 due to the higher level of acquisition spend. We will continue to evaluate any attractive opportunities as they arise and balance this against our other uses of cash. Shareholders renewed the Group’s authority to purchase up to 10% of issued share capital at our AGM in May 2011.

- **Capital expenditure** - We aim to contain capital expenditure at or below 4% of revenue. In 2011, we met this objective, with net capex at 3.5% of annual revenue (2010: 3.6%). There are currently no indications of significant capex requirements in our business forecasts or bid pipeline.

- **Return on capital employed** - We focus on driving a healthy return on capital. During 2011, our post-tax return on average capital employed was 17.2% (2010: 20.6%). This compares to our estimated post-tax WACC which is 7.5%. We expect returns to improve as recent acquisitions deliver their full profitability and organic growth returns.

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[3] *Settlements consist of a £17.9m settlement for Arch cru and an additional pension contribution of £10.0m on the transfer back of the Cumbria County Council pension scheme.*

## Debt profile

During 2011, we issued £340m of private placement notes with maturities between 7 and 10 years. Following these issuances, we have £1,176m of private placement debt of which £123m matures between now and August 2015, with the remainder gradually maturing until 2021. In February 2012, we raised a further £285m of bank debt under a 2 year term loan facility to further increase liquidity headroom.

Our aim continues to be to keep the ratio of net debt to EBITDA at or below 2.5 over the long term and we would be unlikely to incur borrowings which would reduce interest cover below 7 times.

During the year, our net debt to EBITDA ratio increased to 2.5 (2010: 1.6) as a result of taking advantage of a higher level of acquisition opportunities in 2011 and higher working capital requirements. Interest cover for the year ended 31 December 2011 was 10.2 times.

## Generating profitable growth

We generate profitable growth by winning business from new and existing customers and through acquiring businesses that broaden our propositions, capability and market reach.

### *Major contract wins*

**In 2011**, we secured 26 new and extended major contracts with a total value of £2.0bn (2010:18 contracts totalling £0.8bn) representing a win rate of just below 1 in 2. This includes:

- **Teachers' Pension Scheme:** Appointed preferred supplier for a 7 year contract worth £80m to administer the Teachers' Pensions Scheme (TPS), the second largest public sector pension scheme in England and Wales, with more than 1.6 million members. Capita has been administering TPS since 1996 and this will be our 3rd consecutive contract.

- **MetLife:** Selected to deliver an extended and expanded life and pensions administration contract worth approximately £149m over 10 years. Capita will provide customer servicing, policy administration, claims activity and related IT support to underpin the long-term UK growth strategy of MetLife Europe Ltd.

- **Zurich Financial Services Group:** A new contract to support the development of Zurich Global Life's European and international administration hubs for a 15 year period. Also an extension of the current contract to deliver operational services for Zurich's UK life business operations (from 2015 to 2026). The contract extension and expansion will generate approximately £570m in revenues to Capita.

- **Driver and Vehicle Licensing Agency (DVLA):** A new contract to provide a national Vehicle Excise Duty (VED) service that includes provision, at the DVLA's option, for a Continuous Insurance Enforcement (CIE) service. The 5 year contract has an estimated value of £100m.

- **London Borough of Lambeth:** A contract to form a collaborative partnership to deliver a range of services including the existing revenue collection administered by Capita as well as additional Council services. For the core services, the contract is expected to be worth £50m over 10 years (with the option to extend for a further 5 years) and the commissioning programme allows for the opportunity to widen the scope of the contract.

- **The Pensions Regulator:** A contract to support its direct communications with employers for automatic enrolment of staff into workplace pension schemes which will be phased in from October 2012. The 7 year contract has an option for the regulator to extend it for a further 3 years and has an estimated value of £105m.

- **BBC:** Selected by the BBC to administer TV Licensing for an 8 year term under a new contract expected to be worth approximately £560m. Capita will re-engineer the current service delivery model and harness advances in technology and analytics to increase the TV Licensing revenues collected, while also reducing the current servicing costs. The contract is due to commence on 1 July 2012.

**Contracts worth between £10-50m:** The Group secured 19 new contracts and extensions in this range with an aggregate value of £397m. Contracts include:

- Secured a contract to administer revenue and benefits for the London Borough of Brent worth £15m over 5 years
- Appointed to deliver transactional HR and payroll services for 10 NHS trusts in North Merseyside in a contract estimated to be worth £22m over 7 years
- Selected by West Sussex County Council to manage core data and applications in a contract estimated to be worth £26m over 6 years
- Awarded a shared services contract for the London Boroughs of Bromley and Lewisham worth £18m over 5 years
- Agreed a 1 year extension with BAE Systems Maritime - Submarines, supporting over 5,500 users
- Secured extension to our NHS Choices contract for a further 15 months, valued at approximately £16m.

**In 2012** to date, we have been selected as recommended supplier or signed new and extended major contracts estimated in aggregate to be worth approximately £620m, comprising recommended supplier to partner with the MOD to deliver the Recruiting Partnering Project (RPP) to the Army and the enabling ICT for the Royal Navy and the Royal Air Force, the Civil Service training agreement and 3 customer management contracts.

**Our bid pipeline** includes all bids worth £10m or above, capped at £500m and where we have been shortlisted to the last 4 or fewer. We announce the value of the pipeline twice a year at our half and full year results and it is therefore a snapshot at a specific point in time. Despite an extremely active few months in terms of client decisions, the pipeline has been replenished and now stands at £4.6bn (July 2011: £4.7bn) and comprises 35 bid situations across our target markets, with the highest value of bids being in central government, followed by defence, local government and life and pensions. Behind this is an active prospect list of opportunities, including a number of bids which are expected to reach shortlist stage shortly.

**Contract rebids:** Over the next 7 years to 31 December 2019, we only have 2 material contracts (defined as having annual revenue in excess of 1% of 2011 turnover) due for rebid - the Criminal Records Bureau (CRB) contract in 2013, where the bid process is now underway, and the Phoenix contract in 2019.

***Stimulating growth through acquisition***

Acquisitions play a key role in Capita's business model and we have secured some excellent opportunities in 2011 which add value to our proposition and make a valuable contribution to our growth. We focus on acquiring small to medium sized companies which widen our skill base and knowledge, enhance our client propositions, extend our presence in existing markets or provide a foothold in a new market. We have substantial experience of integrating acquired businesses and swiftly achieving synergies with our existing operations. In 2011, we completed 21 acquisitions for a total consideration of £341m, in the following key areas:

- **Customer management:** Ventura and the private sector division of Vertex acquired for a combined total of £105.5m, enhancing our existing customer management offering and opening up new market opportunities in the private sector
- **IT services:** Cedar HR Software and Beat Systems acquired for a combined consideration of £23m which provide further skills and relationships in Capita's newest target market, emergency services
- **Financial services:** AIB Group's international financial services and trust services businesses acquired for a combined consideration of £41.5m, further strengthening our existing offering in this sector
- **Pensions administration:** NorthgateArinso's pensions administration and software business acquired for £27.5m, bringing new expertise and capacity to Capita Hartshead, the UK's leading administrator of occupational pension schemes
- **Health:** Acquisitions of Team 24, a specialist healthcare recruitment company, for £24m and the health and government divisions of Tribal, for £16.5m, adding established relationships and key new capabilities and scale to the range of services Capita provides to the NHS and wider healthcare and government markets
- **Document management:** Right Document Solutions acquired for £30m, building upon Capita's existing design, bulk print and document management capabilities and providing a good strategic fit with a number of our professional services businesses

- **Translation services:** Applied Language Solutions and Salmat Speech Solutions UK operations, providers of translation and interpreting services to the public and private sectors, acquired for a combined consideration of £7.6m.

Our focus is now on achieving the successful integration of these businesses and realising synergies. We expect our acquisition activity to slow going forward in 2012 as organic growth regains momentum.

**Our market opportunities**

Leading independent industry analysts, IDC, estimate that the total market for BPO in the UK in 2011 was £8.1bn (2010: £7.8bn) with Capita remaining the clear market leader, maintaining 23% market share (2010: 23%). The overall market potential for BPO in the UK is estimated at £117bn a year demonstrating the substantial capacity for long term growth. In 2011, we gained business across both the public and private sectors and the sector split of our revenues currently stands at 52% private/48% public (2010: 50%/50%).[4]

***Drivers for outsourcing in 2012***

In the current economic climate, where organisations are facing difficult decisions about how best to allocate resources to protect their frontline activities and long term sustainability, outsourcing is seen as an essential part of a cost efficient operating model. By moving from in-house service provision to a specialist third party provider, government and commercial entities can benefit from economies of scale and flexible delivery options that fit their service requirements, enabling them to focus on their core activities. With our wealth of experience of transforming processes, people management and effective ICT, together with our flexible delivery network, we are well positioned in this marketplace.

***Private sector:*** Commercial organisations are facing continued pressure to maintain their competitive position by driving down operational costs and introducing new products to market faster whilst maintaining high levels of customer service. Organisations can clearly benefit from the higher productivity, enhanced operational capabilities and flexible capacity that an experienced outsourcing partner can provide. We saw sales activity pick up in 2011 following the delay in decisions experienced in 2009 and 2010 and we expect to see further progress in 2012. We are particularly active in the UK life and pensions and wider financial services markets. Several of our recent acquisitions bring with them high level relationships across a wide range of industries, including retail, utilities and telecoms and we are actively looking to grow these relationships.

***Public sector:*** The ongoing pressure to reduce budgets whilst maintaining frontline services is creating a steady pipeline of opportunities in the public sector, particularly across local government and increasingly in central government. The 2011 Open Public Services White Paper confirmed the Government’s commitment to reform and open service provision to a wide range of suppliers and to explore a spectrum of engagement models, such as joint ventures, mutuals and other employee ownership and cooperative models. We have a strong track record of developing bespoke service delivery models that meet the long term needs of our clients and the current and future expectations of the public.

**Increasing our resources and infrastructure**

The strength of our offering is a result of our proactive development of the Group’s capability and infrastructure, ensuring that we have the right resources in place to deliver tailored service solutions for our clients. We harness the extensive skills and resources that we have internally across the Group and work with partners, SMEs and third sector organisations to meet each client’s specific needs.

By offering clients onshore, nearshore, offshore or blended service delivery options over a timeframe that suits their organisational objectives, we can offer maximum flexibility, quality and cost savings. In 2011, we established a new European business centre in Krakow, Poland, which extends our flexible service delivery network. The centre is now operational and will be servicing the expanded Zurich relationship as well as a number of Capita’s existing clients in English and other core European languages. The centre in Krakow is located close to the city centre and the university and can therefore access a skilled, multi-lingual workforce. We have a 550 seat capacity and expect to expand as we transition some existing operations from the UK.

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[4] *IDC 2010 and 2011*

Our employees join us through direct recruitment, contracts or acquisitions and their commitment and enthusiasm play a vital role in helping us to meet client expectations and sustain our growth. Against a backdrop of challenging market conditions during 2011, the effort made by our 46,500 employees has been outstanding. In the year, we further strengthened our management teams to prepare us for our next stage of growth and to ensure we have the strongest operational team in place to maintain our track record of quality service delivery to our clients. We attracted some excellent new senior people, employing approximately 100 new managers and specialists, and also promoted talent from within our existing workforce. The Board would like to take this opportunity to thank all our people for their continued hard work and dedication which underpins Capita's performance.

**Group Board**

Capita Non-Executive Director Paddy Doyle has decided to retire from Capita and will be stepping down from the Board at the end of March 2012. Paddy joined Capita in 1992, was appointed to the Board as an Executive Director in 1994 and became a Non-Executive Director in 2010.

The Board has valued Paddy's insight and guidance and the significant contribution he has brought to Capita throughout his career. The Board and his Capita colleagues wish him the very best.

**Future prospects**

We already have good visibility of stronger revenue growth in 2012 due to renewed organic growth from our major contract sales performance in 2011 and to date in 2012 and the contribution from 2011 acquisitions. This visibility and the current buoyant sales environment, evidenced by the rapid replenishment of our bid pipeline, underpin our confidence in good growth prospects and performance for 2012 and beyond.

**-Ends-**

# Preliminary Statement

## Consolidated income statement

**for the year ended 31 December 2011**

| | | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Underlying £m | Non-underlying £m | Total £m | Underlying £m | Non-underlying £m | Total £m |
| **Continuing operations:** | | | | | | | |
| **Revenue** | 1 | **2,930.2** | **-** | **2,930.2** | 2,744.0 | - | 2,744.0 |
| Cost of sales | | **2,094.7** | **-** | **2,094.7** | 1,950.4 | - | 1,950.4 |
| Gross profit | | **835.5** | **-** | **835.5** | 793.6 | - | 793.6 |
| Administrative expenses | 2 | **408.1** | **71.9** | **480.0** | 398.5 | 47.8 | 446.3 |
| **Operating profit** | 1 | **427.4** | **(71.9)** | **355.5** | 395.1 | (47.8) | 347.3 |
| Net finance costs | 3 | **(42.0)** | **(10.4)** | **(52.4)** | (31.8) | (6.6) | (38.4) |
| Investment (expense)/income | | **(0.2)** | **-** | **(0.2)** | 0.9 | - | 0.9 |
| **Profit before tax** | | **385.2** | **(82.3)** | **302.9** | 364.2 | (54.4) | 309.8 |
| Income tax expense | | **(90.5)** | **25.6** | **(64.9)** | (89.2) | 14.4 | (74.8) |
| **Profit for the year** | | **294.7** | **(56.7)** | **238.0** | 275.0 | (40.0) | 235.0 |
| **Attributable to:** | | | | | | | |
| Equity holders of the parent | | **294.7** | **(56.7)** | **238.0** | 275.0 | (40.0) | 235.0 |
| **Earnings per share** | 4 | | | | | | |
| - basic | | **48.49p** | **(9.33)p** | **39.16p** | 44.98p | (6.54)p | 38.44p |
| - diluted | | **48.38p** | **(9.31)p** | **39.07p** | 44.48p | (6.47)p | 38.01p |

# Preliminary Statement

## Consolidated statement of comprehensive income

**for the year ended 31 December 2011**

| | 2011 £m | 2011 £m | 2010 £m | 2010 £m |
|---|---|---|---|---|
| **Profit for the year** | | **238.0** | | 235.0 |
| **Other comprehensive income/(expense):** | | | | |
| Actuarial losses on defined benefit pension schemes | **(104.4)** | | (14.1) | |
| Income tax effect | **24.1** | | 2.7 | |
| | | **(80.3)** | | (11.4) |
| Exchange differences on translation of foreign operations | | **2.1** | | 1.1 |
| (Losses)/gains on cash flow hedges arising during the year | **(16.5)** | | 2.8 | |
| Reclassification adjustments for gains included in the income statement | **(5.0)** | | (2.0) | |
| Income tax effect | **5.6** | | (0.2) | |
| | | **(15.9)** | | 0.6 |
| **Other comprehensive expense for the year net of tax** | | **(94.1)** | | (9.7) |
| **Total comprehensive income for the year net of tax** | | **143.9** | | 225.3 |
| **Attributable to:** | | | | |
| Equity holders of the parent | | **143.9** | | 225.3 |

# Preliminary Statement

## Consolidated balance sheet

**at 31 December 2011**

| | Notes | 2011 £m | 2010 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **330.2** | 291.4 |
| Intangible assets | | **1,828.9** | 1,416.0 |
| Financial assets | | **293.8** | 237.4 |
| Trade and other receivables | | **65.8** | 66.8 |
| | | **2,518.7** | 2,011.6 |
| **Current assets** | | | |
| Financial assets | | **3.0** | 6.0 |
| Funds receivables* | 7 | **98.0** | 100.0 |
| Trade and other receivables | | **846.3** | 704.2 |
| Cash | | **71.5** | 38.5 |
| | | **1,018.8** | 848.7 |
| **Total assets** | | **3,537.5** | 2,860.3 |
| **Current liabilities** | | | |
| Trade and other payables | | **936.5** | 836.5 |
| Financial liabilities | | **36.5** | 115.8 |
| Funds payables* | 7 | **107.1** | 117.0 |
| Provisions | 6 | **17.0** | 26.3 |
| Income tax payable | | **47.0** | 42.9 |
| | | **1,144.1** | 1,138.5 |
| **Non-current liabilities** | | | |
| Trade and other payables | | **20.0** | 54.0 |
| Financial liabilities | | **1,695.9** | 1,084.6 |
| Deferred taxation | | **21.0** | 31.8 |
| Provisions | 6 | **46.7** | 31.3 |
| Employee benefits | | **85.7** | 24.6 |
| | | **1,869.3** | 1,226.3 |
| **Total liabilities** | | **3,013.4** | 2,364.8 |
| **Net assets** | | **524.1** | 495.5 |
| **Capital and reserves** | | | |
| Issued share capital | | **13.0** | 13.0 |
| Share premium | | **459.4** | 454.9 |
| Employee benefit trust & treasury shares | | **(0.4)** | (0.5) |
| Capital redemption reserve | | **1.8** | 1.8 |
| Foreign currency translation reserve | | **7.5** | 5.4 |
| Net unrealised gains reserve | | **(7.5)** | 8.4 |
| Retained earnings | | **50.3** | 12.5 |
| **Equity shareholders' funds** | | **524.1** | 495.5 |

Included in aggregate financial liabilities is an amount of £1,432.2m (2010: £1,016.4m) 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 £256.8m included in financial assets and £0.9m included in financial liabilities (2010: £194.3m included in financial assets and £11.4m included in financial liabilities). Consequently, this gives an effective liability of £1,176.3m (2010: £833.5m).

* These balances are related to investors' purchase or redemption of units in Investment Funds of which Capita Financial Managers Limited, our unit trust administration business, is an Authorised Corporate Director. The comparatives have been restated – see note 7.

# Preliminary Statement

## Consolidated statement of changes in equity

**for the year ended 31 December 2011**

| | Share capital £m | Share premium £m | Employee benefit trust shares £m | Capital redemption reserve £m | Retained earnings £m | Foreign currency translation reserve £m | Net unrealised gains reserve £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2010 | 12.9 | 435.2 | (0.2) | 1.8 | 4.4 | 4.3 | 7.8 | 466.2 |
| Profit for the year | - | - | - | - | 235.0 | - | - | 235.0 |
| Other comprehensive expense | - | - | - | - | (11.4) | 1.1 | 0.6 | (9.7) |
| Total comprehensive income for the year | - | - | - | - | 223.6 | 1.1 | 0.6 | 225.3 |
| Share based payment | - | - | - | - | 10.2 | - | - | 10.2 |
| Purchase of own shares | - | - | (0.3) | - | (115.9) | - | - | (116.2) |
| Income tax deduction on exercise of stock options | - | - | - | - | 4.0 | - | - | 4.0 |
| Deferred income tax relating to share based payments | - | - | - | - | (4.7) | - | - | (4.7) |
| Shares issued | 0.1 | 19.7 | - | - | - | - | - | 19.8 |
| Equity dividends paid | - | - | - | - | (109.1) | - | - | (109.1) |
| At 1 January 2011 | 13.0 | 454.9 | (0.5) | 1.8 | 12.5 | 5.4 | 8.4 | 495.5 |
| Profit for the year | **-** | **-** | **-** | **-** | **238.0** | **-** | **-** | **238.0** |
| Other comprehensive expense | **-** | **-** | **-** | **-** | **(80.3)** | **2.1** | **(15.9)** | **(94.1)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **-** | **157.7** | **2.1** | **(15.9)** | **143.9** |
| Share based payment | **-** | **-** | **-** | **-** | **8.3** | **-** | **-** | **8.3** |
| Income tax deduction on exercise of stock options | **-** | **-** | **-** | **-** | **(3.8)** | **-** | **-** | **(3.8)** |
| Deferred income tax relating to share based payments | **-** | **-** | **-** | **-** | **0.7** | **-** | **-** | **0.7** |
| Shares issued | **-** | **4.5** | **0.1** | **-** | **(0.1)** | **-** | **-** | **4.5** |
| Equity dividends paid | **-** | **-** | **-** | **-** | **(125.0)** | **-** | **-** | **(125.0)** |
| At 31 December 2011 | **13.0** | **459.4** | **(0.4)** | **1.8** | **50.3** | **7.5** | **(7.5)** | **524.1** |

# Preliminary Statement

## Consolidated cash flow statement

**for the year ended 31 December 2011**

| | **2011 £m** | 2010 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating profit on continuing activities before interest and taxation | **355.5** | 347.3 |
| Depreciation | **70.2** | 70.3 |
| Amortisation of other intangible assets (treated as depreciation) | **0.2** | 0.2 |
| Amortisation of intangible assets recognised on acquisition | **67.7** | 41.3 |
| Share based payment expense | **8.3** | 10.2 |
| Pensions | **(33.3)** | (21.4) |
| Loss on sale of property, plant and equipment | **0.7** | 0.8 |
| Movement in provisions | **(9.2)** | 7.5 |
| Net movement in payables and receivables | **(96.1)** | (13.8) |
| **Cash generated from operations before settlements** | **364.0** | 442.4 |
| Settlement of Arch Cru | **(17.9)** | - |
| Settlement of Cumbria pension deficit | **(10.0)** | - |
| **Cash generated from operations** | **336.1** | 442.4 |
| Income tax paid | **(62.6)** | (70.8) |
| Net interest paid | **(42.0)** | (31.8) |
| **Net cash inflow from operating activities** | **231.5** | 339.8 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(102.3)** | (98.5) |
| Purchase of intangible assets | **(8.0)** | - |
| Proceeds from sale of property, plant and equipment | **0.1** | 0.1 |
| Acquisition of subsidiary undertakings and businesses | **(352.2)** | (208.5) |
| Debt repaid on acquisition of subsidiaries | **(22.3)** | (95.7) |
| Overdraft acquired with subsidiary undertakings | **(9.6)** | (7.2) |
| Purchase of financial assets | **(0.2)** | (1.1) |
| Investment loan | **-** | 0.5 |
| Return on investment in joint venture | **0.3** | 0.5 |
| **Net cash outflow from investing activities** | **(494.2)** | (409.9) |
| **Cash flows from financing activities** | | |
| Issue of ordinary share capital | **4.5** | 19.8 |
| Share buybacks | **-** | (115.7) |
| Share transaction costs | **-** | (0.5) |
| Dividends paid | **(125.0)** | (109.1) |
| Capital element of finance lease rental payments | **(1.0)** | (0.6) |
| Instalment debtor movement | **14.2** | 6.6 |
| Asset based securitised financing | **(11.7)** | (5.4) |
| Repayment of loan notes and long term debt | **-** | (217.4) |
| Proceeds on issue of debt | **339.8** | 252.9 |
| Revolving credit facility | **178.0** | - |
| Financing arrangement costs | **(3.2)** | (2.3) |
| **Net cash inflow/(outflow) from financing activities** | **395.6** | (171.7) |
| **Net increase/(decrease) in cash and cash equivalents** | **132.9** | (241.8) |
| Cash and cash equivalents at the beginning of the period | **(60.3)** | 181.5 |
| Impact of movement in exchange rates | **(1.1)** | - |
| **Cash and cash equivalents at 31 December** | **71.5** | (60.3) |
| **Cash and cash equivalents comprise:** | | |
| Overdrafts | **-** | (98.8) |
| Cash at bank and in hand | **71.5** | 38.5 |
| **Total** | **71.5** | (60.3) |

# Preliminary Statement

## Notes to the preliminary statement

**for the year ended 31 December 2011**

### 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. The information disclosed below represents the way in which the results of the businesses are reported to the Group Board. The comparative figures have been restated due to a reorganisation of the Group's business segments during the year and a consequent change in the way in which the results of the businesses are reported to the Group Board.

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 2011 and 2010.
All operations are continuing.

**Year ended 31 December 2011**

| **Underlying segment revenue** | **Health Services** £m | **Property Services** £m | **General Insurance Services** £m | **Investor & Banking Services** £m | **Integrated Services** £m | **IT Services & Consulting** £m | **Life & Pensions Services** £m | **Professional Services** £m | **Workplace Services** £m | **Total** £m |
|---|---|---|---|---|---|---|---|---|---|---|
| Total segment revenue | **162.0** | **275.9** | **183.5** | **223.5** | **333.4** | **749.0** | **639.3** | **503.8** | **310.9** | **3,381.3** |
| Inter-segment revenue | **(29.0)** | **(20.0)** | **-** | **(10.6)** | **(5.7)** | **(148.7)** | **(94.2)** | **(114.8)** | **(28.1)** | **(451.1)** |
| Third party revenue | **133.0** | **255.9** | **183.5** | **212.9** | **327.7** | **600.3** | **545.1** | **389.0** | **282.8** | **2,930.2** |
| **Underlying segment result** | | | | | | | | | | |
| Result after depreciation | **26.2** | **13.4** | **29.0** | **55.5** | **63.2** | **56.0** | **56.9** | **97.3** | **38.2** | **435.7** |
| Share based payment | **(0.3)** | **(0.6)** | **(0.7)** | **(0.6)** | **(2.0)** | **(0.5)** | **(1.0)** | **(1.6)** | **(1.0)** | **(8.3)** |
| **Underlying operating profit** | **25.9** | **12.8** | **28.3** | **54.9** | **61.2** | **55.5** | **55.9** | **95.7** | **37.2** | **427.4** |
| **Non-underlying** | | | | | | | | | | |
| Intangible amortisation | **(8.5)** | **(3.7)** | **(7.4)** | **(6.5)** | **(2.9)** | **(18.6)** | **(5.9)** | **(8.4)** | **(5.8)** | **(67.7)** |
| Acquisition costs | **(1.7)** | **(0.3)** | **(0.8)** | **(2.0)** | **(3.2)** | **(3.8)** | **-** | **(2.8)** | **(0.8)** | **(15.4)** |
| Contingent consideration movement | **-** | **13.2** | **2.5** | **(4.5)** | **-** | **-** | **-** | **-** | **-** | **11.2** |
| **Operating profit** | **15.7** | **22.0** | **22.6** | **41.9** | **55.1** | **33.1** | **50.0** | **84.5** | **30.6** | **355.5** |
| Net underlying finance costs | | | | | | | | | | **(42.0)** |
| Financial instruments – mark to market | | | | | | | | | | **(7.1)** |
| Investment expense | | | | | | | | | | **(0.2)** |
| Currency swaps' counterparty risk – mark to market | | | | | | | | | | **(3.3)** |
| **Profit before tax** | | | | | | | | | | **302.9** |
| Corporation taxation | | | | | | | | | | **(64.9)** |
| **Profit after tax** | | | | | | | | | | **238.0** |

Year ended 31 December
2010

| Underlying segment revenue | Health Services £m | Property Services £m | General Insurance Services £m | Investor & Banking Services £m | Integrated Services £m | IT Services & Consulting £m | Life & Pensions Services £m | Professional Services £m | Workplace Services £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|---|
| Total segment revenue | 115.2 | 328.5 | 184.9 | 191.6 | 266.2 | 598.2 | 621.1 | 572.6 | 305.7 | 3,184.0 |
| Inter-segment revenue | (28.3) | (19.5) | - | (10.4) | (5.6) | (145.0) | (91.9) | (112.1) | (27.2) | (440.0) |
| Third party revenue | 86.9 | 309.0 | 184.9 | 181.2 | 260.6 | 453.2 | 529.2 | 460.5 | 278.5 | 2,744.0 |
| Underlying segment result | | | | | | | | | | |
| Result after depreciation | 16.0 | 26.9 | 25.1 | 42.9 | 50.6 | 57.5 | 59.6 | 91.5 | 35.2 | 405.3 |
| Share based payment | (0.2) | (1.3) | (1.8) | (0.7) | (2.4) | (0.6) | (0.9) | (1.1) | (1.2) | (10.2) |
| Underlying operating profit | 15.8 | 25.6 | 23.3 | 42.2 | 48.2 | 56.9 | 58.7 | 90.4 | 34.0 | 395.1 |
| Non-underlying | | | | | | | | | | |
| Intangible amortisation | (4.7) | (3.4) | (5.5) | (6.4) | - | (10.0) | (4.9) | (5.1) | (1.3) | (41.3) |
| Acquisition costs | (0.8) | (0.5) | (0.7) | (0.9) | - | (2.2) | (0.7) | (0.4) | (0.3) | (6.5) |
| Operating profit | 10.3 | 21.7 | 17.1 | 34.9 | 48.2 | 44.7 | 53.1 | 84.9 | 32.4 | 347.3 |
| Net underlying finance costs | | | | | | | | | | (31.8) |
| Financial instruments – mark to market | | | | | | | | | | (6.6) |
| Investment gain | | | | | | | | | | 0.9 |
| Profit before tax | | | | | | | | | | 309.8 |
| Corporation taxation | | | | | | | | | | (74.8) |
| Profit after tax | | | | | | | | | | 235.0 |

## 2 Administrative expenses

Included within Administrative expenses, disclosed in the column headed 'Non-underlying', are the following:

| | 2011 £m | 2010 £m |
|---|---|---|
| Intangible amortisation | **67.7** | 41.3 |
| Professional fees re acquisitions | **13.3** | 5.5 |
| Stamp duty paid on acquisitions | **2.1** | 1.0 |
| Contingent consideration released | **(11.2)** | - |
| Total | **71.9** | 47.8 |

In 2011, underlying profit was impacted by a number of notable items: higher restructuring costs (including redundancies) of £8.0m, higher insurance captive claims of £14.0m offset by a past service credit of £23.9m which includes the reduction in pension liabilities due to the move from RPI to CPI.

### 3 Net finance costs

Included within net finance costs, disclosed in the column headed 'Non-underlying' are the following:

| | 2011 £m | 2010 £m |
|---|---|---|
| Callable swaps - mark to market | **7.2** | 6.6 |
| Foreign exchange forward contracts (non-hedged) – mark to market | **(0.1)** | - |
| Currency swap's counterparty risk – mark to market* | **3.3** | - |
| | **10.4** | 6.6 |

*The mark to market movement on currency swaps represents the extent to which the fair value of these instruments has been affected by the perceived change in the creditworthiness of the counterparties to those instruments. The Group is comfortable that the risk attached to those counterparties is not significant and believes that the currency swaps continue to act as an effective hedge against the movements in the fair value of the Group's issued US$ denominated bonds.

### 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:

| | 2011 £m | 2010 £m |
|---|---|---|
| Net profit attributable to ordinary equity holders of the parent from operations | **238.0** | 235.0 |

| | 2011 million | 2010 million |
|---|---|---|
| Weighted average number of ordinary shares (excluding trust and treasury shares) for basic earnings per share | **607.7** | 611.3 |
| Dilutive potential ordinary shares: | | |
| Employee share options | **1.4** | 7.0 |
| Weighted average number of ordinary shares (excluding trust and treasury shares) adjusted for the effect of dilution | **609.1** | 618.3 |

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 underlying earnings attributable to ordinary equity holders of the parent of £294.7m (2010: £275.0m) and, after underlying costs, earnings of £238.0m (2010: £235.0m). They are included as they provide a better understanding of the underlying trading performance of the Group.

| | | 2011 p | 2010 p |
|---|---|---|---|
| Basic earnings per share: | - Underlying | **48.49** | **44.98** |
| | - After non-underlying | **39.16** | **38.44** |
| Diluted earnings per share: | - Underlying | **48.38** | **44.48** |
| | - After non-underlying | **39.07** | 38.01 |

### 5 Dividends paid and proposed

| | 2011 £m | 2010 £m |
|---|---|---|
| Declared and paid during the year | | |
| Ordinary shares (equity): | | |
| Final for 2010 paid: 13.4p per share (2009: 11.2p per share) | **81.2** | 69.1 |
| Interim for 2011 paid: 7.2p per share (2010: 6.6p per share) | **43.8** | 40.0 |
| | **125.0** | 109.1 |
| Proposed for approval at AGM (not recognised as a liability at 31 December) | | |
| Ordinary shares (equity): | | |
| Final for 2011: 14.2p per share (2010: 13.4p per share) | **86.4** | 81.2 |

### 6 Provisions

| | Insurance captive provision £m | Property provision £m | Arch cru £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2011 | 27.0 | 9.3 | 18.5 | 2.8 | 57.6 |
| Utilisation | (23.9) | (1.5) | (17.9) | (1.8) | (45.1) |
| Additional provisions in the year | 17.2 | (0.6) | - | 1.4 | 18.0 |
| Provisions acquired | - | 33.2 | - | - | 33.2 |
| At 31 December 2011 | **20.3** | **40.4** | **0.6** | **2.4** | **63.7** |

The insurance provision is made in relation to the Group's Professional Indemnity, Motor and Employee Liability exposures. The Group uses a captive insurer to reduce the cost of providing this cover for its operations; claims that are in excess of the Captive's liability are reinsured with a number of large insurance underwriters. The Group makes provision when a claim has been made where it is more probable than not that an insured loss will occur. These provisions are reassessed regularly to ensure that the level of provisioning is consistent with the claims that have been reported. In the year the Group has settled a number of insurance liabilities which it had provided for in previous years. Additionally it has made provision for new claims and increased or decreased existing provisions where more information on the progress of the claim has become available.

Within the provisions acquired in the year is included a discounted provision for the difference between the market value of the property leases acquired with Ventura and Vertex and the lease obligations committed to at the date the leases were signed by the previous owners. This is in accordance with IFRS 3 (revised) which requires the use of fair value measurement. The remaining property provision is made on a discounted basis for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations. The expectation is that this expenditure will be incurred over the remaining periods of the leases which range from 1 to 15 years.

Arch cru Funds – On 21 June 2011, Capita Financial Managers Limited ("CFM") agreed with the FSA to contribute to and administer a package for investors holding shares in sub funds of Arch Cru investments. Under the terms of the agreement, CFM along with the depositaries to the funds voluntarily contributed to the establishment of a £54m payment scheme. CFM's contributions to this payment scheme were already provided for within the 2009 accounts. The Directors anticipate that no further provisions are required.

Other relates to provisions in respect of potential claims arising due to the nature of some of the operations that the Group provide. These are likely to unwind over a period of 1 to 3 years.

### 7 Funds receivables and payables

| | 2011 £m | 2010 £m |
|---|---|---|
| Funds receivables | **98.0** | 100.0 |
| Funds payables | **(107.1)** | (117.0) |

These balances relate to investors' purchase or redemption of units in Investment Funds of which Capita Financial Managers Limited, our unit trust administration business, is an Authorised Corporate Director. The balances are due to and from the investors and Investment Funds. The parties to the trade are permitted to take advantage of a four day settlement period between initiation and settlement of the trade. Historically, the Group has not presented these balances gross, as they believed that the impact on the Group accounts was immaterial. However, as these balances have become more significant, management has taken the decision to present them separately in the consolidated balance sheet.

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

| | Net Debt at 1 January 2011 £m | Acquisitions in 2011 (exc. cash) £m | Cash flow movements £m | Non-cash flow movements £m | Net debt at 31 December 2011 £m |
|---|---|---|---|---|---|
| Cash | **38.5** | **-** | **34.1** | **(1.1)** | **71.5** |
| Overdraft and bank loans | **(98.8)** | **-** | **98.8** | **-** | **-** |
| Cash and cash equivalents | **(60.3)** | **-** | **132.9** | **(1.1)** | **71.5** |
| Loan notes | **(2.3)** | **-** | **-** | **-** | **(2.3)** |
| Bonds † | **(1,016.4)** | **-** | **(339.2)** | **(76.6)** | **(1,432.2)** |
| Revolving credit facility | **-** | **-** | **(175.4)** | **(0.7)** | **(176.1)** |
| Currency swaps in relation to US$ denominated bonds † | **178.5** | **-** | **-** | **63.9** | **242.4** |
| Interest rate swaps in relation to GBP denominated bonds † | **4.4** | **-** | **-** | **9.1** | **13.5** |
| Long term debt | **-** | **(22.3)** | **22.3** | **-** | **-** |
| Finance leases | **(2.4)** | **-** | **1.0** | **(1.7)** | **(3.1)** |
| Underlying net debt | **(898.5)** | **(22.3)** | **(358.4)** | **(7.1)** | **(1,286.3)** |
| Asset based securitised finance* | **(11.7)** | **-** | **11.7** | **-** | **-** |
| Callable swaps | **(37.5)** | **-** | **-** | **(7.2)** | **(44.7)** |
| | **(947.7)** | **(22.3)** | **(346.7)** | **(14.3)** | **(1,331.0)** |

The aggregate bond fair value above of £1,432.2m (2010: £1,016.4m) (included in aggregate Financial liabilities) includes the GBP value of the US$ denominated bonds at 31 December 2011. 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 sum of these items held at fair value equates to the underlying value of the Group's bond debt of £1,176.3m (2010: £833.5m).

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

| | Net Debt at 1 January 2010 £m | Acquisitions in 2010 (exc. cash) £m | Cash flow movements £m | Non-cash flow movements £m | Net debt at 31 December 2010 £m |
|---|---|---|---|---|---|
| Cash | 181.5 | - | (143.0) | - | 38.5 |
| Overdraft and bank loans | - | - | (98.8) | - | (98.8) |
| Cash and cash equivalents | 181.5 | - | (241.8) | - | (60.3) |
| Loan notes | (2.6) | - | 0.7 | (0.4) | (2.3) |
| Bonds † | (720.5) | - | (252.9) | (43.0) | (1,016.4) |
| Term debt | (198.0) | - | 200.0 | (2.0) | - |
| Currency swaps in relation to US$ denominated bonds † | 136.0 | - | - | 42.5 | 178.5 |
| Interest rate swaps in relation to GBP denominated bonds † | 3.3 | - | - | 1.1 | 4.4 |
| Long term debt | (2.8) | (109.6) | 112.4 | - | - |
| Finance leases | (1.4) | (1.6) | 0.6 | - | (2.4) |
| Underlying net debt | (604.5) | (111.2) | (181.0) | (1.8) | (898.5) |
| Asset based securitised finance* | (17.1) | - | 5.4 | - | (11.7) |
| Callable swaps | (30.9) | - | - | (6.6) | (37.5) |
| | (652.5) | (111.2) | (175.6) | (8.4) | (947.7) |

**9 Preliminary announcement**

The preliminary announcement is prepared in accordance with International Financial Reporting Standards as adopted by the European Union. A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 22nd February 2012. The announcement represents non-statutory accounts within the meaning of the Companies Act 2006. The statutory accounts for the year ended 31 December 2011, upon which an unqualified audit opinion has been given and which did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006, 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, or on the Company's corporate website www.capita.co.uk/investors/Pages/Investors.aspx.

It is intended that the Annual Report and Accounts will be posted to shareholders in April 2012. It will be available to members of the public at the registered office and on the Company's Corporate website www.capita.co.uk/investors/Pages/Investors.aspx from that date.

## 10 Statement of Directors responsibilities

The Directors confirm that, to the best of their knowledge the consolidated financial statements in this report, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole and that the management report contained in this report includes a fair review of the development and performance of the business.