07-03-95

THE CAPITA GROUP PLC

REPORT AND ACCOUNTS

31ST DECEMBER, 1994

Company Number 2081330

07-03-95

1994 REPORT AND ACCOUNTS

CHAIRMAN'S STATEMENT

Results

During the 12 months to 31st December 1994, Group turnover increased 47% to £73.8m (£50.2m). Operating profits rose 44% to £7.2m (£5.0m) and net profits before tax rose 45% to £7.9m (£5.46m). Net profits include a contribution of £0.5m from the sale and leaseback of our freehold property in Kent. Earnings per share grew by 33% to 10.5p (7.9p).

Capita will shortly enter its 7th year as a public company. During this period, profits have grown at a compound rate of 39% per annum, earnings per share at 25% per annum and dividends at 32% per annum. The opportunities for growth remain considerable and accordingly, we are now investing substantially to capitalise upon our favourable position.

Dividends

Your Board is recommending a final dividend of 2.2p net per Ordinary share, making a total for the year of 3.3p net (2.55p net), a 29% increase. The total dividend is covered 3.2 times by the earnings per Ordinary share for the year. The final dividend will be payable on 27th April 1995 to Ordinary shareholders on the Register at the close of business on 23rd March 1995.

Balance Sheet and Cashflow

We attach considerable importance to maintaining a strong and conservatively financed balance sheet. We bel'eve this is appropriate given the long term contractual arrangements we have with many customers. At 31st December 1994, net assets were £8.4m (31st December 1993: £6.9m). Cash balances amounted to £9.7m.

Operating cashflow from trading activities was positive, thus enabling the Group to invest over £6.2m in the cash element of acquisitions. The Group continues to focus on the strong management of working capital.

Outsourcing Division

The Division provides, on long term contracts, a range of white collar services designed to help clients enhance their customer services and to improve value for money. These range from the management of IT and revenue services to the provision of specialist licensed software products.

Our Outsourcing Division continues to make sound progress. Revenues advanced by 67% to £51.2m (£30.6m) and profits by 87% to £4.76m (£2.55m).

Capita Managed Services currently operates 32 contracts, 20 involving IT services and 12 the operation of revenue services. All these contracts have been awarded by customers because they have decided, on a voluntary basis, to outsource services. In local government, the increasing pressure on budgets, and not the political agenda, is the principal driving force to have non-core services externally managed. Of the 49 IT contracts let in the market since 1989, over 60% have been with non-Tory controlled authorities.

Whilst Capita remains a strong supporter of the present voluntary process, there can be no doubt that the announcement of the timetable to expose local authority finance and IT services to compulsory competition will considerably increase the activity in this market. The timetable requires that more than 500 local authorities must have met competition requirements for services valued at over £2 billion by dates ranging from October 1996 to October 2000. In response to the opportunities that this will create, we have upgraded our sales resource to ensure that we are able to respond to the accelerating bid activity we anticipate in 1995.

Also, in readiness for increased activity, the Group opened in December its purpose-built computer centre at Kingshill Business Park in Kent, from where it already provides services to 20 organisations. A centre at Bromley was also opened to host a number of the Group's contracts to provide exchequer and revenues services to local authorities. These centres, coupled with the two sites at Cardiff and Mendip, represent a significant commitment to the outsourcing market and provide considerable scope to operate additional contracts on these sites over the years ahead. The Group now supports more than 17,000 terminals on a network to 1,000 organisations and runs payroll for over 250,000 people. We collect £1.4bn of local authority revenues, deal with 1 million council tax payers and administer benefits for 75,000 claimants.

Quality will continue to be a major differentiator, and in this respect, we are pleased to report that our Cardiff centre achieved BS5750 accreditation and we became the first private sector contractor to be awarded a Charter Mark for our activities at East Cambridgeshire District Council.

In 1994, the local government outsourcing market was affected by the uncertainties arising from the Local Government Review which involved over 90% of all local authorities. Although we announced £15m of new contracts in November 1994, we took the decision to develop other markets including central government, the utilities and the private sector. This strategy has been a success and I am pleased to announce that Capita Managed Services has been awarded contracts over the past three months by TSB plc and Westland Helicopters Limited with an aggregate value of £13m.

In April 1994, we acquired the business of John Crilley & Son, for a consideration of £1.05m. This business has been merged with Capita's existing debt collection company to form the second largest collection agency in the UK. The enlarged company supports a number, though not all, of our managed services contracts in the revenue collection area. Since acquisition, we have invested heavily in streamlining the office network and introducing new technology. We expect the benefits of this to flow through in 1995.

Our local government software business, marketed under the Academy brand name, has also developed well during 1994. We now have over 370 systems installed under licence in the market. Our suite of revenue systems is a market leader, being used by the three local authorities with the highest collection rate for Council Tax.

In June, we acquired SIMS Holdings Limited, the UK's leading supplier of administration and management support systems to the education market, for an initial consideration of £6m. SIMS has performed well since acquisition. With software provided to 97 out of the 116 Local Education Authorities (LEAs) representing 20,000 of the 26,000 schools, SIMS is well placed to make strong progress in the developing education sector in 1995. As well as opportunities to sell further products to existing clients and existing products to new clients, there is also a growing market for outsourcing. SIMS has already won two of these five-year contracts from LEAs in 1994 to provide support of operations for schools.

Advisory Division

The Division provides business advisory services designed to assist clients to improve performance and to provide services in a more cost effective manner. These range from management consultancy to training and corporate finance to public relations.

Our Advisory Division's turnover decreased by 10% to £9.1m (£10.1m) whilst profits increased by 4% to £1.32m (£1.27m).

Capita Management Consultancy has enjoyed an excellent year, making record profits. It continues to strengthen its position as a provider of consultancy to both central and local government, undertaking prestigious assignments for clients including the Department of Transport and Employment Service.

Capita Contract Professionals, the smallest of Capita's subsidiaries, provides clients with professional interim managers. The company had a quiet year and, following restructuring, now stands well placed to develop in 1995.

Our Corporate Finance business made a strong start to 1994, winning important advisory assignments from two subsidiaries of London Buses Limited. In the second half, greater emphasis has been placed on winning mandates in the private sector market and opportunities arising from developments such as the Private Finance Initiative.

Our international training and consultancy business, RIPA International, has continued to encounter competitive market conditions. In response to this, we have recently strengthened the board with two senior appointments and have focused upon developing new, higher added value services. We are optimistic that 1995 will be a better year, particularly for international consultancy which currently enjoys a record order book.

Penn Communications, our public relations consultancy, has again generated record profits. It has strengthened important existing relationships with British Telecom and Yellow Pages and has secured new work in the hi-tech sector.

Property Services

The Division provides a comprehensive one-stop service involving project management, architectural services and consulting engineering to both the private and public sectors for all aspects of a client's estate and property portfolio.

Revenues in Capita's Property Services Division advanced by 44% to £13.5m (£9.4m), and profits by 12% to £1.83m (£1.64m). The level of enquiries is continuing to increase, and we are seeing early signs in 1995 that fee rates are moving higher.

In October, we acquired Beard Dove Limited, a multi-disciplinary property consultancy, for an initial consideration of £2.7m. The integration of the company and its management has gone well and its current trading performance is very satisfactory. This acquisition has strategically positioned our Property Services Division so that it now has a strong presence in all of the main property activities.

We have continued to secure prestigious projects including a two-year commission for British Telecom, 15 new projects for the Home Office and the design of three new National Phonebank Centres for TSB plc in Wales and Scotland. We are also participating actively in the Private Finance Initiative and prospects for 1995 look good. Indeed, we start the year with 25% of our workload extending for a 12 month duration or longer.

There have been some notable milestones across the Division during the year. First, all parts of the Division have now obtained Quality Assurance accreditation to BS5750, thus strengthening our competitive position. Secondly, we have expanded our geographic coverage, with EDM Architects establishing a base in the Midlands, Greatorex opening an office in Leeds and through the acquisition of Beard Dove. Capita Property Services is now the third largest multidisciplinary property consultancy in the UK, a position which Capita has built from scratch within five years.

Board Appointments

In our Interim Statement, we announced the appointment of Paddy Doyle to the Board of Capita, responsible for our Outsourcing Division. I am now pleased to announce that we have taken further steps to broaden the experience of the Board.

On 24th February 1995, Gordon Hurst ACA, the Group's Company Secretary since January 1990, was appointed Commercial Director, with responsibility for all contractual issues within the Group. At the same time, Colin Welsh ACMA, the current Managing Director of Capita Management Consultancy, was appointed a main Board Director, responsible for our Advisory Division. They have both made significant contributions to Capita and are welcome on the Board.

Employees

We are indebted to all our employees for their professionalism and commitment. Over 50% of our staff have joined Capita from the public sector and I believe that the unique blend of public and private sector skills that we have developed across the Group's 2,000 employees is a significant reason for our continued success.

Prospects

Your company has made considerable progress in 1994, enjoying record profits for the 10th successive year since incorporation. We remain committed to our strategy of providing high added value, professional support services to the public and private sectors. We will continue to develop the Group to support this strategy. We are confident that the Group is well positioned for 1995 to be another year of progress for Capita.

RM Aldridge, OBE
Chairman & Chief Executive

24th February 1995

07-03-95

The Capita Group Board

Rod Aldridge
OBE (Chairman & Chief Executive) is responsible for the Capita Group's strategy and development. Having spent 10 years in local government, he joined the Chartered Institute of Public Finance and Accountancy (CIPFA) in 1974 and was ultimately under secretary for technical services. In 1984, he was responsible for the establishment of Cipfa Computer Services (CCS), and became its first managing director. CCS subsequently became Capita following a management buy-out in 1987. He is a qualified member of CIPFA.

Paul Pindar
(Group Managing Director) joined the Group in 1987 from 3i. He was adviser to Capita on its management buy-out. He qualified as a chartered accountant with Coopers & Lybrand in 1984 and is an associate member of the Institute of Taxation. He was appointed Managing Director in 1991.

Derek Fowler
CBE (Non-Executive Deputy Chairman) joined the Group in 1989 and was appointed Deputy Chairman in January 1991. He is also Chairman of the Railways Pension Trustee Company and a non-executive director of Kier Group Plc. A certified accountant, Mr Fowler is Chairman of Capita's Remuneration Committee.

Robert Alcock
(Non-Executive Director) joined the Group in November 1993. A chartered accountant, he is currently Group Managing Director of Norcros Plc. Before joining Norcros, he was Group Finance Director of Nabisco UK, prior to which he was Chief Finance Officer and Senior Vice-President of Black & Decker. Mr Alcock is chairman of Capita's Audit Committee.

Richard Benton
(Group Director) joined Capita in 1984 from the London Transport Executive, where he qualified as a member of the Chartered Institute of Management Accountants. He was appointed sales director in 1985 and was part of the management buy-out team. He has responsibility for major sales opportunities.

John Brameld
(Group Director, Property Services) Chartered Engineer and member of the Association of Consulting Engineers. Appointed to the Group Board in 1990. Mr.Brameld was formerly Managing Director of W.E. Greatorex and is now the Group Director responsible for the Property Division.

Paddy Doyle
(Group Director, Outsourcing Services) joined Capita in 1992 from the Hoskyns Group. He was appointed to the Board in July 1994 to take responsibility for the Outsourcing Division including the new acquisitions of SIMS and John Crilley.

Gordon Hurst
(Group Commercial Director) joined the Group in January 1988 from Sun Micro Systems Ltd. He became Company Secretary in January 1990 and was appointed to the Board in February 1995. He qualified as a chartered accountant with Coopers & Lybrand in 1986.

Colin Welsh
(Group Director, Advisory Services) was appointed to the Board in February 1995. A Fellow of the Chartered Institute of Management Accountants, he joined Capita Management Consultancy in 1992 and was made Managing Director in 1993. He has worked previously for Touche Ross Management Consultants and HM Treasury.

07-03-95

DIRECTORS' REPORT

The Directors present their report and the audited group accounts for the year ended 31st December 1994.

GROUP ACTIVITIES

The principal activities of the group comprise advisory, outsourcing and property related services. A review of the development of the group and its business activities during the year is contained in the Chairman's statement on page [illegible].

PROFITS AND DIVIDENDS

The group profit on ordinary activities before taxation amounted to £7,903,000 (1993: £5,463,000), and the profit transferred to reserves is £3,60[illegible],000 (1993: £2,552,000). The directors recommend a final dividend of 2.2p per share (1993: 1.7p) to be paid on 27th April 1995 to ordinary shareholders on the register on 23rd March 1995.

DIRECTORS

The present directors of the company are listed on page 6.
Mr D Fowler CBE and Mr R M Benton retire by rotation and, being eligible, offers themselves for re-election. On 22nd July 1994, Mr P Doyle was appointed to the board and on 24th February 1995, Mr C Welsh and Mr G Hurst were appointed to the board, and they offer themselves for re-election at the forthcoming Annual General Meeting. None of the directors had a material interest in any contract with the company or its subsidiary undertakings and no director has a service contract exceeding one year.
The Company hold directors' and officers' liability insurance throughout the year, as permitted by section 310(3) of the Companies Act 1985.

DIRECTORS' INTERESTS

The interests of the directors who served during the year in the ordinary shares of the company were as follows:

	31st December 1994	31st December 1993 or subsequent date of appointment
	Ordinary Shares of 2p	Ordinary Shares of 2p
R Alcock	-	-
R.M.Aldridge OBE	2,500,000	2,640,000
R.M.Benton	950,050	1,150,050
J.V.Brameld	200,000	300,000
P Doyle	-	-
D.Fowler CBE	5,250	5,250
J A Jasper (Resigned 9th February 1994)	-	270,000
P.R.M.Pindar	613,000	663,000
C.R.Ward (Resigned 12th April 1994)	-	4,794

The interests shown above include non-beneficial holdings of ordinary shares in respect of Mr R M Benton 282,000 (1993: 291,000) and in respect of Mr P R M Pindar 50,000 (1993 nil).

The company has a share option scheme by which directors and other executives are able to subscribe for shares in the company. The interests of the directors at the year end (all beneficial) were as follows:

	At 1/1/94	Granted during year	Exercised during year	At 31/12/94
R Alcock	-	-	-	-
R.M.Aldridge OBE	420,000	-	150,000	270,000
R.M.Benton	249,000	70,000	99,000	220,000
J.V.Brameld	243,000	-	99,000	144,000
P Doyle	180,000	25,000	-	205,000
D.Fowler CBE	-	-	-	-
P.R.M.Pindar	420,000	80,000	150,000	350,000

The interests of Mr P Doyle are from the date of his appointment.

There is no change to directors' interests during the period 1st January 1995 and 24th February 1995.

07-03-95

SUBSTANTIAL SHAREHOLDERS

On 24th February 1995 the company had notifications that, other than directors listed above, the following were interested in 3% or more of the company's ordinary share capital:

	No. of shares	Percentage
Norwich Union Life Insurance Society	2,640,000	4.8%
Baring Brothers Trust Company Ltd	1,800,000	3.3%
London and Manchester (Portfolio Management) Ltd	1,676,000	3.1%
Prudential Portfolio Managers Ltd	1,650,000	3.0%

STATEMENT BY THE DIRECTORS ON COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Board supports the high standards of corporate governance recommended by the Cadbury Committee. Apart from the number of non-executive members on the Group Board and the term of their appointment, there has been full compliance with those provisions of the Code operative throughout 1994.

With regard to the number of non-executive directors and the terms of their appointment the important point of principle is that the non-executives continue to maintain a vigourous independence. The Board encourages such independence without reservation. The non-executive directors do not have fixed term contracts as envisaged by Cadbury but are, in accordance with the Articles of Association, subject to re-election every three years.

Future guidance for directors on reporting on going concern and internal control has recently been issued. With regard to going concern, after making enquires, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts. The directors will be reporting on internal control in the 1995 report and accounts.

The company's auditors, Ernst & Young, have reviewed this statement in accordance with guidance issued by the Auditing Practices Board. The auditors have confirmed that the directors comments on going concern are consistent with the information of which they are aware based on their normal audit work on the accounts and satisfied themselves that the statement appropriately reflects the group's compliance with the other paragraphs of the Cadbury Committee's Code of Best Practice specified for their review.

07-03-95

REMUNERATION COMMITTEE AND AUDIT COMMITTEE

The remuneration committee comprises Mr R M Aldridge OBE, Mr D Fowler CBE (non executive) and Sir Anthony Wilson an independent external member. The audit committee comprises Mr R Alcock and Mr D Fowler CBE, both non-executive directors on the Board of The Capita Group Plc.

FIXED ASSETS

Changes in fixed assets are given in notes 12 and 13 to the accounts.

DISABLED PERSONS

It is the group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the group who become disabled to continue in their employment or to be retained for other positions in the group.

EMPLOYEE INVOLVEMENT

The group is committed to involving all employees in the performance and development of the group. Employees are distributed with "Headline", the group's newsletter, frequent internal notice board statements, and a review of the group's financial position half yearly. The group maintains a strong communications network and employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the group.

CHARITABLE AND POLITICAL DONATIONS

During the year charitable donations amounted to £6,000. No political contributions were made.

COMPANY STATUS

As at 31st December 1994, the directors were advised that the company was not a close company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board

G.M.Hurst
Company Secretary

24th February 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

To the members of The Capita Group Plc

We have audited the accounts on pages 11 to 25 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page ~~and~~ 14.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31st December 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London

24th February 1995

07-03-95

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 1994

	Notes	1994 £ 000's	1993 £ 000's
TURNOVER	2		
Continuing operations		62,548	49,184
Acquisitions		11,252	-
		73,800	49,184
Discontinued operations		-	984
		73,800	50,168
Cost of sales	3	48,202	32,124
Gross profit		25,598	18,044
Administrative expenses	3	18,431	13,041
OPERATING PROFIT	4		
Continuing operations		5,638	4,917
Acquisitions		1,529	-
		7,167	4,917
Discontinued operations		-	86
		7,167	5,003
Continuing operations:			
Additional costs on previously disposed subsidiary		(95)	-
Profit on sale of fixed assets	6	610	-
		7,682	5,003
Bank interest receivable		276	472
Interest payable	7	(54)	(12)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	7,903	5,463
Tax on profit on ordinary activities	8	2,452	1,577
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,451	3,886
Minority interests		40	89
PROFIT FOR THE FINANCIAL YEAR		5,411	3,797
Dividends	10	1,810	1,245
RETAINED PROFIT FOR THE YEAR		3,601	2,552
Earnings per share	11	10.5p	7.9p

Movements on reserves are shown in note 19.
All profit and losses are stated at historical cost.

There are no recognised gains or losses other than the profit for the year.

07-03-95

BALANCE SHEETS 31ST DECEMBER 1994

	Notes	Group 1994 £ 000's	Group 1993 £ 000's	Company 1994 £ 000's	Company 1993 £ 000's
FIXED ASSETS					
Tangible assets	12	6,412	5,047	433	526
Investments	13	-	-	27,151	13,195
		6,412	5,047	27,584	13,721
CURRENT ASSETS					
Trade Investments		595	344	595	344
Debtors due within one year	14	19,026	10,534	7,774	9,209
Debtors due beyond one year	14	914	208	301	208
Cash at bank and in hand		9,652	8,380	6,818	4,530
		30,187	19,466	15,488	14,291
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	27,148	17,513	10,721	5,736
NET CURRENT ASSETS		3,039	1,953	4,767	8,555
TOTAL ASSETS LESS CURRENT LIABILITIES		9,451	7,000	32,351	22,276
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	124	-	-	-
PROVISIONS FOR LIABILITIES AND CHARGES	16	949	112	8	-
		8,378	6,888	32,343	22,276
CAPITAL AND RESERVES					
Called up share capital	17	1,096	977	1,096	977
Share premium account	19	17,363	8,078	17,363	8,078
Merger reserve	19	-	-	7,150	7,150
Goodwill write off reserve	19	(22,175)	(9,910)	-	-
Profit and loss account	19	11,344	7,743	6,734	6,071
Shareholders funds		7,628	6,888	32,343	22,276
Minority interest	18	750	-	-	-
		8,378	6,888	32,343	22,276

The financial statements were approved by the Board of Directors on 24th February 1995 and signed on its behalf by:

R.M. Aldridge OBE

P.R.M. Pindar

07-03-95

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1994

	Notes	1994 £ 000's	1994 £ 000's	1993 £ 000's	1993 £ 000's
NET CASH INFLOW FROM OPERATING ACTIVITIES	21		6,344		8,449
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends paid		(1,436)		(1,084)	
Dividends paid to minorities in subsidiaries		-		(401)	
Interest received		275		472	
Interest element of finance lease payments		(36)		-	
Interest paid		(19)		(12)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(1,214)		(1,025)
TAXATION PAID			(2,767)		(1,680)
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(3,765)		(3,398)	
Purchase of trade investments		(301)		-	
Sale of subsidiary undertakings		(95)		10	
Purchase of business	24	(1,269)		(4,125)	
Purchase of subsidiary undertakings (net of cash and cash equivalents)	24	(4,956)		31	
Proceeds on sale of fixed assets and trade investments		4,301		73	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(6,085)		(7,409)
NET CASH OUTFLOW BEFORE FINANCING			(3,712)		(1,665)
FINANCING					
Issue of ordinary share capital	23	5,072		430	
Share issue costs	23	(77)		(11)	
Repayment of long term creditors		(11)		-	
NET CASH INFLOW FROM FINANCING			4,984		419
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22		1,272		(1,246)

07-03-95

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994

(1) ACCOUNTING POLICIES

(a) *Basis of preparation*
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) *Basis of consolidation*
The group accounts consolidate the accounts of the company and each of its subsidiary undertakings. Subsidiary undertakings are accounted for from the effective date of acquisition until the effective date of disposal. Inter-company sales are eliminated on consolidation so that the group accounts relate to external transactions only.

A separate profit and loss account dealing with the results of the parent company only has not been presented as provided by section 230 of the Companies Act 1985.

(c) *Goodwill*
Purchased goodwill and goodwill arising on consolidation are written off against reserves in the year of acquisition.

(d) *Turnover*
Turnover represents fees invoiced in respect of services provided during the year (stated net of value added tax), except in respect of long term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover was earned within the United Kingdom and the Far East.

(e) *Long term contracts*
Profits are recognised on long term contracts where the final outcome can be assessed with reasonable certainty. In calculating this the percentage of completion method is used based on the proportion of costs incurred to the total estimated cost. Cost includes direct staff costs and outlays. Full provision is made for all known or anticipated losses on each contract immediately such losses are forecast.
Amounts recoverable on contracts are stated at that proportion of the anticipated net sales value earned to date less fees paid on account. To the extent that fees paid on account exceed the value of work performed they are included in creditors as payments on account.

(f) *Depreciation*
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned, as follows:

Long Leasehold property	50 years
Computer equipment	3-5 years
Furniture, fixtures and equipment	4-5 years
Leasehold improvements	over the period of the lease
Motor vehicles	3-5 years

(g) *Investments*
Fixed asset investments are shown at cost less amounts written off for any permanent diminution in value

Investments held as current assets are stated at the lower of cost and net realisable value.

(h) *Pension scheme*
The group maintains a number of contracted-out money purchase schemes and contributions are charged to the profit and loss account in the year in which they are due. The group also operates defined benefit pension schemes. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

(i) *Leasing and hire purchase commitments*
Assets obtained under finance leases and hire purchase commitments are capitalised in the balance sheet and depreciated over the shorter of the lease term and their useful economic lives.

The finance charges under finance leases and hire purchase contracts are allocated to accounting periods over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding. Rentals due under operating leases are charged on a straight-line basis over the lease term.

(j) *Deferred taxation*
Deferred taxation is provided using the liability method on timing differences where reasonable probability exists that such taxation will crystallise in the foreseeable future. Advance corporation tax which is expected to be recoverable in the future is shown as a current asset. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

(2) TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

		Class of business			
		Advisory	Property	Outsourcing	Total
TURNOVER		£ 000's	£ 000's	£ 000's	£ 000's
1994	Continuing operations	9,094	9,810	43,859	62,763
	Acquisitions		3,749	7,503	11,252
		9,094	13,559	51,362	74,015
	Inter-segment sales	(17)	(16)	(182)	(215)
	Third party sales	9,077	13,543	51,180	73,800
1993	Continuing operations	9,446	9,561	30,791	49,798
	Discontinued operations	984	-	-	984
	Inter-segment sales	(330)	(138)	(146)	(614)
	Third party sales	10,100	9,423	30,645	50,168
PROFIT BEFORE TAX					
1994	Continuing operations	1,315	1,492	3,552	6,359
	Acquisitions		341	1,203	1,544
		1,315	1,833	4,755	7,903
1993	Continuing operations	1,189	1,636	2,552	5,377
	Discontinued operations	86	-	-	86
	Segment profit	1,275	1,636	2,552	5,463
NET ASSETS					
1994	Continuing operations	4,584	2,065	3,993	10,642
	Non operating liabilities				(2,264)
	Net assets				8,378
1993	Continuing operations	3,894	1,898	3,165	8,957
	Discontinued operations	-	-	-	-
	Segment net assets	3,894	1,898	3,165	8,957
	Non operating liabilities				(2,069)
	Net assets				6,888

Including in 'Acquisitions' above within the Property segment is £457,000 (1993 £nil) of turnover and £154,000 (1993 £nil) profit before tax generated in the Far East. All other turnover and profit before tax was generated within the United Kingdom.

Since acquisition, the acquired business, John Crilley and Sons, has been completely integrated with Roach & Co (Revenues) Limited to form John Crilley Limited. Accordingly, it is not practicable to determine the post acquisition results of John Crilley and Son. The combined business of John Crilley Limited has contributed £6,094,000 to turnover of the group and £727,000 profit before tax.

(3) ANALYSIS OF OPERATING PROFIT

	Continuing	Acquisitions	Discontinued	1994 Total	Continuing	Discontinued	1993 Total
Cost of sales	41,507	6,695	-	48,202	31,399	725	32,124
Administrative expenses	15,403	3,028	-	18,431	12,768	273	13,041
	56,910	9,723	-	66,633	44,167	998	45,165

(4) OPERATING PROFIT

(a) This is stated after charging:

	1994 £ 000's	1993 £ 000's
Staff costs (see note 5)	32,282	22,597
Directors' remuneration (see below)	588	684
Auditors' remuneration - statutory audit *	83	49
- other fees	157	1
Operating lease costs-plant and machinery	5,766	4,197
-land and buildings	1,882	1,505
Depreciation	1,969	1,383

* £3,000 (1993: £3,000) of this relates to the company.

(b) Directors remuneration

	1994 £ 000's	1993 £ 000's
Basic salaries	478	562
Benefits	39	49
Performance bonus	18	31
Pension contributions	19	24
	554	666
Fees	34	18
	588	684

The emoluments of the chairman, who was also the highest paid director, were basic salary £125,000 (1993 £121,000), benefits £10,000 (1993 £12,000), performance bonus £nil (1993 £nil) and pension contributions £6,000 (1993 £6,000)

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1994 No.	1993 No.
£5,001 - £10,000	1	1
£15,001 - £20,000	2	1
£20,001 - £25,000	1	-
£55,001 - £60,000	1	-
£80,001 - £85,000	-	1
£85,001 - £90,000	-	1
£90,001 - £95,000	1	-
£95,001 - £100,000	1	1
£115,001 - £120,000	-	1
£120,001 - £125,000	-	1
£125,001 - £130,000	1	-
£130,001 - £135,000	1	1
	9	8

The executive directors' remuneration consists of:

a) Salary Based on the directors experience, market value and responsibility.

b) Bonus The performance related bonuses of the directors are calculated by measuring the performance of the business against certain specified financial targets, principally relating to profit before tax. Achievement of targets would result in payments of 1% to 15% of basic salary.

(c) Executive share options

	Effective date of grant or exercise	Outstanding	Option price £	Exercised	Option price £
R.M.Aldridge OBE	31/03/92	160,000	0.96		
	22/02/93	120,000	1.54		
	05/04/94			160,000	0.64
R.M.Benton	31/03/92	150,000	0.96		
	05/04/94			99,000	0.64
	19/08/94	70,000	1.63		
J.V.Bramald	31/03/92	60,000	0.96		
	22/02/93	84,000	1.54		
	25/03/94			90,000	0.64
P Doyle	08/09/92	105,000	1.14		
	29/07/93	75,000	1.50		
	03/03/94	25,000	2.06		
P.R M.Pinder	31/03/92	160,000	0.96		
	22/02/93	120,000	1.54		
	19/08/94	80,000	1.63		
	25/03/94			160,000	0.64

(5) STAFF COSTS

Staff costs, including Directors, comprise	1994 £ 000's	1993 £ 000's
Wages and salaries	28,773	20,171
Social security costs	2,596	1,827
Other pension costs	913	599
	32,282	22,597

The average number of employees during the year was made up as follows:

	1994 No.	1993 No.
Continuing operations:		
Consultants	559	549
Sales and administration	247	186
Computer operations	584	168
	1,390	903
Discontinued operations	-	11
	1,390	914

(6) EXCEPTIONAL ITEMS

	1994 £ 000's	1993 £ 000's
Profit on sale of motor vehicles	80	-
Profit on sale of freehold land & buildings	530	-
	610	-

The cost of the freehold buildings includes £552,000 invoiced from other group undertakings for design, project management and arrangement fees. These charges have been determined on a basis consistent with those negotiated with third parties for similar business.

(7) INTEREST PAYABLE

	1994 £ 000's	1993 £ 000's
Bank loans and overdrafts and other loans wholly repayable within 5 years	18	12
Finance charges payable under finance leases and hire purchase contracts	36	-
	54	12

(8) TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £ 000's	1993 £ 000's
The charge for the year is made up as follows:		
Corporation tax at 33% (1993: 33%)	2,185	1,575
Adjustment to prior years	(352)	(55)
Tax credit attributable to dividends received	18	4
Overseas tax	65	-
Deferred tax	536	53
	2,452	1,577

(9) PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £2,473,000 (1993: £6,847,000)

(10) DIVIDENDS

	1994 £ 000's	1993 £ 000's
Ordinary shares-Interim - paid	604	414
-Final - proposed	1,206	831
Preference dividend payable to minorities	40	-
	1,850	1,245

(11) EARNINGS PER SHARE

Earnings per share is calculated on the basis of earnings of £5,411,000 (1993: £3,797,000) and on the weighted average of 51,604,090 (1993: 48,303,384) shares in issue during the year.

(12) TANGIBLE FIXED ASSETS

(a) Group

	Land and Buildings £ 000's	Computer Equipment £ 000's	Furniture, Fixtures and Equipment £ 000's	Leasehold Improvements £ 000's	Motor Vehicles £ 000's	Total £ 000's
Cost						
1st January 1994	764	3,832	1,162	1,280	782	7,820
Subsidiaries acquired	1,542	2,501	1,034	110	1,380	6,567
Additions	1,108	1,706	385	430	136	3,765
Disposals	(1,872)	(1,505)	(10)	(27)	(1,871)	(5,285)
31st December 1994	1,542	6,534	2,571	1,793	427	12,867
Depreciation						
1st January 1994	-	1,507	738	194	334	2,773
Subsidiaries acquired	240	1,940	811	49	599	3,639
Charge for year	23	1,184	198	269	295	1,969
Disposals	-	(896)	(5)	(9)	(1,016)	(1,926)
31st December 1994	263	3,735	1,742	503	212	6,455
Net Book Value at:						
1st January 1994	764	2,325	424	1,086	448	5,047
31st December 1994	1,279	2,799	829	1,290	215	6,412

The net book value of land and buildings include £nil (1993: £591,000) in respect of freehold land and £nil (1993: £173,000) in respect of freehold buildings and £1,279,000 (1993 £nil) in respect of long leasehold properties.

The net book value of motor vehicles includes an amount of £143,000 (1993 £12,000) in respect of assets held under finance leases and hire purchase contracts.

The total depreciation charged in the year with respect to those assets held under finance leases amounted to £24,000 (1993: £12,000).

(b) Company

	Computer Equipment £ 000's	Furniture, Fixtures and Equipment £ 000's	Leasehold Improvements £ 000's	Motor Vehicles £ 000's	Total £ 000's
Cost					
1st January 1994	43	100	414	127	684
Intra group transfer	-	-	-	(18)	(18)
Additions	28	-	18	-	46
Disposals	(9)	-	-	(109)	(118)
31st December 1994	62	100	432	-	594
Depreciation					
1st January 1994	13	68	32	45	158
Intra group transfer	-	-	-	(6)	(6)
Charge for year	19	10	28	25	82
Disposals	(9)	-	-	(64)	(73)
31st December 1994	23	78	60	-	161
Net Book Value at:					
1st January 1994	30	32	382	82	526
31st December 1994	39	22	372	-	433

The total depreciation charged in the year with respect to assets held under finance leases amounted to £nil (1993: £nil).

(13) FIXED ASSET INVESTMENTS

Company

	Shares in Subsidiary Undertakings £ 000's
At 1st January 1994	13,195
Additions	13,956
At 31st December 1994	27,151

On 15th July 1994, the company acquired 70 £1 ordinary shares in Sims Holdings Limited and on 29th September the company acquired 10,000 £1 ordinary shares in Beard Dove Limited.

The company also acquired all the shares issued by John Crilley Limited (formerly Capita Revenues Management Limited) and Academy Information Systems Limited (formerly Capita Project Management Limited).

Details relating to subsidiary undertakings acquired during the year are shown in Note 24.

PRINCIPAL GROUP INVESTMENTS

	Country of Registration and Operation	Proportion of nominal value of issued shares held by the company	Description of shares held
Capita Management Consultancy Limited	England	100%	Ordinary £1 shares
Capita Resource Management Limited	England	100%	Ordinary £1 shares
Capita Corporate Finance Limited	England	100%	Ordinary £1 shares
Ripa International Limited	England	100%	Ordinary £1 shares
Penn Communications Limited	England	100%	Ordinary £1 shares
Capita Managed Services Limited	England	100%	Ordinary £1 shares
Academy Information Systems Limited	England	100%	Ordinary £1 shares
Sims Holdings Limited	England	100%	Ordinary £1 shares
Sims Limited	England	100%	Ordinary £1 shares
Sims Educations Services Limited	England	100%	Ordinary £1 shares
Sims Support Services Limited	England	100%	Ordinary £1 shares
John Crilley Limited	England	100%	Ordinary £1 shares
J F Greatorex Limited	England	100%	Ordinary £1 shares
Capita Property Services Limited	England	100%	Ordinary £1 shares
Beard Dove Limited	England	100%	Ordinary £1 shares
Beard Dove (Malaysia) Sdn Bhd	Malaysia	100%	Ordinary RM1 shares

Capita Property Services Limited incorporates the business of EDM Architects. Capita Resource Management Limited trades as Capita Contract Professionals.

The activities of group undertakings are given on page ~~xx~~ 27.

(14) DEBTORS

Debtors due within one year	Group 1994 £ 000's	Group 1993 £ 000's	Company 1994 £ 000's	Company 1993 £ 000's
Trade debtors	9,185	5,970	1	2
Amounts recoverable on contracts	1,372	736	-	-
Amounts owed by subsidiary undertakings	-	-	7,020	8,727
ACT recoverable	1,857	171	412	-
Other debtors	493	319	128	174
Prepayments and accrued income	6,119	3,338	213	306
	19,026	10,534	7,774	9,209

Debtors due beyond one year	Group 1994 £ 000's	Group 1993 £ 000's	Company 1994 £ 000's	Company 1993 £ 000's
Deferred tax	613	-	-	-
ACT recoverable	301	208	301	208
	914	208	301	208

(15) CREDITORS

AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1994	1993	1994	1993
	£ 000's	£ 000's	£ 000's	£ 000's
Trade creditors	4,450	3,229	695	645
Amounts owed to subsidiary undertakings	-	-	5,398	2,579
Contract payments on account	671	1,090	-	-
Other creditors	2,049	207	94	9
Current corporation tax	3,696	1,616	534	212
Other taxes and social security	5,613	3,037	2,706	1,168
Pension contributions outstanding	59	217	40	217
Obligations under finance leases	35	7	-	-
Accruals and deferred income	9,329	7,279	48	175
Proposed dividend	1,246	831	1,206	831
	27,148	17,513	10,721	5,736

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1994	1993	1994	1993
	£ 000's	£ 000's	£ 000's	£ 000's
Obligations under finance leases	68	-	-	-
Bank loans	56	-	-	-
	124	-	-	-

The obligations under finance leases all fall due within two to five years.

The bank loan represents a first legal mortgage secured on a leasehold property. The loan is repayable in annual instalments of £4,000 and fully repayable by July 2011. Interest on the mortgage is payable on a yearly basis at 2% over National Westminster Bank Plc base lending rate.

(16) PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Deferred Tax	Reorganisation Provisions	Total
	£ 000's	£ 000's	£ 000's
At 1st January, 1994	1	111	112
From acquired business	(1,004)	1,604	600
Utilisation of acquisition provisions	-	(901)	(901)
Transfer to current tax	536	-	536
Transfer to ACT recoverable	(11)	-	(11)
Transfer to deferred tax assets	613	-	613
At 31st December, 1994	135	814	949

Company

	Deferred Tax	Reorganisation Provisions	Total
	£ 000's	£ 000's	£ 000's
At 1st January, 1994	-	-	-
Transfer to current tax	8	-	8
at 31st December, 1994	8	-	8

If deferred tax was provided in full the additional liability in respect of fixed asset timing differences would be £nil (1993: £nil) for the group, and £nil (1993: £nil) for the company. The deferred tax transferred to current assets is in respect of provisions and other timing differences. It is anticipated that subsidiary undertakings will be profitable, and consequently it has been assumed no group relief will be available.

07-03-95

(17) SHARE CAPITAL

	1994 No.	£ 000's	1993 No.	£ 000's
Authorised				
Ordinary shares of 2p each	70,000,000	1,400	61,800,000	1,236
Allotted, called up and fully paid				
Ordinary shares of 2p each	54,810,214	1,096	48,859,208	977

Changes in Allotted, Called Up and Fully Paid Ordinary Share Capital in the year

(i) On 15th July 1994, the company issued and allotted 4,194,048 ordinary shares, credited as fully paid. 1,594,048 of the shares were issued to the vendors of Sims Holdings Limited, with the balance placed with institutional investors and other investors. £3m of the net proceeds of the placing were applied in satisfying the initial cash consideration on completion of the acquisition of Sims Holdings Limited. The balance of the proceeds were retained by the company in order to strengthen the Company's balance sheet. The consideration received in respect of the shares issued was £7,498,000 (aggregate nominal value £84,000).

(ii) On 29 September 1994, the company issued and allotted 656,416 ordinary shares, credited as fully paid, pursuant to the acquisition of Board Dove Limited. The consideration received in respect of the shares issued was £1,110,000 (aggregate nominal value £13,000).

(iii) On 14th December 1994, the company issued and allotted 192,482 ordinary shares, credited as fully paid, pursuant to the conversion of shares in John Crilley Limited. The consideration received in respect of the shares was £300,000 (aggregate nominal value £4,000).

(iv) During the year 918,000 ordinary shares (nominal value £18,000) were allotted under share option schemes for a consideration of £573,000.

Contingent Rights for the Allotment of Shares

At 31st December 1994, the following options to subscribe for ordinary shares of 2 pence each in the company were outstanding:

Number of shares under option	Exercisable option price	Period during which option may be exercised
3,000	£0.043	between 9th January 1992 and 9th January 1999
30,000	£0.473	between 6th November 1992 and 6th November 1999
27,000	£0.553	between 27th March 1993 and 27th March 2000
22,600	£0.557	between 10th September 1993 and 10th September 2000
15,000	£0.64	between 25th February 1994 and 25th February 2001
30,000	£0.713	between 24th July 1994 and 24th July 2001
180,000	£1.163	between 5th October 1994 and 5th October 2002
30,000	£0.96	between 31st March 1995 and 31st March 2002
105,000	£1.143	between 8th September 1995 and 8th September 2002
705,000	£0.96	between 31st March 1997 and 31st March 2002
87,000	£1.077	between 10th August 1997 and 10th August 2002
30,000	£1.143	between 8th September 1997 and 8th September 2002
76,000	£1.50	between 29th July 1996 and 29th July 2003
40,000	£2.06	between 3rd March 1997 and 3rd March 2004
230,000	£1.63	between 19th March 1997 and 19th March 2004
399,000	£1.54	between 22nd February 1998 and 22nd February 2003
45,000	£1.50	between 29th July 1998 and 29th July 2003
265,000	£2.06	between 3rd March 1999 and 3rd March 2004
432,000	£1.63	between 19th March 1999 and 19th March 2004

(18) MINORITY INTEREST

	1994 £ 000's	1993 £ 000's
Minority interest	750	-

Minority interest represents preference shares of a subsidiary. These shares are 8% convertible redeemable preference shares of £1 each which are convertible into fully paid ordinary shares of The Capita Group Plc at £2.14 per share at any time prior to 31st December 2004.

(19) RESERVES

Group	Share Premium £ 000's	Goodwill Write off Reserve £ 000's	Merger Reserve £ 000's	Profit and Loss Account £ 000's
At 1st January, 1994	8,078	(9,910)	-	7,743
Shares issued	9,362	-	-	-
Costs of share issue	(77)	-	-	-
Arising on acquisitions	-	(12,265)	-	-
Retained profit for the year	-	-	-	3,601
At 31st December, 1994	17,363	(22,175)	-	11,344

Company	Share Premium £ 000's	Goodwill Write off Reserve £ 000's	Merger Reserve £ 000's	Profit and Loss Account £ 000's
At 1st January, 1994	8,078	-	7,150	6,071
Shares issued	9,362	-	-	-
Costs of share issue	(77)	-	-	-
Retained profit for the year	-	-	-	663
At 31st December, 1994	17,363	-	7,150	6,734

The companies acquired have been dealt with as acquisitions.

The cumulative amount of goodwill written off at 31st December 1994, net of goodwill relating to undertakings disposed of, is £29,230,000 (1993: £16,965,000).

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £ 000's	1993 £ 000's
Profit for the financial year	5,411	3,797
Dividends	(1,810)	(1,245)
	3,601	2,552
New share capital subscribed	9,404	944
Goodwill written-off	(12,265)	(5,148)
Net movement to shareholders' funds	740	(1,652)
Opening shareholders' funds	6,888	8,540
Closing shareholders' funds	7,628	6,888

(20) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Annual commitments under operating leases were as follows:

	1994 Property £ 000's	1994 Other £ 000's	1993 Property £ 000's	1993 Other £ 000's
Operating leases which expire:				
Within one year	123	361	491	256
In second to fifth year inclusive	1,300	3,767	599	3,324
Over five years from the balance sheet date	1,654	-	1,100	1,514
	3,077	4,128	2,190	5,094

(b) The company has guaranteed overdraft facilities of group undertakings amounting to £750,000 (1993: £750,000), and guaranteed annual operating lease facilities for Capita Managed Services Limited of £2,505,000 (1993 £2,539,000).

(c) At 31st December 1994 capital commitments contracted for but not provided in the accounts amounted to £390,000 (1993 £1,805,000). Amounts authorised but not contracted were £320,000 (1993: £nil)

(d) Further consideration may be due on the acquisition of subsidiary undertakings as follows:

1 Further consideration may be due up to a maximum value of £4,000,000 dependent on the profit performance of Sims Holdings Limited for the 30 month period ending 31st December 1996.

2 Further consideration may be due up to a maximum value of £1,760,000 dependent on the profit performance of Beard Dove Limited for the 27 month period ending 31st December 1996.

(21) RECONCILIATION OF OPERATING PROFIT TO

NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994 £ 000's	1993 £ 000's
Operating profit before interest	7,167	5,003
Depreciation charge	1,969	1,383
(Profit)/Loss on sale of fixed assets and trade investments	(388)	80
Utilisation of reorganisation provisions	(784)	(477)
Decrease/(Increase) in debtors	736	(2,399)
(Decrease)/Increase in creditors	(2,346)	4,849
	6,344	8,449

(22) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS

SHOWN IN THE BALANCE SHEET

	1994 £ 000's	1993 £ 000's
At 1st January	8,380	9,626
Change in year	1,272	(1,246)
At 31st December	9,652	8,380

(23) ANALYSIS OF CHANGES IN THE FINANCING DURING THE YEAR

	1994 Share capital and share premium £ 000's	1993 Share capital and share premium £ 000's
Balance at 1st January	9,055	8,111
Cash flows from financing (net of costs of issue)	4,995	419
Shares issued for non-cash consideration	4,409	525
Balance at 31st December	18,459	9,055

07-03-95

(24) ACQUISITIONS

	Book value £ 000's	Fair value Adjustments £ 000's	Reorganisation Provisions £ 000's	Fair value to the group £ 000's
Tangible fixed assets	3,534	(606)	-	2,928
Intangible fixed assets	98	(98)	-	-
Debtors	7,645	(103)	-	7,542
Cash & cash equivalents	(838)	-	-	(838)
Creditors	(9,178)	(443)	-	(9,621)
Taxation	(759)	158	474	(127)
Reorganisation provisions			(1,604)	(1,604)
	502	(1,092)	(1,130)	(1,720)
Goodwill				12,265
Consideration				10,545
Discharged by:				
Shares allotted				5,180
Cash				5,365
				10,545

The major acquisitions during the years comprise John Crilley and Son, Sims Holdings Limited and Beard Dove Limited.

John Crilley and Son
On 25th April 1994 the group acquired the business of John Crilley and Son for a consideration of £1,224,000. The group acquired fixed assets of £413,000, debtors of £681,000 (book value £738,000), creditors of £832,000 (book value £667,000) and a net cash and cash equivalent liabilities of £923,000. Reorganisation provisions of £662,000, after deferred tax of £276,000, were provided to cover integration and reorganisation costs. Since acquisition, the business has been integrated with Roach & Co (Revenues) Limited to form John Crilley Limited.

Sims Holdings Limited
On 15th July 1994 the company acquired Sims Holdings Limited for a total consideration of £6,266,000 satisfied by the issue of 1,594,048 of ordinary shares (fair value £3,000,000) and cash of £3,266,000. The fair value of the assets acquired were fixed assets £1,920,000 (book value £2,470,000), debtors £2,626,000, creditors £6,193,000, taxation liabilities of £654,000 and cash and cash equivalents of £2,060,000. The unaudited management accounts for the period 1st April 1994 to the effective date of acquisition show a loss after taxation of £66,000. The audited financial statements for the year ended 31st March 1994 showed a profit after taxation of £1,157,000.

Beard Dove Limited
On 29 September 1994 the company acquired Beard Dove Limited for a total consideration of £2,883,000 satisfied by the issue of 656,416 of ordinary shares (fair value £1,110,000) and cash of £1,773,000. The fair value of the assets acquired were fixed assets £588,000 (book value £603,000), debtors £4,210,000(book value £4,265,000), creditors £2,541,000 (book value £2,276,000), net taxation assets of £251,000 (book value liability £103,000) and net cash and cash equivalent liabilities of £1,975,000. Reorganisation provisions of £595,000, after deferred tax of £196,000, were provided to cover integration and reorganisation costs. The unaudited management accounts for the period 1st May 1994 to the effective date of acquisition show before fair value adjustments and reorganisation provisions a profit after taxation of £1,000. The audited financial statements for the year ended 30th April 1994 showed a profit after taxation of £279,000.

Analysis of net inflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings is as follows:-

Cash consideration	5,385
Cash at bank and in hand acquired	840
Net inflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings and businesses	6,225

The subsidiary undertakings acquired during the year resulted in net operating cash outflows of £113,000 for the group, receipts of £16,000 in respect of net returns on investments and servicing of finance, payments of £1,178,000 in respect of taxation, receipts of £79,000 of net cash from investing activities and payments of £11,000 from financing.

The goodwill arising on the acquisition was as follows:

John Crilley and Sons	2,570,000
Sims Holdings Limited	6,508,000
Beard Dove Limited	2,946,000
Other acquisitions in the year	241,000
	12,265,000

07-03-95

(25) ANALYSIS OF THE DISPOSAL OF SUBSIDIARY UNDERTAKING

	1994 Disposals £ 000's	1993 Disposals £ 000's
Tangible fixed assets	-	67
Working capital and provisions	-	(57)
Disposal consideration	-	10

The company disposed of was Penn PR & Advertising Limited on 27th August 1993.

(26) PENSION COMMITMENTS

The group operates a number of pension schemes. These schemes include both defined benefit and defined contribution. The assets of the schemes are held separately from those of the group in independently invested funds.

In respect of the defined contribution pension schemes, the pension charge represents contributions payable by the group amounting to £562,000 (1993: £415,000). Additional contributions of £7,000 (1993: £52,000) were payable to the schemes at the year end.

The defined benefit schemes are funded and the pension cost for the group for 1994 was £361,000 (1993: £184,000). The schemes are valued triennially by qualified independent actuaries to determine pension costs. The actuarial method used for these valuations is the projected unit method. For accounting purposes, the major assumptions were: rate of return of assets 9% (1993: 9%) ; wages and salaries increase 6-8% (1993: 7-8%); future dividend growth of UK equities 4.5% (1993: 4.5%). Surpluses or deficits on the pension schemes arising from the actuarial valuations are spread over the average service lives of the members of the relevant scheme on a straight line basis. The actuarial values of the schemes, based on the latest actuarial valuations (all within the last three years), totalled approximately £2.5m. The actuarial value of all the significant schemes was sufficient to cover approximately 111% of the benefits that had accrued to members after allowing for expected future increases in wages and salaries.

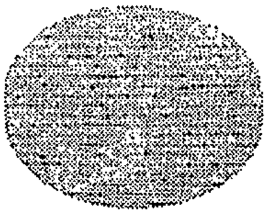
FIVE YEAR SUMMARY
FOR THE YEARS ENDED 31ST DECEMBER

	1994 £ 000's	1993 £ 000's	1992 £ 000's	1991 £ 000's	1990 £ 000's
Group balance sheet					
Fixed assets	6,412	5,047	3,124	1,649	1,625
Current assets	30,187	19,466	18,544	13,320	8,306
	36,599	24,513	21,668	14,969	9,931
Creditors	(28,221)	(17,625)	(12,868)	(6,646)	(7,296)
	8,378	6,888	8,800	8,323	2,635
Capital and reserves	7,628	6,888	8,540	8,092	2,583
Minority interests	750	-	260	231	52
	8,378	6,888	8,800	8,323	2,635
Group profit and loss account					
Turnover	73,800	50,168	33,098	24,712	20,072
Operating profit	7,730	5,003	3,716	3,049	2,246
Net interest receivable	173	460	690	399	266
Profit before taxation	7,903	5,463	4,406	3,448	2,512
Taxation	(2,452)	(1,577)	(1,278)	(1,138)	(912)
Minority interests	(40)	(89)	(179)	(179)	(98)
Extraordinary items	-	-	-	(80)	-
Dividends	(1,810)	(1,245)	(993)	(770)	(572)
Retained profit	3,601	2,552	1,956	1,281	930
Earnings per ordinary share	10.5p	7.9p	6.4p	5.2p	4.6p
Dividend per ordinary share	3.3p	2.55p	2.10p	1.80p	1.50p

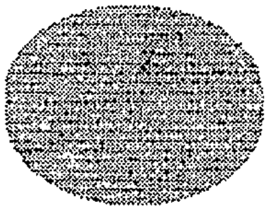
07-03-95

Group Structure

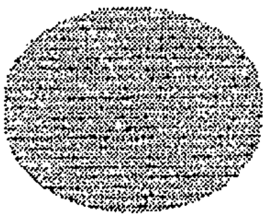
Outsourcing Services	**Capita Managed Services**	Taking complete responsibility under long term contracts for the provision of white collar services on behalf of customers
	SIMS	Providing software systems and support services to educational institutions
	Academy	Providing software to Local Government and its service providers
	John Crilley	Professional debt collection and bailiff services



Advisory Services	**Capita Management Consultancy**	Assisting with the definition and implementation of change in both the public and private sectors
	Capita Contract Professionals	Providing professional interim managers to clients in the public and private sectors
	RIPA International	Providing international public sector training and consultancy. Incorporates Capita Training which runs leading edge seminars for the UK public sector
	Capita Corporate Finance	Offering innovative public and private sector corporate finance services including management buy-outs. A member of the Securities and Futures Authority
	Penn Communications	Specialists in public relations, marketing, corporate communications and publishing



Property Services	**Beard Dove**	Providing a comprehensive range of project management and construction related consultancy services
	EDM Architects	Architectural planning, interior design and cost consultancy services
	Greatorex	Providing building services and consulting engineering advice to the public and commercial sectors



Group

- Local Government
- Central Government
- Health
- Private Sector Including Utilities