

16 Financial assets (continued)

	2007 £m
Investments	5.4
Reinsurance assets	5.7
Other debtors	2.6
Cash and cash equivalents	10.8
Total assets	24.5
Case reserves	(10.6)
Incurred but not reported	(9.6)
Unallocated loss adjustment expense	(2.4)
Other creditors	(1.8)
Accruals and deferred income	(0.1)
Total liabilities	(24.5)
Net position	–

The table above reflects the Cobex share of the assets and liabilities of the Syndicate; Cobex is owned 50.1% by CMGL Holdings Limited (a wholly owned subsidiary of The Capita Group Plc), the remainder being owned by our insurance partner. Cobex has in place a quota share arrangement with its insurance partner such that only 8.86% of any profit or loss declared by the Syndicate, in respect of Cobex, would be attributable to the Group.

The Group has no rights over the assets or liabilities of the Syndicate other than to the extent that it will receive distributed profits or contribute to relieve losses. The Group has in place a letter of credit amounting to £505,000 which is the maximum exposure that the Group has to losses generated within the Syndicate.

17 Business combinations

The Group made a number of acquisitions in 2007, of which only two, the acquisition of Harry Weeks and CMGL are considered material and thus disclosed separately, the remainder are shown in aggregate. The book and fair values of the assets acquired are disclosed in the tables below:

	Book values £m	Fair value adjustments £m	Fair value to Group £m
Harry Weeks (now known as Evolvi Rail Systems Limited)			
Intangible assets	–	4.5	4.5
Property, plant and equipment	0.2	–	0.2
Deferred tax	0.3	–	0.3
Debtors	2.3	(0.4)	1.9
Cash and short term deposits	0.2	–	0.2
Creditors	(2.5)	(0.2)	(2.7)
Net assets	0.5	3.9	4.4
Goodwill arising on acquisition			18.1
			22.5
Discharged by:			
Cash			22.5

Harry Weeks includes Harry Weeks Travel & Leisure Group Limited, a business travel software provider via its Evolvi and Travelpackonline software products.

The Group acquired 100% of the ordinary share capital of Harry Weeks on 2 February 2007. From the date of acquisition Harry Weeks has contributed £0.6m to the net profit after tax of the Group. Had the combination taken place at the beginning of the year the profit after tax of the Group would have been £166.1m and the revenue from continuing operations would have been £2,079.4m.

Within goodwill are certain intangibles that were not separable from the acquirees and could not be measured reliably. These items include customer loyalty and the assembled workforce.

Notes to the consolidated financial statements

17 Business combinations (continued)

	Book values £m	Fair value adjustments £m	Fair value to Group £m
CMGL Group of companies			
Intangible assets	–	7.4	7.4
Property, plant and equipment	0.5	–	0.5
Deferred tax	1.7	–	1.7
Debtors	3.7	–	3.7
Cash and short term deposits	(2.0)	–	(2.0)
Creditors	(9.7)	(1.2)	(10.9)
Long term debt	(6.9)	–	(6.9)
Corporation tax	(0.2)	–	(0.2)
Net assets	(12.9)	6.2	(6.7)
Goodwill arising on acquisition			27.0
			20.3
Discharged by:			
Cash			14.4
Loan notes			5.9
			20.3

CMGL Group is a leading provider of outsourced claims and insurance management services to FTSE quoted companies, general insurers, Lloyd's underwriters and London Market companies.

The Group acquired 100% of the ordinary share capital of CMGL on 31 March 2007. From the date of acquisition CMGL has contributed £1.43m to the net profit after tax of the Group. Had the combination taken place at the beginning of the year the profit after tax of the Group would have been £163.7m and the revenue from continuing operations would have been £2,107.6m.

Within goodwill are certain intangibles that were not separable from the acquirees and could not be measured reliably. These items include customer loyalty and the assembled workforce.

	Book values £m	Fair value adjustments £m	Fair value to Group £m
Other acquisitions			
Intangible assets	–	3.2	3.2
Property, plant and equipment	0.8	–	0.8
Deferred tax	1.3	–	1.3
Debtors	6.2	0.2	6.4
Cash and short term deposits	6.2	–	6.2
Creditors	(12.8)	(0.4)	(13.2)
Net assets	1.7	3.0	4.7
Goodwill arising on acquisition			47.9
			52.6
Discharged by:			
Cash			52.6

During the year deferred consideration of £5.2m was paid in respect of acquisitions made in prior years, of which £4.5m had been previously provided; the impact of this was to increase goodwill by £0.7m.

Deferred consideration which is expected to be paid has been accrued in respect of acquisitions made in the current year amounting to £7.8m. The impact of this is to increase goodwill by the same amount.

As required by IAS 12 deferred taxation is calculated on intangible assets recognised as a result of an acquisition, the impact of this was to increase goodwill in 2007 by £4.3m and to create a deferred tax liability of the same amount.

As a result of the above, total goodwill of £105.8m was recognised in the year.

Other acquisitions in the year included Aspen (Actuaries & Pension Consultants) Limited (now known as Capita Hartshead (Actuaries & Pension Consultants) Limited), Higham Dunnet Shaw Plc (now known as Capita Hartshead Solutions Limited), Global Fund Administration Limited (now known as Capita Financial Administrators (Gibraltar) Limited, M.V.R.A. Limited, Eagle Management Services Limited and CPFR Solutions Limited).

The performance of these acquisitions post their inclusion in the Group cannot be ascertained as they have been fully integrated within existing offerings.

Within goodwill are certain intangibles that were not separable from the acquirees and could not be measured reliably. These items include customer loyalty and the assembled workforce.

In January 2008 the Group acquired the entire share capital of Nieuwenhuis Services B.V for a consideration of €5.3m, with a further € 2.7m payable over the next four years subject to the business achieving certain performance targets.

17 Business combinations (continued)**2006 acquisitions**

The Group made a number of acquisitions in 2006, which are shown in aggregate below:

	Book values £m	Fair value adjustments £m	Fair value to Group £m
Intangible assets	–	8.7	8.7
Property, plant and equipment	3.2	(0.9)	2.3
Deferred tax	1.2	–	1.2
Debtors	5.4	(0.4)	5.0
Cash and short term deposits	1.0	–	1.0
Creditors	(6.5)	(1.0)	(7.5)
Obligations under finance leases	(0.7)	–	(0.7)
Provisions	(0.3)	–	(0.3)
Long term debt	(2.7)	–	(2.7)
Corporation tax	(0.5)	–	(0.5)
Net assets	0.1	6.4	6.5
Goodwill arising on acquisition			27.6
			34.1
Discharged by:			
Cash			34.1

During 2006 deferred consideration of £3.5m was paid in respect of acquisitions made in prior years, of which £3.5m had been provided; there was no impact on goodwill.

Deferred consideration which was expected to be paid was accrued in respect of acquisitions made in 2006 and prior years amounting to £9.1m. The impact of this was to increase goodwill by the same amount.

As required by IAS 12 deferred taxation is calculated on intangible assets recognised as a result of an acquisition, the impact of this was to increase goodwill in 2006 by £2.6m and to create a deferred tax liability of the same amount.

As a result of the above, total goodwill of £39.3m was recognised in 2006.

Acquisitions in 2006 included the Sinclair Henderson group of companies, Ruddle Wilkinson Limited, Synaptic Systems Limited, Weblin Limited (now known as Capita Financial Software Limited), Stirling Trustees Limited and Two Ten Communications Limited.

The performance of these acquisitions post their inclusion in the Group could not be ascertained as they had been fully integrated within existing offerings.

Within goodwill there were certain intangibles that were not separable from the acquirees and could not be measured reliably. These items included customer loyalty and the assembled workforce.

18 Trade and other receivables

	2007 £m	2006 £m
Current		
Trade receivables	245.9	221.4
Other receivables	29.5	25.5
Gross amounts due from customers on construction contracts	11.1	9.3
Prepayments and accrued income	169.9	138.7
	456.4	394.9
Non-current		
Other receivables	1.5	0.4
Prepayments and accrued income	9.6	6.4
	11.1	6.8

Trade receivables are non-interest bearing and are generally on 30 days' terms.

At 31 December 2007, trade receivables at a nominal value of £4.2m (2006: £4.4m) were impaired and fully provided for.