

Civica Group

2010 Annual Review

Streamlining service delivery



CIVICA

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Welcome to Civica

Civica is an international market leader in specialist IT systems and business process services for the public sector.

Through experienced people who understand local service delivery, we apply information systems, managed services and outsourcing to help our customers achieve a successful and more cost-efficient way of working.

An experienced partner

Working with more than 2,000 organisations internationally, Civica is a strong, stable and effective partner for the public sector. Our people blend the experience of successful programmes with fresh ideas in order to respond to new imperatives as well as the constant need to do more with less.

Key facts

> Supplying **2,000** public service organisations:

- More than **90%** of the UK's local authorities and over **300** in Australia and New Zealand
- Over **1,200** schools and libraries
- Almost **200** social housing organisations
- More than **90%** of the UK's police forces
- Together with leading commercial firms

> Turnover of **£169 million** with an unbroken history of profitable growth

> **1,550** employees at **25** locations around the world

> Delivering managed services for more than **10 years**

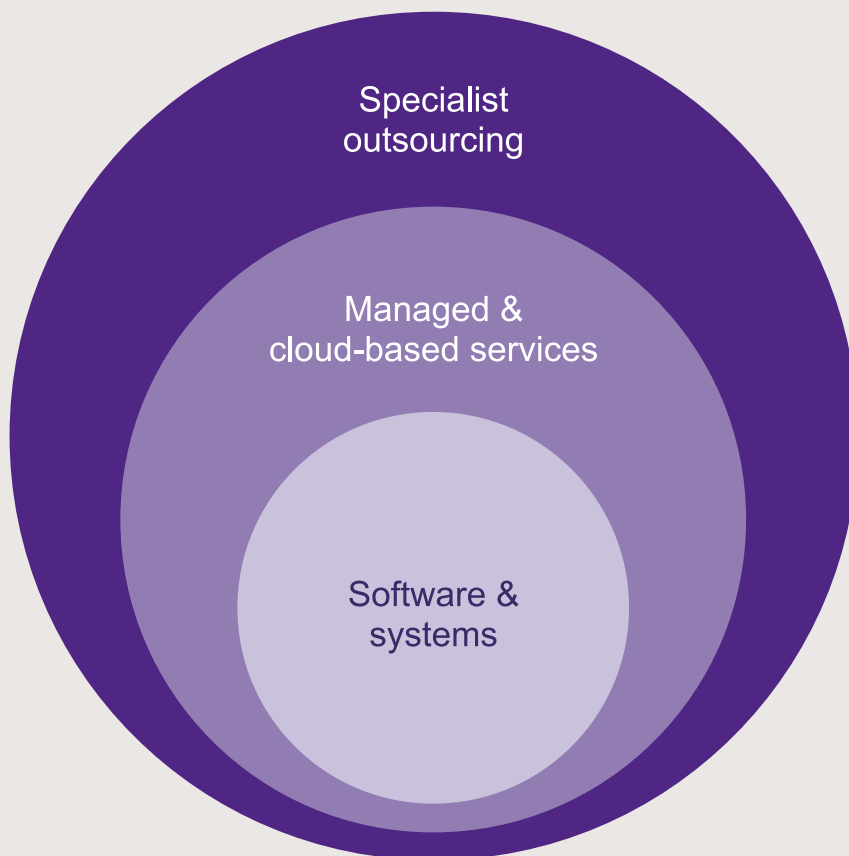
> Data centres in **4 countries**

> Behind local transactions with more than **25 million** citizens and businesses, Civica's technology is used to manage:

- Over **£10 billion** annually in local revenues
- More than **1 million** properties
- Collaboration for more than **500,000** students
- **Millions** of case notes for some of the largest health care providers
- Over **£1 billion** annually in secure electronic payments
- **200 million** library loans
- Pension schemes with a total of over **600,000** members

Adapting to a new landscape

Civica blends the broad capability and experience of a large company with the commitment, flexibility and responsiveness of a specialist. Building on our track record across the UK, Australia, New Zealand, Singapore, Canada and the USA, and underpinned by best-in-class operational and financial performance, we work with customers to address today's priorities while adapting to tomorrow's challenges.





Simon Downing Chief Executive Officer

2010 business review



This has been a year of strong progress for Civica financially and operationally. We have continued to expand our customer base in the UK and internationally and to grow both revenue and profits. As organisations face a period of significant change and challenge, Civica is a stable and effective partner, well placed to help customers address financial and service pressures while adapting to a new public services landscape.



We think Civica stands a good chance of being one of the suppliers to benefit from the changes facing the UK public sector. With expertise that spans public sector sub-markets it is well positioned to help them 'join up', share services, improve efficiency and reduce costs.

TechMarketView November 2010

Civica delivered a strong financial and operating performance in 2010 during a period of considerable change for our customers. Underpinned by a consistent and successful strategy the Group maintained its track record of profitable growth, achieving increased turnover and profits and further underlining the company's position as a strong and resilient partner for the markets we serve.

During the year to 30 September turnover grew 16 per cent to £169.0 million, with earnings* similarly increased to £28.7 million. In addition to good organic growth for Civica's range of specialist applications, which drive improved service delivery and efficiency for our customers, the Group made further progress with strategic objectives. This included new cloud-based managed service contracts across all geographies and markets along with momentum for shared services and business process outsourcing in areas of specialist expertise as organisations seek to reduce costs and to change the way they operate.

The Group continues to benefit from balanced operations across its markets. During the year Civica delivered a good performance across local government and social housing, securing more than 30 new

contracts in the UK with 7 for core revenues & benefits departments including at the London Borough of Enfield. With acquisitions made in 2009 trading ahead of plan, including in health and social care, Civica has continued to strengthen its leading position as a responsive provider across all areas of the public sector.

Revenues from the education sector increased by 33 per cent driven by well regarded schools contracts for which Civica has established an enviable track record of large scale delivery. Twelve schools opened on time with a new managed learning environment and IT managed service, while Civica was also selected for a new national ICT services framework which is expected to be one of the major procurement routes for schools in 2011.

International business accounted for 30 per cent of Group revenues following a strong performance in Australia, New Zealand and Singapore. Momentum included more than 30 new business wins and considerable progress with managed services, now the preferred delivery model for one in five of the local government customer base. Civica was also re-selected for the innovative outsourced libraries service for the Ministry of Education in Singapore, worth more

than £18 million over 5 years and with an increase in the number of schools subscribing to the service.

With organisations urgently looking at ways to streamline activities, Civica has a strong and stable platform from which to respond. Our consistent focus combines the scale and operational expertise to deliver rapid change for our customers with the sector specialism to offer a flexible informed approach. The Group has continued to secure new and innovative engagements into 2011.

During the year we strengthened both the management team and the Board, including the appointment of chairman Mike Jeffries who brings 30 years of foremost support services experience including similar roles for VT Group and WS Atkins.

I am pleased with our performance in the year. We continue to demonstrate how updated and technology-enabled business processes can achieve resilient lower cost services and, given the Group's market position, track record of delivery and the investments made to date, we believe that the outlook for the business remains positive.

* Earnings before interest, taxation, depreciation and amortisation

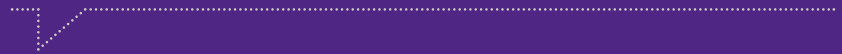
Markets review

Broad capability and presence combined with shared understanding and commitment make Civica a leading supplier in the UK and internationally, to local and regional government, education, social housing, health care and enforcement markets as well as regulated services including pensions and legal administration.



Our expertise is

public
knowledge





Markets review

Local & regional government

Working with more than 90 per cent of the UK's local authorities, and underpinned by leading systems for customer contact, case management and administration, Civica continues to demonstrate how streamlined IT-enabled processes can deliver resilient lower cost services.



Our return on investment study identified savings in the region of £1.5 million per year through the roll-out of Civica’s technology. The versatility will also help us continue to provide high quality services to citizens across the authority.

Councillor Russell George Powys County Council

Local government around the world accounts for just over half of Civica’s business and, notwithstanding increased pressure on spending, sector revenues in the year grew by 12 per cent. In the UK, with a clear focus on IT-based productivity improvement for customers, the Group achieved good progress including new systems and managed service contracts and a strong record of project delivery.

New business wins comprised, among others, 7 contracts to replace incumbent systems for revenues and benefits. These included the London boroughs of Barnet and Enfield, which both opted for 5-year managed services, and a broad programme including fraud management and a hosted service for PCI-compliant income management at Durham Council, formed from the amalgamation of seven previous councils. Durham also chose Civica systems to modernise environmental services along with the London Borough of Hackney and Carmarthenshire. With increasing customer focus on operational controls, the company also secured new contracts for financial, fraud and legal management systems.

Overall the Group provides managed services for more than 100 local authorities, and in the UK signed new deals across all service areas from a hosted solution for five Dorset councils to improve customer contact to secure electronic payments for numerous authorities including, among others, Slough Borough Council, Bury Council and Worcester City Council.

Civica’s ability to drive council-wide benefits via technologies such as automated workflow, document management and mobile working supported by the company’s Outcome Delivery Model secured further engagements. These included, among others, a programme for agile working across 12 departments at Eastbourne and at Powys, after a successful departmental deployment which resulted in a 19 per cent increase in productivity in one year. Customers also continued to extend software capability to extract more from existing investment, including online services to drive channel migration and a lower cost per transaction, and for which the company developed a citizen service portal in conjunction with Microsoft.

The Group’s extensive customer base provided excellent opportunities to respond to the increasing requirement for shared service delivery across local authorities, new projects including, among others, at Thanet and Dover, Staffordshire Moorlands and High Peak and South Ribble and Chorley councils.

Business momentum was underpinned by excellent service delivery, including roll out of the single database revenues and benefits system for Dover and Thanet and completing the first phase of a hosted case handling solution ahead of time for the Consumer Direct service, including migration of more than 2.5 million cases.

Powys County Council



Civica is working with Powys County Council to implement a technology-based programme across the council which aims to save £5 million by streamlining processes for more than 3,000 employees, from social care and public protection to library services.

Serving a community of 120,000 people spread over 2,000 square miles presents an enormous challenge for Powys. Adopting a new way of working enabled by electronic workflow and document management has already proved successful within the

revenues and benefits service, helping to improve management of services and employees through electronic rather than paper-based administration and better home working options.

Following roll out within the revenues and benefits department Powys has delivered a 19 per cent increase in productivity in only one year, based on Department for Work and Pensions performance indicators, and achieved the highest collection rate for council tax in Wales.



Markets review Education

Civica works with many schools, colleges, libraries and local authorities to bring about improved teaching and learning for the benefit of students, teachers and the community.



With Civica embedded into our daily operations, the change in the students' use of technology has been fantastic. The whole school community has responded positively to the opportunities that our new IT capabilities have brought.

Judith Smith Head Teacher Talbot Specialist School

A strong performance led to revenue growth of 33 per cent over the previous year in the sector internationally, underpinned by a track record of large scale service delivery. In the UK the Group delivered excellent progress with the successful roll out of school modernisation programmes together with new wins including at Wolverhampton and Wandsworth.

Civica continued to deploy its schools learning platform and outsourced IT services on time, supported by effective transfer of staff and central data centre services. The company is working with more than 70 schools carried over from the Building Schools for the Future programme as well as new Academies, and over the summer completed 11 installations of the Civica Learning Suite in Sheffield, delivering a significantly better pupil-to-device ratio,

doubling the associated managed services estate and maintaining continuity throughout. In Luton, integration of the new learning environment was completed at three additional schools in the run up to Christmas as part of the wider building refurbishment programme.

As organisations adapt to changing policy, effective and innovative use of IT remains an enabler in the delivery, accessibility and personalisation of education and learning. Civica remains focused on helping schools, academies and colleges to deliver their vision, in particular moving to a lower cost cloud-based model. Following accreditation as an approved supplier for the Department for Education's ICT services framework and with a robust forward order book, the company remains well placed.

With library services under severe pressure, Civica continued to consolidate its strong market position including progress with service partnerships. The South East Library Management (SELMs) programme has provided a blueprint and a practical framework for sharing services, providing a hub through which to share both IT resources and also library services and stock. The consortium expanded to 12 authorities during the year, including Hertfordshire County Council, to become Europe's largest library system. Customers continued to select Civica to provide modern library systems following the end of the Group's financial year.

Talbot Specialist School



In a 5-year managed service programme Civica is working with Talbot Specialist School, in collaboration with Sheffield City Council and the local education partnership, to transform teaching and learning through a customised and carefully-resourced technology strategy for students and staff, underpinned by a 24/7 learning environment.

Following re-location to a new purpose-built campus, ICT is now a key enabler of the school's teaching, including the integration of school and home-based learning applications. Harnessing staff knowledge

and insight with new techniques, Civica's Learning Suite is supporting the delivery of improved lessons and enabling staff to closely track achievements, including for those children unable to attend school regularly.

Students and staff are able to work more flexibly across the curriculum, with 'any time, any place' study options, and the school has been awarded an ICT Quality Mark.



Markets review

Housing & asset management

A leading partner for the social housing sector, Civica provides a complete IT systems platform to help organisations deliver more productive tenant services. Similarly, the group delivers leading asset systems to drive efficient fleet management for public and private sectors.



The results have been fantastic – we are seeing a 600 per cent increase in agreements made and rent collection is improved. It is a great example of our partnership with Civica and how we work together.

Peter Fitzhenry Director of Housing Management Golden Gates Housing Trust

Civica achieved a good performance in the sector during 2010 with increased order intake for products and services. With many organisations actively working on operational re-design in response to financial and service reforms, Civica continued to build on its track record of helping to deliver responsive and cost-efficient customer services enabled by leading technology.

As in other sectors the company gained momentum with cloud-based managed services, including 5-year hosting agreements for front and back office systems at Orwell Housing Association and Railway Housing Association, at the same time securing new customers for the DataStore backup service.

The ability to streamline tenant services through contact management, electronic workflow and document management systems led to new contracts including,

among others, at St Leger Homes, Kensington & Chelsea Tenant Management Organisation, Equity Housing and Hexagon Housing. Civica also launched 'Blueprint', an 'out of the box' system pre-configured to deliver already-proven processes with dramatically reduced implementation time and cost. Progress in joint working initiatives included, among others, an IT platform for a choice-based lettings scheme for the City of Lincoln and neighbouring district councils.

Civica continued to extend customer relationships, such as the provision of systems to underpin stock transfer at Golden Gates Housing. Progress was supported by robust service delivery, including at Hackney Homes and as part of a broad transformation programme at Affinity Sutton, one of the UK's largest providers of affordable housing. The trend towards greater mobile and flexible working continued, driven by significant customer

productivity savings of up to 30 per cent. Successful projects included time and cost savings for housing maintenance in Glasgow and at Dunedin Canmore Housing Association, awarded the Herald Scotland Digital Business Award.

The Group's market leading fleet and asset management systems continue to help customers achieve substantial cost and utilisation benefits. More than 25 new deals were secured, including the largest deal to date with Balfour Beatty Plant & Fleet Services together with, among others, the Association of Greater Manchester Authorities, Scottish Ambulance Service, Babcock Airside and Translinc, the UK's leading provider of specialist fleet services to local authorities, schools and health authorities with over 4,000 specialist vehicles.

Affinity Sutton Group



Civica is helping Affinity Sutton Group, one of the UK's largest providers of affordable housing, to streamline interaction with customers, save money and deliver improved tenant services.

Affinity Sutton provides community-oriented services to 55,000 households within more than 120 local authority areas. Civica is working as part of an extensive business transformation partnership to achieve a common customer-focused approach and a consistent level of service and efficiency across Group organisations

Broomleigh, Downland and William Sutton Homes together with specialist organisations Aashyana, BHT and Community Building Services.

Enabled by Civica's housing software platform, including core administration, contact management, workflow and document management, the programme is designed to ensure responsive services across the country while maintaining the flexibility to meet local needs, an approach supported by more than 1,500 staff across a network of over 200 local offices.



Markets review Health & social care

Civica works with health service providers and local authorities in the UK and internationally to deliver software and services that help to streamline the management of health and social care and to improve patient services.



Civica's system is proving its worth in supporting the demands of working as a Foundation Trust and in moving towards payment by results. However the key benefit is in the improvements to care and clinical safety created by an end-to-end record.

Dave Shelley Head of ICT Leeds Partnerships NHS Foundation Trust

At the start of 2010 the Group launched Civica Health & Social Care in the UK, providing a dedicated focus to respond to customer needs for all aspects of community-based care. The business performed ahead of plan during the year, and is well placed to support customers facing radical reforms including the disbanding of Primary Care Trusts in England and a lead role for councils in health improvement.

With integrated working across health and social care designed into Civica's core software platform, the Group made good progress with customers looking to achieve a more integrated approach. Innovative work in Swansea provided the basis to develop common assessment and prescribing for 5 substance misuse treatment agencies and

partners. Belfast Health and Social Care Trust already provides integrated services using Civica's case management system whilst in Canada the Group secured a new agreement with Fraser Health, one of the country's largest health authorities.

Drawing on experience across local public services, Civica continues to offer a strong foundation as organisations look to provide safe, economic and personalised local care. The company successfully delivered new technology to support child health care for St Helens Health Informatics Service, and following the end of the Group's financial year the company was selected as preferred supplier by Hertfordshire Partnerships NHS Foundation Trust, one of the UK's leading mental health and special learning disability Trusts.

In dealing with major structural change and greater flexibility for individuals in accessing and commissioning services, the ability to manage and share information securely and efficiently is paramount. Civica remains focused on applying a broad range of information management expertise, with a successful track record from enabling 3,700 staff at Cardiff & Vale University Health Board to manage more than 1.3 million case notes annually to helping Hackney Council save £250k per annum by replacing physical storage with electronic document management.

Safer Swansea Partnership



In a European first Civica is working with the Safer Swansea Partnership to provide a single secure system for shared information and proactive care, directly linking five substance misuse treatment agencies so they can intervene with the right services at the right time to prevent lives and communities being blighted by substance misuse.

Having the right information at the right time can make the difference in prevention, saving lives and cutting crime. For the first

time agencies in Swansea, Neath Port Talbot and Bridgend are able to share information at the push of a button and work together more effectively.

Making treatment services more efficient, safer and more accessible for those in need, Civica helped Safer Swansea to adopt more efficient processes, harmonising different approaches and reducing 40 different assessment forms to one.



Markets review Enforcement

Civica works with blue-light organisations and government agencies in the UK and the USA to help protect streets and communities, underpinned by expertise in secure data communication and mobile working.



As a result of new technology and processes implemented with Civica, Harrow has boosted productivity by more than 40 per cent. We see the partnership together with innovative technology as an opportunity to provide further savings.

Fern Silverio Director – Collections and Housing Benefits Harrow Council

Notwithstanding a more difficult environment for customers in the Police sector, the Group continued to secure new business. Wins included selection as the preferred supplier of automatic number plate recognition (ANPR) for Wiltshire Police and to deliver fixed sites for South Wales Police, building on force-wide programmes in Kent, Dyfed Powys and West Mercia. Customers including Essex Police, the Metropolitan Police Service, Sussex Police and West Yorkshire Police also extended their ANPR capabilities.

The increasing need to enhance and protect access to sensitive data led to more than 10 new orders to provide Civica's latest generation 'Lynx' system. Following the end of the year, the Group was also awarded a contract by Airwave, which delivers critical communications services to more than 150 organisations, to provide a secure gateway for mobile data users.

Civica strengthened its market leading position in fleet management systems for the blue light sector, counting 80 per cent of the police forces in the UK as customers. New wins included South Wales Police, Scottish Ambulance Service and Hampshire Fire & Rescue Service.

In civil enforcement the Group remains focused on helping customers to deliver more efficient services. In London the company continued to build on its customer base including a 5-year managed service extension with Haringey Council and with new permit administration systems including facilities for online application and payment for, among others, Barking and Dagenham and Barnet councils. Additional capabilities for the London Borough of Bromley included cashless parking, supported by new handheld devices using ANPR technology.

London Borough of Harrow



Civica is working with Harrow in a 7-year programme to transform the efficiency of parking enforcement and collections, using Civil Enforcement software to handle over 120,000 penalty notices annually and to integrate with the council's corporate business systems.

New technology from Civica is helping the authority to embed streamlined processes and reduce the cost of the service.

As a result Harrow has been able to reduce overall staff costs by 30 per cent as well as boosting productivity by 40 per cent compared to previous years.

Simplifying complex processes through better workflow management is eliminating process duplication, supporting the goal of streamlined operations, improved performance management, automation of collection systems and flexible and remote working options for staff.



Markets review

International

Civica's international business focuses primarily on local government, education and health markets. During the year it delivered a strong performance with a significant and profitable increase in revenues, which now account for 30 per cent of the Group's total.



There are efficiencies in working with Civica as the leading supplier to the marketplace and being able to utilise their broader skills and resources. We see it as a true partnership yielding benefits for everyone.

Neill Hocking Director of Infrastructure & Technology City of Whittlesea

Australia & New Zealand

Civica's local government business has built a market leading position in Australia and New Zealand, recording revenue growth of 60 per cent between 2008 and 2010. More than 300 councils throughout all states and territories use Civica's local government software applications, centred on the Authority enterprise suite which is the only application designed specifically for local government that delivers a single solution, from a single provider, for the whole business of local government. The acquisition of Melbourne-based MES in December 2009 also provided customers with access to market leading business intelligence and performance management software, used by more than 80 local authorities.

Sustained momentum included new contracts, among others, at Isaac Regional Council, Whitsunday Regional Council, Westernport Water and Hamilton City, the largest inland city in New Zealand, which chose Civica for an enterprise-wide software platform. Taking the lead in response to key market trends, the launch of the latest version of the Authority application including the Authority Portal has enabled authorities to open their business systems to interactions

with every customer and partner and for every member of staff, as well as moving to a model of more agile software release management.

The Group's global library business is based in Melbourne and, as in the UK, Civica continued to make progress with library customers including an agreement to provide a shared IT infrastructure for Hutt City, Porirua City and Kapiti Coast libraries in New Zealand. New deals following the end of the financial year included at Sunshine Coast library and a comprehensive managed services delivery to the Attorney General's Department in Australia. The company continues to deliver innovative services, from new self-service stations to the launch of the iSpydus library application for staff to use on iPhone and iPad devices.

In Healthcare, where the group supplies half of the leading health funds, Civica continued to build on the 'Healthstream' business process outsourcing joint venture, including an extension to the outbound processing contract with NIB.

Singapore & South East Asia

Based in Singapore, Civica employs more than 250 people in the library & learning sector in South East Asia with customers also in Brunei, Hong Kong, Malaysia, Taiwan and Vietnam.

In Singapore, the business won re-selection by the Ministry of Education to provide automation, collection and full-time staffing services under its outsourced libraries service for schools and colleges across the country. Following the success of the original contract, the first of its kind to use an outsourced model in a library setting, the renewed deal sees an increase in the number of schools subscribing to the service. The company continues to build on its established market position, including a ground-breaking literacy programme to help students to build skills and the launch of an online purchasing portal, and further new business in the country included with the Singapore Armed Services Military Institute and the Defence Science & Technology agency.

USA

In the United States, Civica CMI provides a comprehensive range of applications to support the administration of local government, including finance and utilities, courts administration and public safety, the latter including applications to manage the dispatch and control of Police and Fire services. Products are used by more than 300 customers, predominantly across the state of Ohio.

Hamilton City Council



As strategic IT partner for Hamilton City Council, Civica is working with the authority to implement a council-wide enterprise software platform in a phased approach to help fulfil the city's vision for the future.

The company is delivering its market-leading 'Authority' suite as the council's single core business application, providing a complete integrated view of the council and its customers. The system includes applications that allow customers, businesses and agents

to seamlessly interact online with the council, plus mobile technology to improve productivity and security for the outdoor workforce.

With a clear set of goals to become New Zealand's leading service organisation, Hamilton selected Civica in order to move to a more sustainable IT strategy and to deliver council-wide process and service improvement supported by real-time executive and performance reporting.

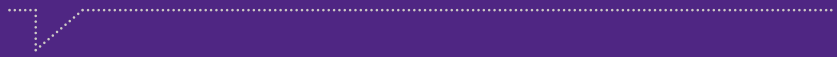
Services review

Civica's specialist systems and outsourcing services provide the means to achieve streamlined and customer-focused services. Combining the technology, operational and business process expertise to underpin service delivery the company is helping customers to deliver essential services at less cost.



Delivering service
improvement and
greater efficiency at the

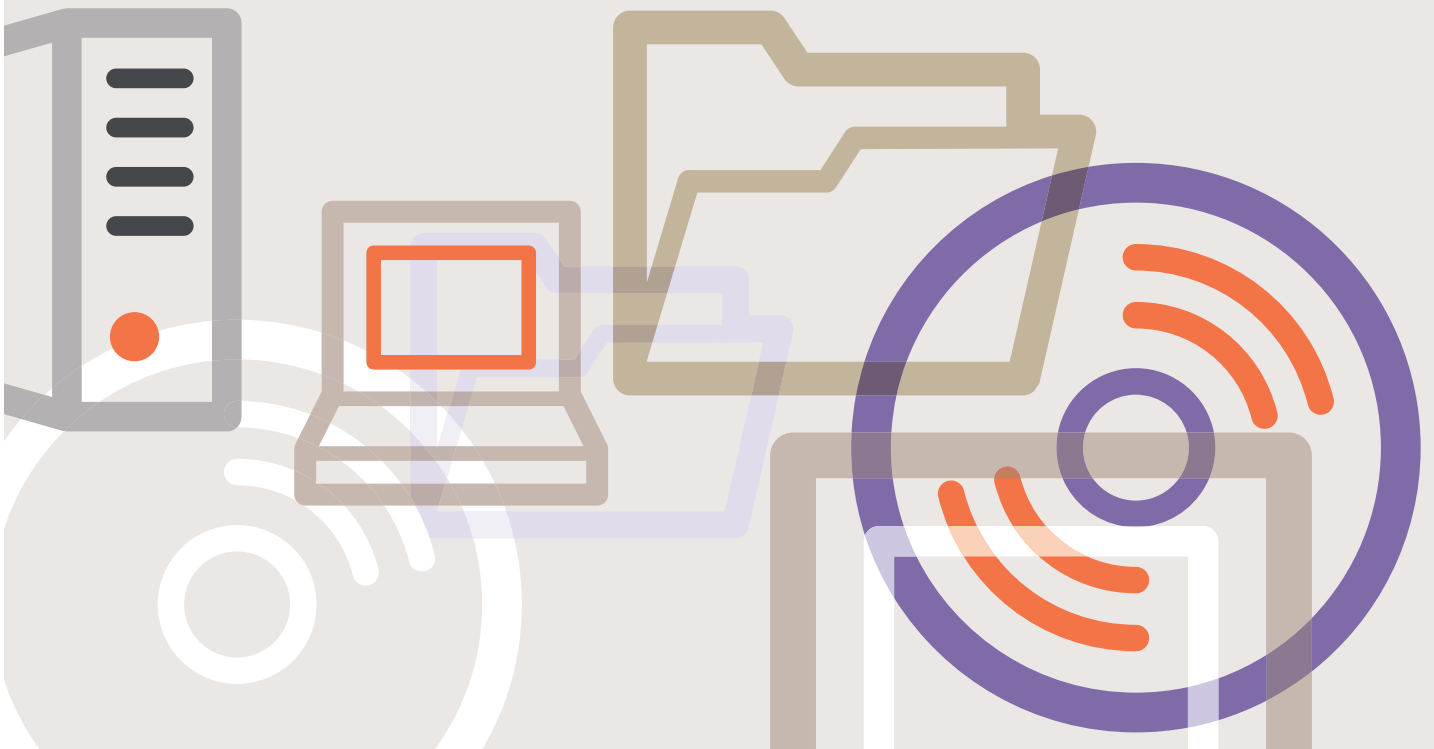
local level



Services review

Software & systems

Civica provides an extensive suite of leading applications together with the business process and systems integration expertise to help customers deliver cost-efficient and customer-focused services. During the period the Group continued to extend its customer base and achieved good growth with software revenues increased by 21 per cent.





Hamilton has a clear goal to become New Zealand's leading service organisation. Civica's enterprise solution will help us to fulfil the organisation's vision for the future, and Civica's commitment to us has been impressive.

Blair Bowcott Deputy Chief Executive Hamilton City Council

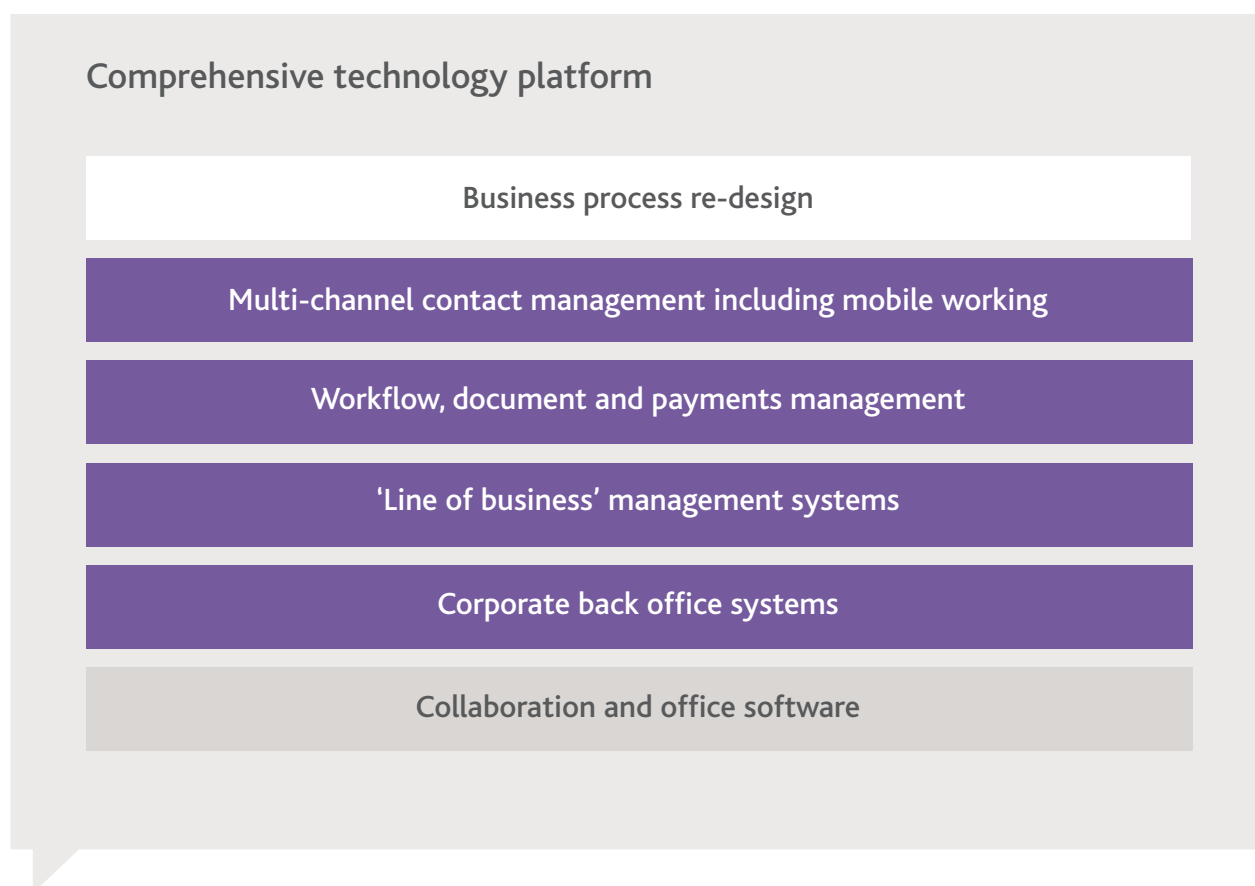
A strong track record

- > Civica is helping Southend-on-Sea Borough Council to improve service efficiency as part of an organisation-wide project designed to save £15 million over three years.
- > New technology has helped improve operations at Stockport Council following the re-design of core processes for benefit applications. Annual savings of £270,000 have been achieved with processing times cut from 86 to 21 days.
- > In a 4-year programme Civica is one of the lead companies selected to develop 'future school' learning solutions in Singapore, aimed at transforming the learning environment through the use of technology.
- > Civica is providing an integrated management system to underpin critical support processes for Hackney Homes, based on a shared risk and reward approach to target agreed service performance and efficiency outcomes.
- > South Ribble and Chorley borough councils have established a cost-saving shared services partnership using the Civica Financials software to simplify and integrate financial management and reporting and to drive cost efficiencies.
- > Civica Mobile has enabled award-winning Dunedin Canmore Group to increase the productivity of mobile operatives by 20 per cent, improve income collection through more accurate billing and deliver increased customer satisfaction.
- > Civica is delivering an integrated system to streamline activities across environmental health, trading standards, planning, building control and private sector housing as part of Herefordshire Council's corporate improvement programme to deliver efficiency savings and enhanced customer service.
- > Intelligence based on number plate recognition is helping Kent Police to deny criminals use of the roads, including data from petrol stations, retail outlets and other premises.
- > Civica is helping Translinc, the UK's leading provider of specialist fleet management and passenger services to local authorities, schools, health authorities and other public sector and utility clients, to achieve cost benefits through improved management and utilisation of over 4,000 specialist vehicles.



At the core of Civica is a proven range of software applications and related services which together offer a complete service-oriented technology platform for the business of our customers.

These provide the means to integrate responsive front line, mobile and collaborative working with efficient back office systems in order to streamline activities and achieve a more productive way of working.





Our key objective was to secure a partner who could not only provide best value software products but also give us substantial longer term cost savings and service delivery improvements across the organisation.

Ian Ferguson Head of Revenues & Benefits Durham County Council

Streamlining activities

Underpinned by core business systems the Group has developed a clear response to the increasing challenge for organisations to sustain services while spending less. Through process automation, intelligent intervention, mobile working and a new generation of efficient and personalised self service channels Civica is helping to transform the cost of service delivery. Supported by an improved Outcome Delivery Model to drive measurable return on investment for customers, and delivered by dedicated teams who combine deep 'line of business' experience with corporate insight, the Group provides the technology foundation for efficient and appropriate services able to adapt to a new business landscape.

Shared services

Shared services adoption is accelerating with increased acceptance that collaboration is a key lever in responding to budget cutbacks. Recognition that common IT systems provide a rapid catalyst combined with the Group's broad customer base led to new projects to enable common working by employees across multiple organisations.

Alongside new business in core software applications for existing and new customers across the public sector as highlighted in the Markets Review, the Group continued to secure excellent contracts in the private sector such as a new system for Kia Motors' customer service desk which is managed by RAC Commercial and a new pension administration solution for JTI. Indeed, in the latest industry survey, Civica's UPM pension administration system was rated the top system, scoring a remarkable six 'excellent' and three 'very good' ratings out of nine criteria.

Software asset management

Software asset management capabilities found favour during the year as recognition grows that efficient software management can deliver major cost savings. Civica's Software Spending Review, a full ICT environment assessment to identify cashable savings from software entitlement, deployment, budget and planning, produced a compelling return on investment for customers, including a saving of £1.4 million for one organisation alone.

Leeds Partnerships NHS Foundation Trust



Following a successful project carried out in partnership with neighbouring Tees, Esk and Wear Valley NHS Trust, Civica's 'Paris' case management system is used by Leeds Partnerships NHS Foundation Trust across 85 teams in over 55 locations to underpin a wide range of specialist multi-disciplinary care services.

Designed specifically to span health and social care, the provision of a single system working across institutional boundaries is helping the Trust to join up community-

based care and to reduce risk for both care providers and their clients by eliminating many of the data silos that often occur across multiple providers and across departments in the same organisation.

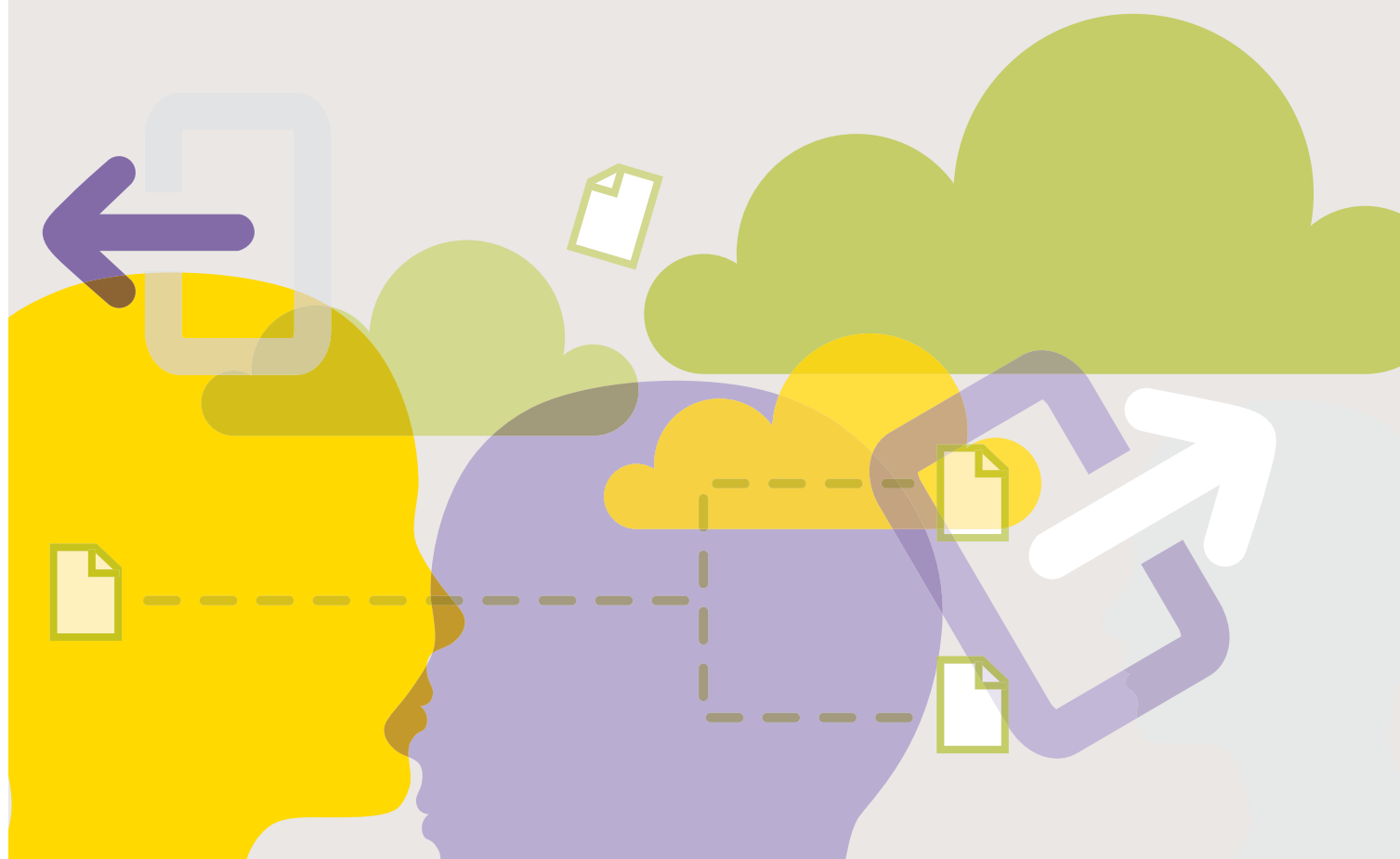
Implemented in a rapid timescale, the system is already proving its worth in supporting the new demands of working as a Foundation trust and in moving towards payment by results.

Services review

Managed services & outsourcing

The provision of managed services, from simple hosting to outsourcing of business processes in areas where the company has specialist expertise, is fundamental to Civica's strategy in order to help customers reduce the cost and risk of service delivery.

The Group continued to build a stronger position during the year, characterised by a combination of service capability, market specialism and technology-based operating model.





Having a fully hosted IT provision is an ideal business solution. Our partnership with Civica contributes to providing better services to our customers and improved performance.

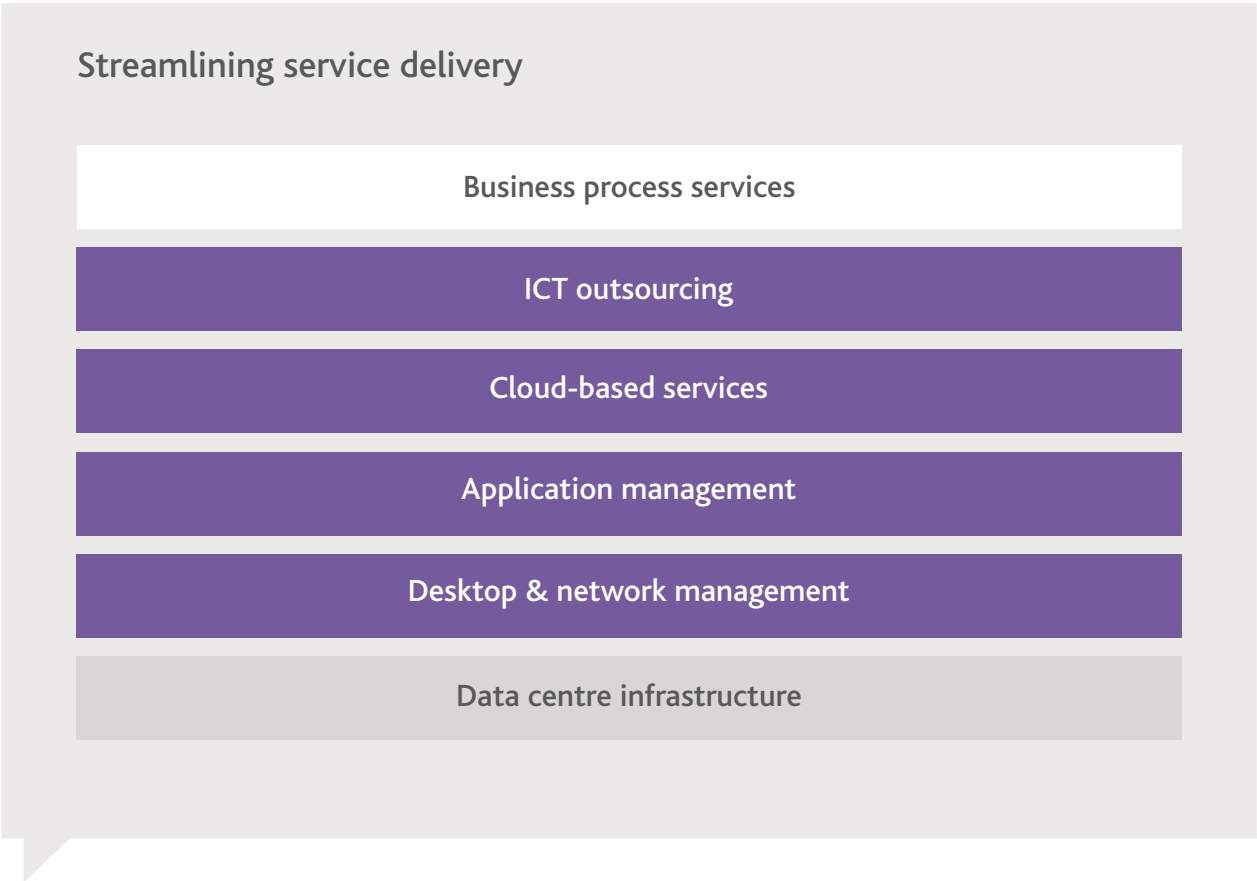
Jane Cantor Resources Director Hundred Houses Society

A strong track record

- > In an award-winning partnership Civica is working with the council, schools and LEP in Sheffield to deliver an ambitious vision for teaching and learning, enabled by outsourced IT services and the creation of a cloud-based model.
- > Civica is providing hosted systems for council tax, rates and benefits administration for the London Borough of Enfield to drive system-wide efficiencies and a rapid return on investment.
- > Underpinned by a central IT service handling more than 30 million transactions annually, the 12-member South East Library Management consortium is transforming services for over 5 million people with the cost of administration greatly reduced.
- > Civica provides an outsourced libraries service for over 350 primary, secondary and junior college schools in Singapore, including library staffing, collection and distribution services and underlying IT systems.
- > Covering housing management, finance and administration across 5 sites, Civica's hosting solution for Railway Housing Association has enabled the Association to save money and to maintain tighter budgetary control.
- > Health group NIB uses the 'Healthstream' business process service to automate and manage over 600,000 transactions annually on a pay-per-transaction basis, lowering the cost of routine processing and improving service to customers.
- > Civica has implemented its hosted payments solution for over 40 authorities, streamlining customer interaction and payments and with transactional information securely managed within the Group's PCI-standard data centres.
- > Civica is helping Barnet Council to handle local enforcement including 165,000 penalty notices, combining application hosting with integration of mobile devices, CCTV images, contact centre and customer-facing transactional websites.
- > In order to sustain the capacity of Shellharbour City Council to provide effective and efficient services Civica is delivering the Authority software suite across 20 locations under a fully managed service, the 50th such contract in Australia and New Zealand.



Civica has been delivering managed services to customers for more than 10 years. Differentiated by the combination of service capability, deep market sector specialism and core applications expertise under one roof, the Group has a proven record from hosted applications for more than 100 local authorities to specialist outsourcing programmes involving more than several hundred professional staff. Enabled by technology, process and operational expertise these provide the means to liberate professionals and managers from traditional constraints in order to achieve resilient lower cost services.





We are always looking for ways to improve efficiency and productivity to deliver a better result to our customers. Civica's managed service is a logical way to maximise the benefit from the council's IT services.

Michael Freeman Chief Executive Stratford District Council

With public bodies expected to extend involvement of partners in the delivery of services, the Group invested in increased capabilities for IT and specialist business process outsourcing.

This led to an increased pipeline of opportunities in particular for innovative services that blend the skills and resources of public and private sectors to target significant savings.

The trend towards IT managed services and cloud computing has continued and is expected to accelerate in response to financial and service pressures in all markets. The Group has responded, helping organisations to reduce cost and risk, increase flexibility and accelerate the adoption of modern

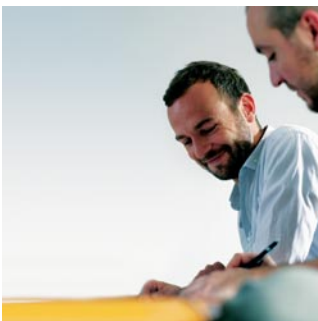
technology using a hybrid approach from remote management of on-premises systems to fully cloud-based services.

With the hosted model becoming the preferred method of delivery for many organisations the Group added to its base of managed service customers with more than 50 new deals across all areas.

In the UK Civica won inclusion on the framework agreement for IT managed services operated by Buying Solutions, the national procurement partner for public services, while in Australia and New Zealand notable momentum in local government included new deals for, among others, Litchfield, City of South Perth, Orange City and Stratford District councils.

Growth has been underpinned by the ability to deliver applications and infrastructure remotely from a resilient virtual environment underpinned by world class data centres operating to ISO 27001.

London Borough of Enfield



Under a 5-year contract Civica is providing a managed council tax and benefits system to Enfield Council in a strategic programme to build a new state-of-the-art administration platform to drive system-wide efficiencies based on hosted applications and 24/7 system support.

Provided as one integrated service the programme will provide Enfield, which serves more than 280,000 people, with the foundation to deliver regular service innovations in the future including

integration of new electronic forms with current systems and online self-service systems for customers.

In conjunction with the deployment of OPENRevenues software to automate re-engineered business processes, Civica's Outcome Delivery Model provides a framework for the company to work closely with the council's senior management to assess current processes and manage change in line with corporate targets.

Values & corporate responsibility

Civica embraces core values of integrity, knowledge and action. The company believes that long term success is achieved by delivering customer satisfaction through mutually beneficial and lasting relationships, offering value in terms of business outcomes.

Integrity

Civica is committed to integrity and consistently high professional standards in all our business dealings. We aim to be straightforward and open, subject to commercial confidentiality, and fair in all we do. Through our corporate and financial behaviour, we aim to ensure that we are trusted to make and deliver promises and to respond to the needs of customers, partners and colleagues.

Knowledge

Civica is committed to developing and applying expert knowledge in order to translate business needs into outcomes. Through in-depth experience of our markets and insight into best practice and modern technology, we seek to anticipate requirements, adapt to trends and help customers to improve their performance. We aim to be well known and sought out by our customers, colleagues and partners for our insight and informed capability.

Action

Focused on our customers and combining know-how with initiative, Civica is committed to delivering meaningful results in a timely manner. We aim to be proactive in finding new and better ways of doing things and in eagerly implementing change. We aim to do whatever it takes to help customers, colleagues and partners to meet their objectives.





Essential to our success is the continued investment we make in developing the skills and capabilities of Civica's people.

Employees

The Group's business is constantly developing and an essential part of our continued success is the support and involvement of all Civica's people. We continue to recruit talented individuals with the ability and vision to succeed for our customers. The Group's people strategy continues to be active with initiatives to ensure Civica remains an employer of choice, providing the support employees need to achieve their potential.

Evidence of this includes involvement in the 'Best Companies Accreditation' scheme in which the company secured the category of 'One to Watch' in 2009 based upon feedback from 600 UK-based staff. In 2010 we also launched the Civica Awards employee scheme to recognise and reward the contribution of individuals and teams in achieving progress toward Group objectives including with innovation. Civica is an equal opportunities organisation and gives full consideration to applications for employment for all groups including minority groups and disabled and handicapped people.

Training & Development

Training and development is essential and Civica operates a structured programme and an ongoing feedback system including a listening board and employee survey whereby all employees have the opportunity to make their views known on a wide variety of aspects of the business. Training begins with First Impressions, our programme for new employees which is designed to ensure that new starters understand the business and are able quickly and effectively to establish themselves as an integral part of the team. The programme continues to be enhanced and includes information relating to the Group's corporate social responsibility.

The rate of growth of the business means heavy reliance is placed on managers and team leaders to drive rapid and efficient progress. The Group continues to operate its highly successful Raising the Bar leadership programme, which focuses on change management, leadership skills, communication and commercial awareness and which gives rise to cross-business and cross-functional team projects to address identified business issues. Raising the Bar is supported by Team

Potential, which provides potential leaders with the skills they need to manage the business in the future, Customer First, a programme for all staff but with a specialist element for customer service and support teams, and Top Gear, a sales development programme to ensure business development teams can work effectively to help customers find solutions which address their needs.

Mobility & support

Broad understanding and experience is essential in delivering increasing value for customers and communities. During the year the Group continued to place a number of employees into new roles through secondment or assignment, across all areas of the business.

Support for employees also includes an extensive benefits package which incorporates elements such as employee discount scheme and access to an externally managed confidential assistance helpline, together with improved family-friendly policies such as enhanced maternity and paternity benefits and the introduction of childcare benefits for working parents.

Environment

Civica recognises that all business activities have an impact on the environment and that it is therefore essential to operate our business in a sensitive manner. The Group is committed to a process of continuous review and improvement in order to understand and reduce the impact operations have upon the environment, and to integrate corresponding issues into our decision making where possible.

The Group acknowledges the need to educate and train employees in the use of environmentally conscious practices,

including adoption of the latest technology where practical, and to ensure compliance with relevant environmental legislation. Many individual parts of the business have been awarded the ISO14001 Environmental Management Standard and notwithstanding an ongoing acquisition strategy the objective remains to extend this across the Group.

Technology has an increasing potential to help organisations achieve a more sustainable way of working. As well as seeking to improve the way we deliver services through the use of efficient technology Civica works with customers to help reduce their use of power and their

impact on the environment. In particular flexible working solutions and hosting or cloud-based services employing leading energy efficiency technology can have a significant impact on reducing carbon emission overall and lowering power consumption and electrical waste.

The Group also has a policy of encouraging socially responsible purchasing, using ethically and/or environmentally friendly suppliers where possible.





Sharing our expertise and supporting communities is an important aspect of our corporate responsibility.

Community

Sharing our expertise and supporting both the communities with which we have relationships and those further afield is an important aspect of our corporate responsibility. The Group remains active with community support schemes including work experience, supporting local schools, sponsoring apprenticeships, neighbourhood activity sponsorship and charitable support through both individual and company initiatives. Activities during the year ranged from hosting students from Silverdale School as part of their 'Investigating Business' GCSE project to sponsorship in support of social improvement through sport.

Civica Foundation

The new Civica Foundation provides a stronger focus for our corporate responsibility activities and in particular to support sustainable projects that reflect the Group's expertise. Initiatives established under the auspices of the Foundation are targeted at making a positive difference through using our skills, expertise, drive and enthusiasm and in support of the many activities undertaken by employees.

As well as supporting existing partners such as Water for Kids, a small charity set up by Environmental Health Officers to provide safe water, sanitation and health education for communities in developing countries, the Foundation will also be launching an initiative with the Prince's Trust in order to:

- > Provide funding and support for young people to get a start in business
- > Offer work experience to help provide young people with training and personal development
- > Help young people set up projects that will benefit their communities
- > Provide support with community projects

Singapore Ministry of Education



Alongside its ground-breaking library outsourcing contract for schools in Singapore Civica has worked with the Ministry of Education to develop a skills programme aimed at unemployed or low-skilled individuals and those returning to the workforce.

In a programme designed to improve employment prospects and capabilities, Civica collaborated with the Singapore Workforce Development Authority and with organisations such as the Singapore Human Resource Institute to develop a multi-level training and education scheme providing both formal qualifications and a range of other development opportunities.

The accredited programme for library operational staff provides a structured programme through which individuals with no formal qualifications can study to attain a certificate recognised by the Government and the library profession in Singapore. It is designed specifically for staff with no formal qualifications who wish to gain qualifications within the library profession. The training is free to Civica Library & Learning staff and is provided directly by professionally qualified instructors and examiners.



Phill Rowland Group Finance Director

Financial review



During 2010 the Group continued to deliver good growth, with revenues up 16 per cent to £169 million and EBITDA up 11 per cent to £28.7 million. This is against a backdrop of continued investment in our managed services and outsourcing propositions, which will enhance our ability to deliver tailored solutions to customers and to help them achieve cost reduction and service efficiency objectives.

Highlights

- > Turnover up **16%** to £169.0 million
- > Gross profit margin **improved to 69%**
- > EBITDA increased **11% to £28.7 million**
- > Continued good cash generation from operating activities at **87%** of EBIT
- > Group capability strengthened with improved quality of earnings
- > Managed service deals in all areas with increased momentum
- > BPS/ITO capability established and pipeline building
- > Continued international growth
- > 2009 acquisitions trading ahead of plan

Group Overview

	Year ended 30 Sep 10 £ millions	Year ended 30 Sep 09 £ millions	Year ended 30 Sep 08 £ millions
Turnover	169.0	146.1	134.2
Cost of sales	(53.0)	(50.6)	(46.2)
Gross profit	116.0	95.5	88.0
Administrative expenses	(87.3)	(69.7)	(65.2)
EBITDA	28.7	25.8	22.8
Cashflow from operating activities	22.6	19.2	18.6
Staff	1,548	1,483	1,426

In the financial year to 30 September 2010 the Group continued to perform well in what is a challenging time for organisations in many of our markets. Many customers are facing an unprecedented level of cost reduction, but still recognise the need for technology-based solutions as a key component in improving productivity in order to sustain essential services whilst minimising costs. In the year, the Group

increased revenues by 16 per cent to £169 million, resulting from good performance across the businesses acquired in 2009 and strong organic growth in our core businesses. Gross profit increased to £116 million and 69 per cent of revenue, as solutions underpinned by our own software were successfully deployed across the customer base.

The business continued to strengthen its recurring revenue base as our investment in managed services and outsourcing led to an increase in new orders. We expect this trend to continue into 2011 as customers seek ways to achieve their cost reduction and service improvement targets by working with trusted partners.

Balanced operations

It is vital for us as a business to balance appropriately both investment in services as well as management of costs. During the period earnings before interest, taxation, depreciation and amortisation (EBITDA) rose 11 per cent to £28.7 million. This was underpinned by strong conversion of operating profit to cashflow of 87 per cent, with cash in the bank at 30 September 2010 of £22.9 million.

Our pipeline of opportunities has continued to grow throughout the year both in terms of traditional service offerings as well as in managed services and outsourcing. The Group made significant investment throughout the year to strengthen managed services and outsourcing capability to respond to customer needs and this

investment, including additional resources, training and infrastructure, will continue throughout 2011.

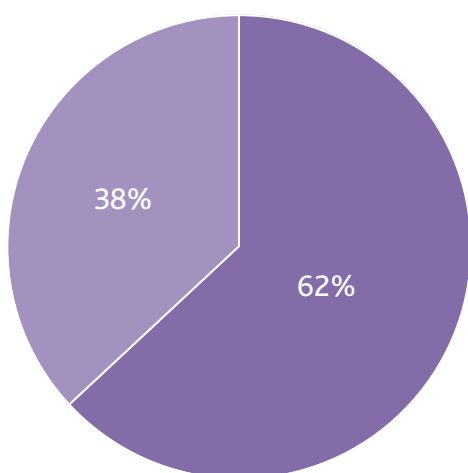
As the Group has grown both organically and through acquisition, we have maintained a focus on rapid and efficient back office integration of new businesses to allow them to concentrate on core market priorities. Establishing scalable controls and processes has been vital in assisting the business to grow in a way which maximises the opportunity while minimising our business risk.

During the year, we established a number of cross-business programmes to review how we drive further efficiency in core processes, including product development and customer support functions.

Segmental analysis

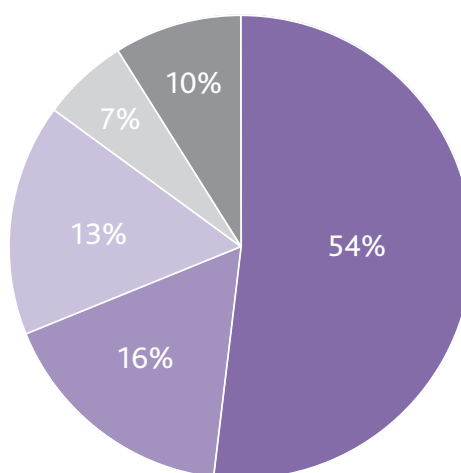
The Group continues to maintain a balanced portfolio of activity across markets and geographies, with Local Government business the largest segment producing just over half of the total gross profit. The majority of activity continues to be derived from the UK public sector, while just under 40 per cent of gross profit is derived from the Group's international operations in Australia, New Zealand, Singapore and the USA, through a mixture of own IPR delivery and support through to full business process outsourcing contracts.

Gross profit by geography



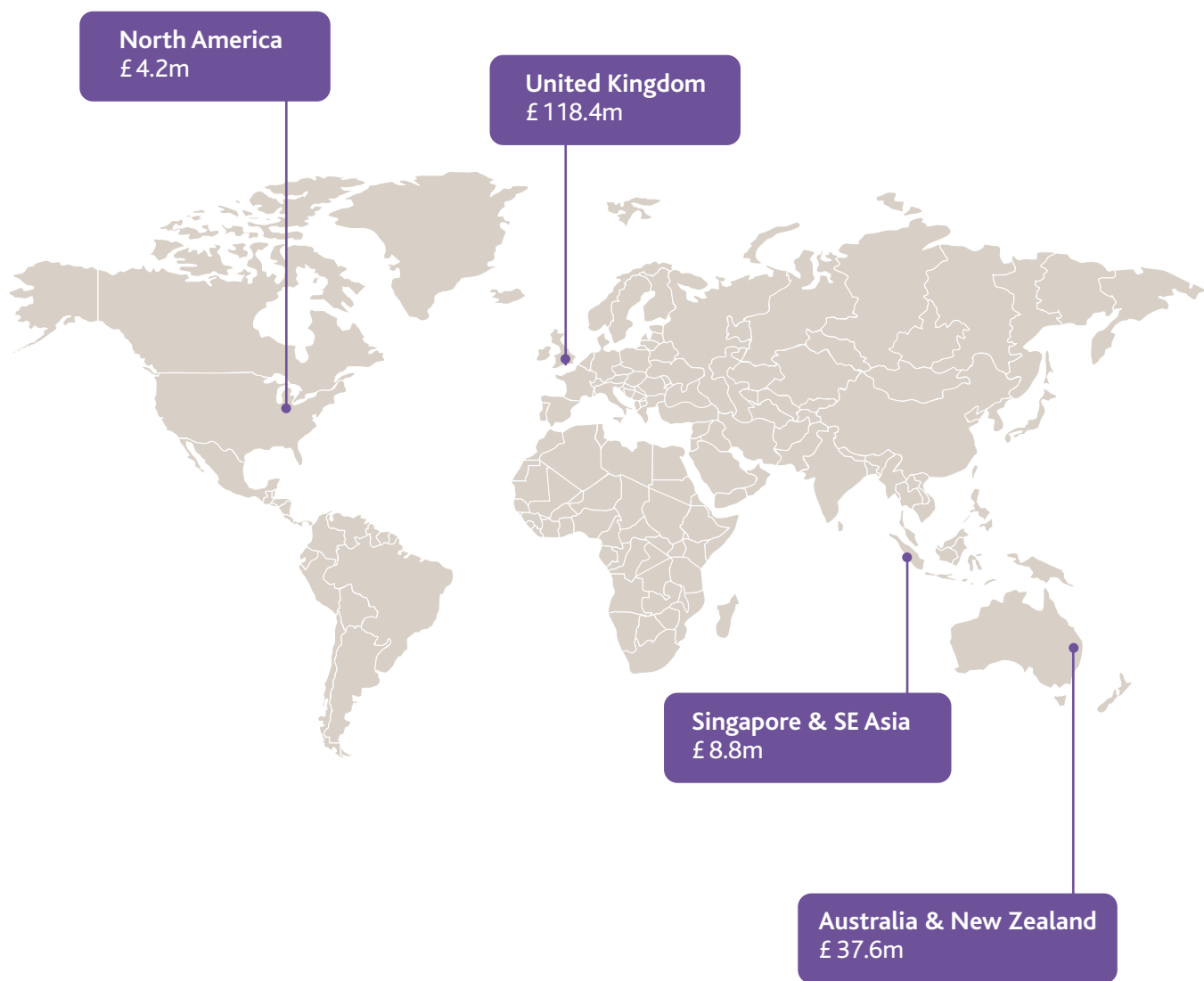
- UK
- International

Gross profit by end market



- Local government
- Education
- Housing and asset management
- Other, including Health
- Enforcement

2010 revenues by geographical region



Trading performance

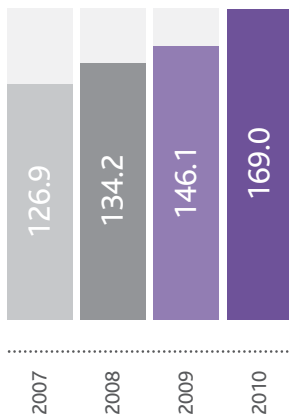
Trading performance year ended 30 September

	2010 £ millions	2009 £ millions
Sales		
Owned software & related equipment	35.0	28.6
Third party software & services	27.6	29.6
Implementation & consulting services	35.3	26.9
Recurring support, managed services & BPS	71.1	61.0
	169.0	146.1
Cost of sales		
	(53.0)	(50.6)
Gross profit		
Owned software & related equipment	20.9	17.5
Third party software & services	3.8	3.6
Implementation & consulting services	32.8	24.6
Recurring support, managed services & BPS	58.5	49.8
	116.0	95.5
Direct staff costs		
Technical & management	(54.5)	(43.2)
Sales	(12.7)	(11.0)
	(67.2)	(54.2)
Contribution		
	48.8	41.3
Marketing		
	(2.3)	(1.8)
General & administration		
	(8.6)	(6.7)
Property & corporate costs		
	(9.2)	(7.0)
	(20.1)	(15.5)
EBITDA		
	28.7	25.8

Key performance indicators

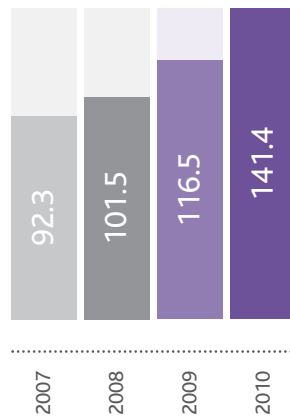
Overall turnover

Increased by 16%
2007-2010 CAGR 10%



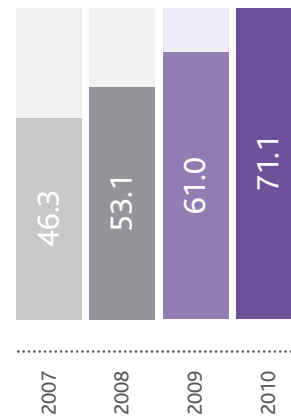
Turnover related to own software

Increased by 21%
2007-2010 CAGR 15%



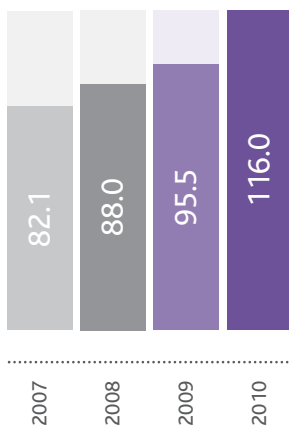
Recurring revenues

Increased by 16%
2007-2010 CAGR 15%



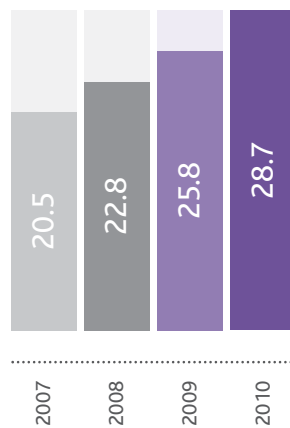
Gross profit

Increased by 21%
2007-2010 CAGR 12%



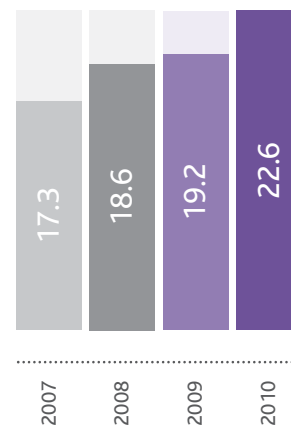
Normalised EBITDA

Increased by 11%
2007-2010 CAGR 12%



Cashflow from operating activities

Increased by 18%
2007-2010 CAGR 9%



All figures are in £millions



With organisations looking to extend the involvement of partners such as Civica the Group continues to demonstrate how updated and technology-enabled business processes can achieve resilient lower cost services.



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