

Capita plc

Half Year Results 2024

Improved margin with good progress on cost reductions underpinning unchanged underlying full year profit expectations

Adolfo Hernandez, Chief Executive Officer, said:

"In my first six months I have been working with colleagues to identify and action many initiatives that will make Capita a better company. Our teams are passionate about the delivery of critical services to our clients, their customers and to wider society. Our focus is on ensuring that the value we create for those stakeholders is reflected in the financial performance of the business and I am excited about the future and the progress we've made in a short period of time.

"We are implementing changes that will make us more competitive and drive growth, by becoming more efficient and spending less, digitising our offerings and leveraging technology partnerships. This, together with more precision in delivery and evolving our culture, is enabling us to accelerate execution.

"We are on track to deliver on our cost reduction programme, having taken action to deliver £100m out of the £160m of annualised cost reductions we expect to achieve by June 2025. This will support our planned improvement in the adjusted operating margin of the group, which in the first half increased from 3.1% to 4.5%.

"We have much more to do, but I am pleased that Capita is making encouraging progress in its journey to deliver its medium-term financial targets and create sustainable value for all its stakeholders".

H1 2024 Financial results adjusted for business exits, including Capita One

- Adjusted revenue¹ decreased by 9% to £1,201.5m (H1 2023: £1,324.4m) reflecting the non-repeat of one-off benefits in H1 2023 in Experience and the impact of previously announced contract losses
- Adjusted operating profit¹ increased 33% to £54.2m, benefitting from the successful implementation of ongoing cost reduction programme
- Reported profit before tax of £60.0m (H1 2023 loss: £67.9m) boosted by £38.1m gains on the sale of businesses, including Fera
- Free cash outflow excluding business exits* of £51.9m (H1 2023 outflow: £64.3m) reflecting costs associated with the cost reduction programme and final pension deficit reduction contributions
- Net financial debt (pre-IFRS 16): adjusted EBITDA¹ ratio 1.1x

Good momentum in delivery of positive cash flow in medium term

- Targeting £160m of annualised cost reductions, to be delivered by June 2025
- At the half year, actions taken to deliver £100m of these savings, with associated cash cost of £19.7m
- Operating cash flow* in H1 2024 improved by 75% to £51.4m reflecting reduced deferred income releases

Contract wins

- Total contract value won £934.4m (2023: £1,317.0m), reflecting a lower level of bid activity
- Book to bill ratio of 0.8x (2023: 1.0x)
- Contract win rate of 48% versus 63% last year, partially reflecting our focus on ensuring contracts are bid at an appropriate margin in line with the Group's medium-term operating margin target

Outlook for full year 2024

- Expect a low to mid-single digit percentage adjusted revenue reduction, reflecting delayed operational go-live on certain contracts and a more focused approach to bidding
- Expect modest adjusted operating margin improvement reflecting continued benefit of cost reduction programme, pay review phasing and H2 2023 bonus release; underpinning profit expectations
- Adjusted operating profit¹ and free cash outflow excluding business exits* outlook unchanged on an underlying basis. Pro-forma outflow of between £90m and £110m following Capita One disposal, with £50m cost associated with cost reduction programme
- Capita One disposal to complete in Q3 with net proceeds of c.£180m; minimal year end net financial debt

Six months ended 30 June 2024

Financial highlights	Reported 2024	Reported 2023	Reported POP change	Adjusted ¹ 2024	Adjusted ¹ 2023	Adjusted ¹ POP change
Revenue	£1,237.3m	£1,477.0m	(16%)	£1,201.5m	£1,324.4m	(9%)
Operating profit/(loss)	£43.9m	£(35.8)m	n/a	£54.2m	£40.9m	33%
Operating margin	3.5%	(2.4)%	n/a	4.5%	3.1%	45%
EBITDA	£101.7m	£85.6m	19%	£102.2m	£97.1m	5%
Profit/(loss) before tax	£60.0m	£(67.9)m	n/a	£31.6m	£18.3m	73%
Basic earnings/(loss) per share	3.14p	(5.06)p	n/a	2.19p	2.68p	(18%)
Operating cash flow*	£73.5m	£34.2m	115%	£51.4m	£29.3m	75%
Free cash flow*	£(44.6)m	£(84.0)m	47%	£(51.9)m	£(64.3)m	19%
Net debt	£(521.9)m	£(544.6)m	4%	£(521.9)m	£(544.6)m	4%
Net financial debt (pre-IFRS 16)	£(166.4)m	£(166.2)m	—%	£(166.4)m	£(166.2)m	—%

¹ Capita reports results on an adjusted basis to aid understanding of business performance.

* Adjusted operating cash flow and free cash flow exclude the impact of business exits (refer to note 9).

Investor presentation

A presentation for institutional investors and analysts hosted by Adolfo Hernandez, CEO and Tim Weller, CFO, will be held at 09:00am UK time, Friday 2 August 2024. This will be held in the Capita offices at 65 Gresham Street, London EC2V 7NQ. A live webcast will also be available (www.capita.com/investors) and will subsequently be available on demand. The presentation slides will be published on our website at 07:00am and a full transcript will be available the next working day.

Webcast link:

<https://webcast.openbriefing.com/capita-hy24/>

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Chief Executive Officer's review

H1 2024 Summary

Since joining Capita in January this year, I have spent time embedding myself within the organisation and working with colleagues to identify and put in place the many initiatives which will result in a "Better Capita". At a time of dynamic change for the Group I continue to be impressed by the passion that our teams have in their continued delivery of critical services to our clients, their customers or service users and society.

However, as I said in March as part of my initial impressions, while the business has strong foundations, the value Capita creates for its customers has not been translated into positive financial performance and this will be a clear area of focus going forwards. We have worked, at speed, to identify key priorities and opportunities for future operational and financial improvement and we've outlined our medium-term priorities.

The key components of being more competitive and funding our growth, as outlined in March, are through becoming more efficient and spending less, digitising our offerings, leveraging technology partnerships strongly, being more precise in our delivery, improving governance and evolving our culture. We are now accelerating the execution of actions which will deliver on these priorities.

As we work to improve our financial performance in this transformation, our first priority is to increase the operating margin of the Group, with sustainable cash generation and revenue growth to follow. We were pleased to have delivered strong progress on that front in the first half, with the Group's adjusted operating margin improving to 4.5% from 3.1%, predominantly as a result of the cost reduction programme we commenced in 2023.

In June, we held a Capital Markets Event, at which we set out the Group's strategic themes of "Better Efficiencies, Better Technology, Better Delivery and Better Company" and the strategic priorities for the two divisions of Capita Public Service and Capita Experience.

We also set out the Group's medium-term financial targets which are: delivering low to mid-single digit revenue growth per annum; operating (EBIT) margin of 6 – 8%; and positive free cash flow from 2025, with operating cash conversion of 65% to 75%; net financial debt leverage of $\leq 1\times$ and continued reduction in lease liabilities from the Group's ongoing property rationalisation.

The Group's transformation will be delivered in three waves: firstly quick wins to fund the journey as we reduce our costs; secondly going back to basics to improve our processes and infrastructure; and thirdly building for the future as we reinvest c.£50m of the £160m of efficiencies we generate from the cost savings programme to accelerate growth.

As we look forward, and strive to improve profitability, the Group will be more focused and prioritise those business sectors in which we have strong expertise, win today and where we see material opportunities in the future – these are across our Public Service business and also the Contact Centre and Pension Solutions businesses in Capita Experience.

We have identified some service lines which will be managed for value, including closed book Life & Pensions, Mortgage Services, networks and standalone software activities. The service lines identified as managed for value represented c.25% of the Group's revenue in 2023. We are exploring options to derive value from these service lines such as delivery through partners, radical transformation and, in some cases, exit of the activity or service line.

In line with this strategy, in July, we announced the sale of the standalone software business Capita One to MRI Software with expected net proceeds of c.£180m. The sale is expected to complete towards the end of August, and the proceeds will materially strengthen the Group's financial position while providing funding and optionality for the transformation journey. Notwithstanding the disposal of this high margin, but non-core business unit, we re-iterate our medium-term operating margin target of 6-8%.

Better technology - relationships with hyperscalers

We have a great opportunity to drive the Group's transformation through re-establishing and strengthening Capita's relationship with technology hyperscalers. We have been very active in the first six months of the year, working and partnering with hyperscalers to develop AI and generative AI solutions which will improve consumer experiences while delivering greater efficiency across both internal and external processes. This will allow the Group to minimise its capital expenditure, while increasing the pace of operational performance improvement to customers.

During H1 we agreed a number of partnerships and collaborations including with Microsoft, ServiceNow, Salesforce and Amazon Web Services (AWS). We are jointly developing solutions which can be used across our existing contract base, while also looking at our sales pipeline to ensure we have tailored solutions around future opportunities. Looking forward, we expect these partnerships to increase the breadth of services and capabilities which Capita can deliver.

We have a number of solutions already delivering across the contract portfolio, for example, on our Recruiting Partnering Project with the British Army, our Capita Accelerate scanning and summary tool, which we developed last year, has reduced applicant medical records processing time by 30%. This large language artificial intelligence model has been approved by the UK Government's Ministry of Defence and we see a number of possible additional use cases for the product across the Group's existing contract base.

Following a successful design and pilot process this year, in June, we launched CapitaContact with the London Borough of Barnet in the Local Public Service vertical. This platform is a generative AI-powered contact centre solution which provides a simplified customer experience, leveraging Amazon Connect. We now plan to roll this out to more than 30 existing clients across the public and private sector, which will drive further efficiencies for our clients, and strengthen our client relationships. We will be scaling up the use of CapitaContact significantly in the second half of the year and expect it to be deployed as a standard solution for new contact centre opportunities going forwards.

Within the contact centre business in Capita Experience, we have developed Agent Suite a cutting-edge generative AI customer experience solution, which can be used across multiple platforms, with two components, Agent Assist and Call Sight. These solutions will allow contact centre agents to deliver personalised, efficient and effective customer service and support. So far, using this tool, we've seen a reduction in the average handling times of calls by c.20% and improved first call resolution rates by more than 15%.

Elsewhere, we are exploring further opportunities with hyperscalers, such as delivery of Virtual Ward capabilities with NHS Trusts and recruitment processes which have a higher level of automation with less human intervention, where we see a number of internal and external use cases.

Better efficiencies - transformation and cost reduction programme

At the start of this year, the Group established a programme management office to deliver a company-wide transformation which will be spread across the three waves; funding the journey, back to basics and building for the future.

To fund the journey, the Group is targeting £160m of annualised cost reductions, to be delivered by June 2025. We are moving at pace in this area and as at 30 June 2024, the Group had taken actions which will deliver annualised savings of £100m with cash outflow associated with delivery of the savings recognised in the first half of £20m. We have good line of sight to the remaining savings to be delivered and are confident in our ability to deliver them by June 2025.

The savings delivered to date across the Group have been realised across a number of areas with the majority (£79m) from organisational simplification and headcount reduction. Other savings were achieved from offshoring (£4m), procurement (£11m) and further property rationalisation (£6m). We expect the majority of the remaining savings to be delivered from further organisational simplification.

The transformation initiatives are primarily expected to improve the cost efficiency of Capita Public Service and Capita Experience with a smaller impact on the corporate centre, reflecting the proportional split of the group's cost base. The biggest margin improvement opportunity is in the contact centre business in Capita Experience, which delivered an operating margin of below 1% for the year ended 31 December 2023.

The programme management office is also focused on initiatives which will deliver performance improvement across the Group. Examples of areas being targeted include process improvement through digitisation, automation and increasing sales effectiveness through the simplification of our go to market and sales processes.

As outlined at the Capital Markets Event in June, we anticipate reinvestment over the period to the end of 2025 of c.£50m on an annualised basis of the cost savings we generate, in driving growth through technology and ensuring price competitiveness.

Better company - cultural transformation and our people

Creating the right environment for our people will underpin our success throughout the transformation journey and will help improve delivery through increased engagement and reduced attrition. Since joining, I've travelled to meet colleagues across our geographies and I've seen first-hand the passion our colleagues have for the work they do, throughout the organisation.

The Group has embarked on a multi-year journey to build a culture where everyone is united in achieving Capita's goals while also nurturing their individual career aspirations.

We have a wide-ranging colleague engagement plan including initiatives at both a group and divisional level. To ensure we understand the existing culture across the Group, we have conducted a company-wide culture survey so we can take informed and decisive actions as we plan for 2025 and into the medium term. We are also launching our leadership playbook and development programme which will help us nurture and develop talent through all levels of the organisation.

Staff attrition remains a key focus area. We've seen a continued reduction in attrition across the Group, with 12-month voluntary attrition reducing from 24% at the end of 2023, to 22% as at 30 June 2024. Capita Experience, which historically experienced elevated levels of attrition, has seen further improvement following a number of local interventions, and, since January 2023 attrition has reduced c.10% to 26%. The ongoing reduction in attrition will aid Capita Experience on its margin improvement journey.

Our people priorities for the second half of the year are completion of the Group's culture survey, development of our three core training academies for Management & Leadership, Data & Technology and Sales, and continuing to celebrate our cultural wins and role models throughout the Group, in line with our #bebrilliantbeyou campaign.

Better delivery - operational performance

Delivering consistently and effectively for our clients is an important cornerstone to our future success. Delivering the right service first time reduces excess cost and avoids financial penalties which will help improve the Group's margin.

In the first half of 2024, we maintained our operational performance with average KPI performance above 90% in both divisions. In areas where KPI performance was not met during the first half of the year, we are implementing specific remediation actions to ensure we meet the high standards Capita expects to deliver.

Highlights from our operational delivery in the first half of the year include:

- In Capita Public Service, on the division's contract to deliver Royal Navy training, we partnered with Metaverse VR, to deliver eleven new Warship Bridge Simulators across three Royal Navy locations in the UK, more than doubling the Navy's simulator capacity
- Also in Capita Public Service, on the Standards and Testing Agency contract, we printed and delivered 11 million test papers to schools for SATs week hitting every milestone on time, including the marking and delivery of 99.9% of scripts
- In Capita Experience, across our delivery centres we handled over 16 million calls for clients in the UK, Ireland, Germany and Switzerland
- To support future delivery and growth in Capita Experience, we opened two new global delivery centres in Bulgaria and South Africa. This expansion will enable the division to meet the increasing demand for multi-lingual services to broaden our market opportunities

As we move into the second half of the year, we are focused on delivering the complex transition and mobilisation requirements of our new contracts with the Students Loans Company, to help deliver the Disabled Students Allowance, and with the City of London Police.

Growth

In the first six months of 2024, a lower value of bid activity resulted in a reduction of Total Contract Value (TCV) won across both divisions. In H1 2024, the Group won contracts with TCV of £934.4m, down 29% from £1,317m in the same period in 2023. Reflecting the reduced TCV won, the Group's In Year Revenue (IYR) generated from the wins in H1 was 36% lower at £391.6m. The Group's book to bill was 0.8x (H1 2023: 1.0x).

Significant wins in the period included the renewal of contracts in Capita Experience with two major European telecoms providers, one with an expanded scope, with a combined TCV of more than £250m. There was success in the Defence, Learning, Fire and Security vertical of Capita Public Service with a further expansion of scope on the Royal Navy training contract with a TCV of £81m.

In order to improve the Group's margin performance in line with the medium-term operating margin target, we remain focused on ensuring that contracts are bid at an appropriate margin. As such, we have seen a reduction in total win rate to 48% from 63% in the same period last year across all opportunities.

Renewal rates increased to 95% from the 69% seen in H1 2023 but there was a reduction in the win rate on new logos and expansions of existing scopes to 34% from 57% in 2023. Improving the Group's win rate on new wins and expanded scopes is an area of focus for the second half of the year and into 2025. However, we are focusing efforts on our priority markets and service offerings which will deliver our medium-term operating margin target, which may limit revenue growth in the short term. We expect to see improvements in contract win rates as our partnerships with hyperscalers are fully embedded into our contract offerings and as our pricing becomes more competitive through delivery of our cost reduction programme.

The order book at 30 June 2024 was £4.9bn (31 December 2023: £5.9bn) with £0.9bn revenue recognised in the first half, £0.4bn in contract wins, scope changes and indexation, £0.1bn in contract terminations and business exits and we saw two contracts moved to framework agreements (£0.4bn), which do not meet the accounting criteria for order book recognition.

The pipeline for the remainder of 2024 continues to build and there are opportunities with a TCV of over £2bn closing in the second half the year. While this is slightly lower than the value seen in previous years at this point, the pipeline for 2025 remains strong, and is at the highest level seen at the same point in recent years. In July, Capita Pension Solutions renewed an eight year £48m TCV contract with the Royal Mail Statutory Pension Scheme. Elsewhere across the Group, material opportunities in the second half of the year include potential contracts with Ofgem and the Home Office within Capita Public Service and a number of opportunities within the Energy & Utilities vertical in the Contact Centre business of Capita Experience.

Capita is well placed to support in the delivery of the new UK Government's priorities, including their five missions for Britain. Our capabilities include providing 14,000 hours of planning support to over 100 local authorities every month which can be an enabler to the Chancellors' recent planning and housing reform announcement. Our virtual wards capacity has potential to reduce NHS waiting lists and we are engaging in the recently announced the Strategic Defence Review, given our strong track record in delivering Armed Forces training and recruitment.

Financial results - revenue and profit

Adjusted revenue¹ decreased 9.3% period on period to £1,201.5m (H1 2023: £1,324.4m). Public Service reduced 2.8% to £688.5m, as the division saw revenue reductions from the ending of contracts in Local Public Service, Scottish Wide Area Networks and Electronic Monitoring.

As expected, revenue in Experience reduced 16.8% to £513.0m, reflecting the non-repeat of one-off benefits in H1 23 following the transition of the Virgin Media O2 contract and commercial settlement in the closed book Life & Pensions business. The financial services vertical saw revenue reductions due to previously announced contract losses which were partly offset by increased scope and volumes in the Pension Solutions business and indexation.

Reported revenue declined 16% to £1,237.3m reflecting the core business reductions coupled with the disposal of remaining Capita Portfolio businesses in the prior year.

Adjusted operating profit increased 33% to £54.2m reflecting the benefit from the ongoing cost reduction programme which more than offset the profit impact of the revenue trends.

The adjusted operating margin for the Group was 4.5% improving from 3.1% in the same period in 2023.

Reported profit before tax was £60.0m (H1 2023 loss: £67.9m) principally reflecting, gains on the sale of businesses (£38.1m), compared with a loss of £19.9m in H1 2023, the non-repeat of £42.2m goodwill impairment and £21.8m costs associated with the Group's cyber incident in 2023.

Financial results - free cash flow and net debt

Cash generated by operations before business exits¹ improved 273% to £19.0m reflecting the improved EBITDA and a lower level of working capital outflows reflecting the non-repeat of 2023's non-cash one-off income statement credits and reduced deferred income releases. The cash cost associated with the Group's cost reduction programme offset reduced pension deficit contributions and cyber costs.

Free cash outflow excluding business exits¹ improved to an outflow of £51.9m from an outflow in 2023 of £64.3m, reflecting the improved cash generated by operations and reduced interest and tax costs which offset an increase in capital expenditure.

Prior-IFRS 16 net financial debt¹ was £166.4m (31 December 2023: £182.1m) reflecting the free cash outflow and additional pension deficit payments of £14.5m triggered by prior-year Portfolio disposals, which were offset by £49.7m of net proceeds received on the Fera disposal.

Post-IFRS 16 net debt was £521.9m (31 December 2023: £545.5m), reflecting the free cash outflow in the first half offset by the further reduction in the Group's lease liabilities as we continue to optimise our property footprint.

Full-year outlook

We expect the Group to show a low to mid-single digit percentage adjusted revenue reduction for full year 2024, reflecting delayed operational go-live on certain contracts and a lower level of in year revenue from contract wins as we concentrate our business development activity on the Group's focus business segments. At a divisional level, we expect a high single to low double digit percentage revenue reduction in Experience with Public Service revenue expected to be broadly in line with 2023.

We continue to expect a modest full year adjusted operating margin improvement reflecting the continued benefit of the ongoing cost reduction programme, the phasing of the Group's annual salary review and the release of the annual bonus accrual in H2 2023.

Our adjusted operating profit and free cash flow excluding business exits expectations for the full year remain unchanged on an underlying basis, with proforma free cash outflow before business exits of £90m to £110m adjusted for the Capita One disposal. Our operating cash conversion, is expected to be in line with our previous guidance at c.60% to c.70%.

As the Capita One disposal is expected to complete towards the end of August, we expect minimal net financial debt at the 2024 year end.

¹ Refer to alternative performance measures in the appendix

Divisional performance review

The following divisional financial performance is presented on an adjusted revenue¹ and adjusted operating profit¹ basis. Reported profit is not included, because the Board assesses divisional performance on adjusted results. The basis of preparation of the adjusted figures and KPIs is set out in the Alternative Performance Measures (APMs) summary in the appendix to this statement.

Public Service

Capita Public Service is the number one strategic supplier of Software and IT Services (SITS) and business process services (BPS) to the UK Government.

The division is structured around three market verticals: Local Public Service; Defence, Learning, Fire & Security and Central Government.

Markets and strategy

The core addressable market of Capita Public Service is £16.4bn², growing at approximately 4%² per annum. Demand for our services across the public sector continues to shift towards digitally enabled services which improve productivity for the Government and the overall citizen user experience while offering 24/7 delivery and more optionality for service delivery methods.

As outlined at the recent Capital Markets Event, the division has identified four key propositions which offer substantial sales potential across the public sector client groups in the UK, through

enhanced repeatability and cost-efficient delivery, particularly in the areas of modern, technology-enabled Business Process Outsourcing and National Preparedness. The four key propositions are: Digital Business Services; Citizen Experience; Workforce Development; and Place.

Better delivery and efficiencies

Capita Public Service continues to simplify its operating and delivery model to improve end-to-end delivery. We are working to create a sustainable operating model which allows us to deliver services at the quality and price clients expect.

Public Service has continued to deliver consistently for clients, with KPI performance in the first half of the year maintained at 95%.

Operational highlights in the first half of the year include:

- Within Central Government, we have processed more than 995,000 medical records on our contract with Primary Care Support England
- Within the Defence vertical of Capita Public Service, we managed over 1,500 fire and rescue incidents on our contract delivering the Defence, Fire and Rescue Project
- In Local Public Service, we collected over £2.5bn revenue for local councils and processed over £0.4bn in housing benefit and council tax relief

Moving forwards, the division is focused on building standardised repeatable propositions, leveraging the scale of our hyperscaler partners while using our domain knowledge and expertise. This will in turn reduce cost to serve and improve market impact.

In the first half of the year, we launched CapitaContact following a successful pilot with the London Borough of Barnet. This tool, powered by Amazon Connect, provides a single agent interface for an omni-channel experience including voice, chatbot, SMS and conversational menu routing allowing agents to provide faster and more accurate responses to customers which increases first time call resolution and customer satisfaction. This tool will be rolled out to a number of clients in the second half of the year.

Looking to our future growth ambitions, we are exploring expansion into international markets using our existing infrastructure, to increase the division's addressable market and accelerate growth. We have a number of pilots for growth in this area for example into the National Preparedness market in the Middle East.

Growth

Across the first half of 2024, Public Service won TCV of £561.6m, down 26% from the same period last year. IYR was £318.9m, broadly similar to the same period in the prior year. The division's win rate across all opportunities was 39%, down from 78% in 2023, as we saw a reduction in win rate in new and expanded scopes of work, reflecting our focus on ensuring that contracts are bid at an appropriate margin. The division's book to bill ratio was 0.8x.

The division saw success in Defence, Learning, Fire and Security with further expansion on the Royal Navy training contract with a TCV of £81m. Under the expanded scope, Capita will deliver technology enabled courses across a number of areas including defence, diving and weapons engineering. There was also sales success with the Health & Safety Executive and Ministry of Defence.

The unweighted pipeline for Public Service, across all close dates is £8.4bn, from £7.5bn at the end of 2023, reflecting the timing of certain contract tenders. There are a number of opportunities in the second half of the year, including material opportunities with Ofgem, the Home Office and the Health & Safety Executive. As look to 2025, the division has material opportunities with the Ministry of Defence and with NHS England.

The divisional order book stands at £3,400m, a decrease of £146m from the year end, reflecting the revenue recognised in the period which more than offset wins in the period.

Divisional financial summary	2024	2023	% change
Adjusted revenue ¹ (£m)	688.5	708.0	(2.8)%
Adjusted operating profit ¹ (£m)	47.1	26.2	79.8%
Adjusted operating margin ¹ (%)	6.8%	3.7%	83.8%
Adjusted EBITDA ¹ (£m)	66.7	46.8	42.5%
Operating cash flow excluding business exits ¹ (£m)	49.8	33.7	47.8%
Order book (£m) (comparative at 31 December 2023)	3,400.0	3,546.0	(4.1)%
Total contract value secured (£m)	561.6	758.1	(25.9)%

Adjusted revenue¹ reduced 2.8% to £688.5m, reflecting the ending of contracts in Local Public Services, Scottish Wide Area Network and Electronic Monitoring, non-repeat of temporary contract activity in Royal Navy Training offset by volume growth on our contract with Transport for London and the benefit of indexation across the division.

Adjusted operating profit¹ increased 79.8% to £47.1m, as the benefit from the successful implementation of the cost reduction programmes was partly offset by lower revenue.

Operating cash flow excluding business exits¹ increased by 47.8% to £49.8m, reflecting a step up in cash-backed EBITDA.

Outlook

We expect revenue growth to be delivered in the second half of the year as we commence operational delivery on a number of contracts including Functional Assessment Services with the Department for Work and Pensions and Disabled Students Allowance with the Student Loans Company. For the year, we expect revenue to be broadly flat.

The division is expected to show margin improvements across the year driven by the benefit from the ongoing cost reduction programme.

Experience

Capita Experience comprises two focused business areas; the Contact Centre business and Capita Pension Solutions and a selection of businesses, including closed book Life & Pensions, which are being managed for value.

Markets and strategy

The Contact Centre business is one of Europe's leading customer experience businesses, operating in the UK, Ireland, Germany and Switzerland with global delivery centres in South Africa and India. The business delivers services across four market verticals: Telecoms, Media & Technology, Energy & Utilities; Financial Services and Retail. The annual addressable market of the EMEA contact centre business is £28bn³, growing at c.4%³ per annum.

The Pension Solutions business in the UK delivers services to customers in the private and public sector in a market worth £3.0bn⁴, with a projected market growth rate of c.3%⁴ per annum.

Better delivery and efficiencies

Experience has maintained its operational delivery with average KPI performance in the first half of the year of 89%, 94% excluding the Pension Solutions business.

Operational highlights from the first half of the year include:

- On a Telecoms client which is served from our global delivery centres, we have improved total call handling time by 29% and exceeded the contract's target level of sales as a service
- We have answered over 225,000 calls for the RSPCA in the UK, helping to protect animals in need

The Contact Centre business is implementing a significant reorganisation and digitisation plan to improve its operating margin, closer to peers in the market.

The call and contact centre industry continues to evolve rapidly through technological advancement and shifting consumer expectations. The introduction of generative AI offers the potential to deliver lower cost solutions and enhance human agent productivity which will improve customer experience and operating margin.

In the first half of the year Capita Experience launched nine new customer service bundles offering repeatable, modular and scalable solutions which can easily be tailored to clients' needs and requirements, while providing quicker market entry. In the next year we will launch a number of additional service bundles targeting specific sector needs. We expect these bundles to continue to increase our market coverage.

To improve the margin performance in the division, Experience is increasing the use of off and nearshore service delivery options. Since the start of the year the division has increased in offshoring use from 45% to 60% in the operational support function which is closely aligned to peer benchmarks.

In the medium term, we are exploring options to expand the Contact Centre contract portfolio in adjacent international markets in EMEA, using our existing infrastructure. To drive cost efficiency we are exploring further expansion of our multi-lingual capabilities in Eastern Europe, which will allow us to provide strong customer satisfaction with lower costs to serve.

In the Pension Solutions business, there is growing demand for automation and digital platforms with scheme members looking for a seamless user experience across their chosen platforms. This year we launched the Capita Digital Pensions platform utilising Microsoft Dynamics 365, which uses data insights to provide a hyper personalised member experience. This is a step change in our service offering which will help the business expand into adjacent segments and international markets.

Growth performance and key wins

In the first six months of 2024, Experience won deals with a TCV of £372.8m down 33% from the same period in 2023, IYR was £72.7m, down 76% from the prior period. The book to bill for Experience was 0.7x.

Experience saw success within the Telecoms, Media & Technology vertical with the renewal of contracts with two major European telecoms providers, one with an expanded scope. The two contracts combined have a TCV of more than £250m.

The total unweighted pipeline for the division as at 30 June remains at £3.0bn. Increasing the pipeline is a key focus for the division, and we are undertaking a detailed review to understand future pipeline opportunities in all geographies in which we operate to ensure we are well placed to drive growth. We also anticipate growth from the launch of our service bundles and our partnerships with hyperscalers as they increase the range of our market offerings.

In July, the Pension Solutions business renewed a contract with the Royal Mail Statutory Pensions Scheme with a TCV of £48m. There are a number of opportunities expected to close in the second half of the year across the Contact Centre business, spread across the market verticals served.

The divisional order book stands at £1,529m, a decrease of £770m from £2,299m at year-end, reflecting the increased number of contracts won in the division which are framework agreements, which do not meet the accounting criteria for order book recognition, including the two contracts with European telecoms clients which this year resulted in the de-recognition of £388m from the order book.

Divisional financial summary	2024	2023	% change
Adjusted revenue ¹ (£m)	513.0	616.4	(16.8)%
Adjusted operating profit ¹ (£m)	25.1	39.1	(35.8)%

Adjusted operating margin ¹ (%)	4.9%	6.3%	(22.2)%
Adjusted EBITDA ¹ (£m)	52.4	70.2	(25.4)%
Operating cash flow excluding business exits ¹ (£m)	26.1	28.9	(9.7)%
Order book (£m) (comparative at 31 December 2023)	1,529.4	2,299.4	(33.5)%
Total contract value secured (£m)	372.8	558.9	(33.3)%

Adjusted revenue¹ decreased by 16.8% to £513.0m, reflecting the non-repeat of the one-off benefits in 2023 from the Virgin Media O2 contract transition and a commercial settlement in the closed book Life & Pensions business and the impact of previously announced contract losses with Financial Services. This was partly offset by revenue growth in the Pension Solutions business and the benefit of indexation.

Adjusted operating profit¹ decreased by 35.8% to £25.1m due to the non-recurrence of revenue one-offs, which resulted in a c.£30m profit benefit in H1 2023 and lower revenue, partly offset by lower overheads, including reduced property footprint.

Operating cash flow excluding business exits¹ reduced by 9.7% to £26.1m with operating cash conversion increasing from 41.2% to 49.8% reflecting the non-cash nature of the 2023 one-offs, which were offset by the benefit from the cost reduction programme.

Outlook

For the full year we expect a high single to low double digit revenue percentage decline.

As the division benefits from the cost reduction programme initiatives, we expect its operating margin to improve in the second half of the year.

¹ Refer to alternative performance measures in the appendix

² TechMarketView

³ Nelson Hall

⁴ External market research including ONS, House of Commons Library and Pensions Policy Institute

Chief Financial Officer's review

Financial highlights

	Reported results			Adjusted ¹ results		
	30 June 2024	30 June 2023	POP change	30 June 2024	30 June 2023	POP change
Revenue	£1,237.3m	£1,477.0m	(16)%	£1,201.5m	£1,324.4m	(9)%
Operating profit/(loss)	£43.9m	£(35.8)m	n/a	£54.2m	£40.9m	33%
Operating margin	3.5%	(2.4)%	n/a	4.5%	3.1%	45%
EBITDA	£101.7m	£85.6m	19%	£102.2m	£97.1m	5%
Profit/(loss) before tax	£60.0m	£(67.9)m	n/a	£31.6m	£18.3m	73%
Basic earnings/(loss) per share	3.14p	(5.06)p	n/a	2.19p	2.68p	(18)%
Operating cash flow*	£73.5m	£34.2m	115%	£51.4m	£29.3m	75%
Free cash flow*	£(44.6)m	£(84.0)m	47%	£(51.9)m	£(64.3)m	19%
Net debt	£(521.9)m	£(544.6)m	4%	£(521.9)m	£(544.6)m	4%
Net financial debt (pre-IFRS 16)	£(166.4)m	£(166.2)m	—%	£(166.4)m	£(166.2)m	—%

* Adjusted operating cash flow and free cash flow exclude the impact of business exits (refer to note 9).

Overview

Adjusted revenue¹ reduction of 9% reflected previously announced contract hand-backs and losses, and the impact of one-off benefits in the first half of 2023 in Experience.

Public Service revenue reduction reflected previously announced contracts ending in Local Public Services, Scottish Wide Area Network and Electronic Monitoring together with the non-repeat of temporary contract activity in Royal Navy Training offset by increases on our contract with Transport for London and indexation. Experience revenue reduction reflected the impact of 2023's one-off deferred income benefit from the award of a new contract with Virgin Media O2 and a commercial settlement in the closed book Life & Pensions business, previously announced contract losses within the Financial Services vertical, including Co-operative Bank, and lower volumes in the UK business, partly offset by revenue growth in the Pensions Solutions business and indexation.

The step-up in adjusted profit before tax¹ reflected the benefit from the ongoing cost reduction programme, which delivered a reduction in indirect support and overhead costs, more than offsetting the impact of the revenue trends noted above.

Adjusted earnings per share¹ reduced as the increase in adjusted profit before tax¹ was offset by a lower adjusted income tax credit of £5.3m (2023: £25.3m). The reduced adjusted tax credit in the current year reflected a lower deferred tax asset release, due to fewer material changes, period-on-period, to the factors impacting the deferred tax asset recognition model.

The reported profit before tax of £60.0m (2023: loss £67.9m), reflects the improvement in adjusted profit before tax¹ detailed above, lower costs incurred in resolving the March 2023 cyber incident and higher gains on the sale of businesses (2024: gain £38.1m; 2023: loss £6.6m) partly offset by costs incurred in delivering the significant cost reduction programme that commenced in the second half of 2023 (£8.2m).

The swing to reported earnings per share reflected the significant improvement in profit before tax and the lower reported income tax charge. The reported tax charge at 30 June 2024 reflected changes in the accounting estimate of recognised deferred tax assets, unrecognised current year tax losses and tax-exempt profits on disposal. The prior period reflected a decrease in the recognised deferred tax asset, due to the impact of business disposals.

Cash generated from operations excluding business exits¹ increased, as expected, by 273% to £19.0m, driven by an improvement in operating cash flow, reduction in pension deficit contributions and costs in relation to the cyber incident in the first half of 2023, partly offset by a cash outflow from the costs to deliver the cost reduction programme.

Free cash flow excluding business exits¹ in the six months ended 30 June 2024 was an outflow of £51.9m (2023: outflow £64.3m), reflecting the flow through of the increase in cash generated from operations.

The increase in reported free cash flow reflects the above increase in free cash flow excluding business exits¹, a cash inflow from business exits, and reduction in pension deficit contributions triggered by disposals.

During the first half of 2024 we completed the disposal of the Group's 75% shareholding in Fera Science Limited (Fera), realising gross proceeds of £62m. The Group received net cash proceeds of £49.7m reflecting the total proceeds less cash held in the entity when the disposal completed on 17 January 2024, and disposal costs. This was the final disposal of the c.£500m Board-approved Portfolio programme which was launched in 2021.

In June 2024, we held a Capital Markets Event outlining the Group's strategic themes and prioritised business sectors going forward. During the event, some areas of the Group were identified as being "managed for value", and we outlined the options being pursued, including exploring potential exits. Standalone software activities were identified as part of the Group's activities that are being "managed for value", and on 9 July 2024, we announced we had agreed the sale of Capita One, a standalone software business. The disposal will result in the Group receiving expected gross disposal proceeds of c.£207m upon completion (estimated net cash proceeds of c.£180m after disposal costs and cash held in the business at the anticipated disposal date). The net cash proceeds will provide the Group with additional resources to strengthen its financial position and further reduce indebtedness, as well as funding for its transformation journey. Completion is expected towards the end of August, subject to confirmation from the Secretary of State that no further action will be taken under the UK's National Security and Investment Act.

In November 2023, we announced the implementation of a cost reduction programme expected to deliver annualised efficiencies of £60m from Q1 2024. As noted in March 2024, subsequent to the November 2023 announcement, we identified additional cost saving opportunities expected to deliver an additional £100m of annualised cost savings by mid 2025. We anticipate reinvesting around £50m of these further savings back into the business to enhance the Group's technology, service delivery and pricing proposition.

Liquidity as at 30 June 2024 was £293.1m, made up of £250.0m of undrawn committed revolving credit facility (RCF) and £43.1m of unrestricted cash and cash equivalents net of overdrafts. In June 2023, we extended the maturity of the RCF to 31 December 2026 initially at £284m, but subsequently reducing to £250m on 23 January 2024 following receipt of proceeds from the Fera disposal. The RCF was undrawn at 30 June 2024 (31 December 2023: undrawn).

Financial review

Adjusted results

Capita reports results on an adjusted basis to aid understanding of business performance. The Board has adopted a policy of disclosing separately those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the Board's judgement, these items need to be disclosed separately by virtue of their nature, size and/or incidence for users of the financial statements to obtain an understanding of the financial information and the underlying in-period performance of the business.

In accordance with the above policy, the trading results of business exits, along with the non-trading expenses (including the income statement charges in respect of major cost reduction programmes) and gain or loss on disposals, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2023 comparatives have been re-presented to exclude business exits in the second half of 2023 and the first six months of 2024. As at 30 June 2024, the following businesses met this threshold and were classified as business exits and therefore excluded from adjusted results in both 2024 and 2023: Fera, Capita One, Mortgage Services and Capita Scaling Partner.

Reconciliations between adjusted and reported operating profit, profit before tax and free cash flow excluding business exits are provided on the following pages and in the notes to the financial statements.

Adjusted revenue

Adjusted revenue ¹ bridge by division	Public Service £m	Experience £m	Total £m
Six months ended 30 June 2023	708.0	616.4	1,324.4
Net reduction	(19.5)	(103.4)	(122.9)
Six months ended 30 June 2024	688.5	513.0	1,201.5

Adjusted revenue¹ reduction of 9% was impacted by the following:

- **Public Service (2.8% reduction):** cessation of contracts in Local Public Services, Scottish Wide Area Network and Electronic Monitoring, non-repeat of temporary contract activity in Royal Navy Training offset by increases on our road user charging contract with Transport for London and benefit of indexation; and
- **Experience (16.8% reduction):** reflecting previously announced deferred income benefit from the award of a new contract with Virgin Media O2 and a commercial settlement in the closed book Life & Pensions business, both in the first half of 2023, previously announced contract losses within the Financial Services vertical, including Co-operative Bank, and lower volumes in the UK business, partly offset by revenue growth in the Pension Solutions business and indexation increases.

Order book

The Group's consolidated order book was £4,929.4m at 30 June 2024 (31 December 2023: £5,882.6m). Additions from contract wins, scope changes and indexations in 2024 (£460.0m), including expanded scope on our Royal Navy Training contract within Capita Public Service, were offset by the reduction from revenue recognised in the period (£932.5m), contract terminations (£55.4m) and business disposals (£37.2m). Furthermore, two European telecoms contracts were extended in the period with the contracts being recognised as framework contracts, this resulted in £388.1m being derecognised from the order book. These contracts are expected to deliver combined total contract value of over £400m during the new contract term.

Adjusted profit before tax

Adjusted profit before tax ¹ bridge by division	Public Service £m	Experience £m	Capita plc £m	Total £m
Six months ended 30 June 2023	26.2	39.1	(47.0)	18.3
Net growth/(reduction)	20.9	(14.0)	6.4	13.3
Six months ended 30 June 2024	47.1	25.1	(40.6)	31.6

Adjusted profit before tax¹ increased in 2024 driven by the following:

- **Public Service:** strong improvement in profit resulting from lower overheads as a result of the successful implementation of the cost reduction programme;
- **Experience:** reflects the non-repeat of 2023 one-offs (c.£30m) and lower revenue, partly offset by lower overheads, including reduced property footprint, as part of the cost reduction programme; and
- **Capita plc:** reflects benefits from cost reduction programme.

Adjusted tax credit

The adjusted income tax credit for the period was £5.3m (six months ended 30 June 2023: credit of £25.3m). The lower adjusted tax credit in the current year reflected a lower deferred tax asset release, due to fewer material changes period-on-period to the factors impacting the deferred tax asset recognition model, such as the future taxable profit projections and the Group's defined benefit pension position.

Cash generated from operations and free cash flow

Adjusted operating profit to free cash flow excluding business exits ¹	30 June 2024 £m	30 June 2023 £m
Adjusted operating profit ¹	54.2	40.9
Add: depreciation/amortisation and impairment of property, plant and equipment and intangible assets	48.0	56.2
Adjusted EBITDA ¹	102.2	97.1
Working capital	(30.4)	(63.9)
Non-cash and other adjustments	(20.4)	(3.9)
Operating cash flow excluding business exits ¹	51.4	29.3
Adjusted operating cash conversion ¹	50%	30%
Pension deficit contributions	(6.3)	(15.0)
Cyber incident	(6.4)	(9.2)
Cost reduction programme	(19.7)	—
Cash generated from operations excluding business exits ¹	19.0	5.1
Net capital expenditure	(21.2)	(24.8)
Interest/tax paid	(22.6)	(17.3)
Net capital lease payments	(27.1)	(27.3)
Free cash flow excluding business exits ¹	(51.9)	(64.3)

Working capital improvement is principally driven by a lower level of deferred income releases in the period (c.£40m reduction period-on-period). Non-cash and other adjustments includes provision spend of around £15m, including around £8m in respect of closed book Life & Pensions contracts, broadly in line with 2023. Within this line in 2023 there was a benefit of around £13m adjusting for the non-cash effect of net new provisions established through EBITDA in that period.

Cash generated from operations excluding business exits¹ reflects the above and the direct cash flow impact of the cyber incident in the first half of 2023 (£6.4m) and the cash costs of delivering the cost reduction programme (£19.7m). The £6.3m of pension deficit contributions are in line with the deficit funding contribution schedule previously agreed with the scheme trustees as part of the 2020 triennial valuation. In aggregate, including accelerated pension deficit contributions resulting from business disposals, the Group has made pension deficit contributions of £20.8m in the period and, reflecting the most recent triennial funding agreement, no further deficit contributions are expected in the second half of 2024 and beyond.

Free cash flow excluding business exits¹ for the six months ended 30 June 2024 was an outflow of £51.9m (2023 outflow £64.3m), reflecting the flow through of the increase in cash generated from operations.

Reported results

Adjusted to reported profit

As noted above, to aid understanding of our underlying performance, adjusted operating profit¹ and adjusted profit before tax¹ exclude a number of specific items, including the amortisation and impairment of acquired intangibles and goodwill, the impact of business exits and the impact of the cyber incident and cost reduction programme.

Adjusted¹ to reported results bridge

	Operating (loss)/profit		(Loss)/profit before tax	
	30 June 2024 £m	30 June 2023 £m	30 June 2024 £m	30 June 2023 £m
Adjusted ¹	54.2	40.9	31.6	18.3
Amortisation and impairment of acquired intangibles	(0.1)	(0.1)	(0.1)	(0.1)
Impairment of goodwill	—	(42.2)	—	(42.2)
Net finance costs/(income)	—	—	(0.4)	(2.2)
Business exits	(2.4)	(12.6)	36.7	(19.9)
Cyber incident	0.4	(21.8)	0.4	(21.8)
Cost reduction programme	(8.2)	—	(8.2)	—
Reported	43.9	(35.8)	60.0	(67.9)

Business exits

Business exits include the effects of businesses that have been sold or exited during the period and the results of businesses held-for-sale at the reporting date.

In accordance with our policy, the trading results of these businesses, along with the non-trading expenses and gain on disposal, were included in business exits and therefore excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2023 comparatives have been re-presented to exclude businesses classified as business exits from 1 July 2023 to 30 June 2024.

At 30 June 2024 business exits primarily comprised:

- the disposal of the Group's 75% shareholding in Fera Science Limited which completed on 17 January 2024 and which completed the Board-approved Portfolio business disposal programme; and

- the Capita One standalone software business which was identified as a "managed for value" activity, and was in the process of being sold and met the held-for-sale criteria.

In addition to the above disposals, the Group intends to exit the Mortgage Services business and corporate venture business, Capita Scaling Partner, both in Capita Experience, and the trading results and non-trading expenses of these businesses have been excluded from adjusted results. The Capita Scaling Partner business managed the Group's investment in start-up and scale-up companies. The Group sold one of the Capita Scaling Partner investments during the first half of the year realising a gain of £0.3m. The Group will seek to maximise value from the remaining investments, which had a carrying value of £19.3m at 30 June 2024.

Cyber incident

The Group has continued to incur exceptional costs associated with the March 2023 cyber incident. These costs comprise specialist professional fees, recovery and remediation costs and investment to reinforce Capita's cyber security environment. A credit of £0.4m has been recognised in the six months ended 30 June 2024, which reflects insurance income which met the criteria to be recognised (30 June 2023: charge of £21.8m). The cumulative total net costs incurred in respect of the cyber incident are £24.9m. No provision has been made for any costs in respect of potential claims or regulatory penalties in respect of the incident as it is not possible, at this stage, reliably to estimate their value.

Cost reduction programme

We announced the implementation of a major cost reduction programme in November 2023 which is now delivering annualised efficiencies of £60m from Q1 2024. As noted in March 2024, subsequent to the November 2023 announcement, we identified further cost saving opportunities expected to deliver an additional £100m of annualised cost savings by mid 2025. We anticipate reinvesting around £50m of these further savings back into the business to enhance the Group's technology, service delivery and pricing proposition.

A charge of £8.2m has been recognised in the six months ended 30 June 2024 for the costs to deliver the cost reduction programme. This includes redundancy and other costs of £11.0m to deliver a significant reduction in indirect support function and overhead roles, partly offset by a credit of £2.8m arising from the rationalisation of the Group's property estate. The net property estate credit arises as the charge from the impairment of right-of-use assets and property, plant and equipment, and provisions in respect of onerous property costs, in the period, has been offset by adjustments to impairments and provisions recognised in 2023 following lease modifications and changes to sublet assumptions. The cash outflow in the first half of 2024 in respect of the cost reduction programme was £19.7m, which is included within free cash flow and cash generated from operations excluding business exits¹. As announced in March 2024, the cost reduction initiatives are expected to result in cash costs in the whole of 2024 of an estimated £50m.

Further detail of the specific items charged in arriving at reported operating profit and profit before tax for 2024 is provided in note 4 to the condensed consolidated financial statements.

Reported tax charge

The reported income tax charge for the period of £7.1m (2023: charge of £16.8m) reflects changes in the accounting estimate of recognised deferred tax assets and tax-exempt profits on disposal. The prior period charge is higher reflecting a decrease in the recognised deferred tax asset, due to the impact of business disposals.

Free cash flow¹ to free cash flow excluding business exits¹

	30 June 2024 £m	30 June 2023 £m
Free cash flow¹	(44.6)	(84.0)
Business exits	(21.8)	4.1
Pension deficit contributions triggered by disposals	14.5	15.6
Free cash flow excluding business exits¹	(51.9)	(64.3)

Free cash flow was higher than free cash flow excluding business exits¹ reflecting free cash flows generated by business exits, partly offset by pension deficit contributions triggered by the disposal of certain businesses.

Movements in net debt

Net debt at 30 June 2024 was £521.9m (31 December 2023: £545.5m). The decrease in net debt over the six months ended 30 June 2024 reflects the free cash outflow noted above offset by the net cash proceeds from the disposal of Fera in the period, and the continued reduction in our leased property estate.

Net debt	30 June 2024 £m	31 December 2023 £m
Opening net debt	(545.5)	(482.4)
Cash movement in net debt	56.8	(9.0)
Non-cash movements	(33.2)	(54.1)
Closing net debt	(521.9)	(545.5)
Remove closing IFRS 16 impact	355.5	363.4
Net financial debt (pre-IFRS 16)	(166.4)	(182.1)
Cash and cash equivalents net of overdrafts	85.4	67.6
Financial debt net of swaps	(251.8)	(249.7)
Net financial debt /adjusted EBITDA¹ (both pre-IFRS 16)	1.1x	1.2x
Net debt (post-IFRS 16)/adjusted EBITDA¹	2.4x	2.4x

Net financial debt (pre-IFRS 16) reduced by £15.7m to £166.4m at 30 June 2024, resulting in a net financial debt to adjusted EBITDA (both pre-IFRS 16) ratio of 1.1x. Over the medium term, the Group is targeting a net financial debt to adjusted EBITDA¹ (both pre-IFRS 16) ratio of ≤1.0x.

The Group was compliant with all debt covenants at 30 June 2024.

Capital and financial risk management

Financial instruments used to fund operations and to manage liquidity comprise USD and GBP private placement loan notes, revolving credit facility (RCF), leases and overdrafts.

Available liquidity¹	30 June 2024 £m	31 December 2023 £m
Revolving credit facility (RCF)	250.0	260.7
Less: drawing on committed facilities	—	—
Undrawn committed facilities	250.0	260.7
Cash and cash equivalents net of overdrafts	85.4	67.6
Less: restricted cash	(42.3)	(46.0)
Available liquidity¹	293.1	282.3

In June 2023, we extended the maturity of the RCF to 31 December 2026, initially at £284m, but subsequently reducing to £250m on 23 January 2024 following receipt of proceeds from the Fera disposal. The RCF was undrawn at 30 June 2024 (31 December 2023: undrawn).

In addition, the Group has in place non-recourse trade receivable financing, utilisation of which has become economically more favourable than drawing under the RCF as prevailing interest rates have increased. As such, the Group has continued its use of the facility across the year with the value of invoices sold under the facility at 30 June 2024 of £33.5m (31 December 2023: £35.2m).

At 30 June 2024, the Group had £85.4m (31 December 2023: £67.6m) of cash and cash equivalents net of overdrafts, and £265.1m (31 December 2023: £262.5m) of private placement loan notes and fixed-rate bearer notes.

Going concern

The Board closely monitors the Group's funding position throughout the year, including compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. In addition, to support the going concern assumption the Board conducts a robust assessment of the projections, considering also the committed facilities available to the Group.

The Group continues to adopt the going concern basis in preparing these condensed consolidated financial statements as set out in note 1 to the condensed consolidated financial statements.

Pensions

The latest formal valuation for the Group's main defined benefit pension scheme (the Scheme), was carried out as at 31 March 2023. This identified a statutory funding surplus of £51.4m. Given the funding position of the Scheme, the Group and the Trustee of the Scheme agreed that no further deficit contributions from the Group would be required other than those already committed as part of the 31 March 2020 actuarial valuation. In accordance with the schedule of contributions put in place following the 31 March 2020 actuarial valuation, in the first half of 2024 the Group has paid £6.3m of regular deficit contributions and £14.5m of accelerated deficit contributions and other contributions triggered by the disposal of Trustmarque in 2022. The Group is not expected to pay any further deficit contributions to the Scheme in the second half of 2024 and beyond.

The valuation of scheme liabilities (and assumptions used) for funding purposes (the actuarial valuation) are specific to the circumstances of each scheme. It differs from the valuation and assumptions used for accounting purposes, which are set out in IAS 19 and shown in these condensed consolidated financial statements. The main difference is in assumption principles being used based in the different regulatory requirements of the valuations. Management estimates that at 30 June 2024 the net asset of the Scheme on a funding basis (i.e. the funding assumption principles adopted for the full actuarial valuation at 31 March 2023 updated for market conditions at 30 June 2024) was approximately £84m (31 December 2023: net asset £81.0m) on a technical provisions basis. The Trustee of the Scheme has also agreed a secondary more prudent funding target to enable it to reduce the reliance the Scheme has on the covenant of the Group. On this basis, at 30 June 2024, the funding level was broadly fully funded.

The net defined benefit pension position of all reported defined benefit schemes for accounting purposes increased from a surplus of £26.8m at 31 December 2023 to a surplus of £45.0m at 30 June 2024. The main reasons for this movement are the increase in the discount rate applied to the schemes' liabilities following the increase in corporate bond yields (which reduces the value placed on the liabilities), and the above deficit funding contributions; partly offset by lower than assumed investment returns and a small increase in expected future inflation.

Balance sheet

Consolidated net assets were £170.4m at 30 June 2024 (31 December 2023: net assets £114.9m).

The increase predominantly reflects the decrease in net debt and increase in the pension surplus set out above.

Forward looking statements

This half year results statement is prepared for and addressed only to the Company's shareholders as a whole and to no other person. The Company, its Directors, employees, agents and advisors accept and assume no liability to any person in respect of this trading update except as would arise under English law. Statements contained in this trading update are based on the knowledge and information available to Capita's Directors at the date it was prepared and therefore facts stated and views expressed may change after that date.

This document and any materials distributed in connection with it may include forward-looking statements, beliefs, opinions or statements concerning risks and uncertainties, including statements with respect to Capita's business, financial condition and results of operations. Those statements, and statements which contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, reflect Capita's Directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and which may cause results and developments to differ materially from those expressed or implied by those statements and forecasts.

No representation is made that any of those statements or forecasts will come to pass or that any forecast results will be achieved. You are cautioned not to place any reliance on such statements or forecasts. Those forward-looking and other statements speak only as at the date of this trading update. Capita undertakes no obligation to release any update of, or revisions to, any forward-looking statements, opinions (which are subject to change without notice) or any other information or statement contained in this trading update. Furthermore, past performance cannot be relied on as a guide to future performance.

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Capita share for the current or future financial years would necessarily match or exceed the historical published earnings per Capita share.

Nothing in this document is intended to constitute an invitation or inducement to engage in investment activity. This document does not constitute or form part of any offer for sale or subscription of, or any solicitation of any offer to purchase or subscribe for, any securities nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract, commitment or investment decision in relation thereto. This document does not constitute a recommendation regarding any securities.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group and its approach to internal control and risk management are set out on pages 57 to 63 of the 2023 Annual Report and Accounts which is available on the Group's website at www.capita.com/investors/results-reports-and-presentations.

The Executive Risk and Ethics Committee (EREC) have considered the principal risks and uncertainties of the Group and have determined that those reported in the 2023 Annual Report and Accounts remain materially the same for the remaining half of the financial year.

Risk title	Risk description
1 Deliver profitable growth	Attract new clients and retain existing clients on appropriate commercial terms.
2 Contract performance	Deliver services to clients in accordance with contractual and legal obligations.
3 Innovation	Innovate and develop new customer value propositions with speed and agility.
4 People attraction and retention	Attract, develop, engage and retain the right talent.
5 Financial stability	Maintain financial stability and achieve financial targets.
6 Cyber security	Protect our systems, networks and programs from unauthorised use and access.
7 Environment, Social and Governance (ESG)	Comply with regulatory and contractual requirements to drive a purpose driven organisation with the right focus on governance.
8 Safety and Health	Protect the safety and health of all Capita's employees and manage our duty of care to them, the people we work with and those affected by our activities.
9 Data Governance and Data Privacy	Manage our data effectively (both clients and Capita) as a strategic asset across the organisation.

Statement of Directors' responsibilities

The Board of directors confirms, to the best of its knowledge, that these condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted for use in the UK and that the Half Year Management Report includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority.

The names and functions of the Board of directors of Capita plc are listed on the Group website at www.capita.com/our-company/about-capita/about-board.

By order of the Board

Adolfo Hernandez
Chief Executive Officer
1 August 2024

Tim Weller
Chief Financial Officer
1 August 2024

Condensed consolidated income statement

For the six months ended 30 June 2024

	Notes	30 June 2024 £m	30 June 2023 £m
Revenue	3	1,237.3	1,477.0
Cost of sales		(973.2)	(1,138.4)
Gross profit		264.1	338.6
Administrative expenses		(220.2)	(374.4)
Operating profit/(loss)	3	43.9	(35.8)
Share of results in associates and investment gains		1.4	—
Net finance expense	5	(23.4)	(25.5)
Gain/(loss) on disposal of businesses	8	38.1	(6.6)
Profit/(loss) before tax		60.0	(67.9)
Income tax charge	6	(7.1)	(16.8)
Total profit/(loss) for the period		52.9	(84.7)
Attributable to:			
Owners of the Company		53.0	(84.4)
Non-controlling interests		(0.1)	(0.3)
		52.9	(84.7)
Earnings/(loss) per share	7		
– basic		3.14p	(5.06)p

— diluted 3.07p (5.06)p

Adjusted operating profit	4	54.2	40.9
Adjusted profit before tax	4	31.6	18.3
Adjusted basic earnings per share	7	2.19p	2.68p
Adjusted diluted earnings per share	7	2.14p	2.68p

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2024

	Notes	30 June 2024 £m	30 June 2023 £m
Total profit/(loss) for the period		52.9	(84.7)
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to the income statement			
Actuarial loss on defined benefit pension schemes		(3.5)	(26.6)
Tax effect on defined benefit pension schemes		0.8	6.1
Loss on fair value of investments		—	(0.1)
Items that will or may be reclassified subsequently to the income statement			
Exchange differences on translation of foreign operations		0.2	(3.4)
Gain/(loss) on cash flow hedges		4.8	(1.6)
Cash flow hedges recycled to the income statement		(0.9)	(1.2)
Tax effect on cash flow hedges		(1.0)	0.7
Other comprehensive income/(expense) for the period net of tax		0.4	(26.1)
Total comprehensive income/(expense) for the period net of tax		53.3	(110.8)
Attributable to:			
Owners of the Company		53.4	(110.2)
Non-controlling interests		(0.1)	(0.6)
		53.3	(110.8)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed consolidated balance sheet

At 30 June 2024

	Notes	30 June 2024 £m	31 December 2023 £m
Non-current assets			
Property, plant and equipment		72.7	80.0
Intangible assets		72.2	90.0
Goodwill		448.1	495.7
Right-of-use assets		185.4	208.5
Investments in associates		0.2	0.2
Contract fulfilment assets	2	257.2	257.0
Financial assets	11	115.3	97.2
Deferred tax assets		135.0	140.3
Employee benefits	13	49.7	32.7
Trade and other receivables		10.4	12.3
		1,346.2	1,413.9
Current assets			
Financial assets	11	31.1	28.1
Income tax receivable		11.8	11.6
Disposal group assets held-for-sale	8	83.2	38.1
Trade and other receivables		386.8	350.7
Cash	11	148.7	155.4
		661.6	583.9
Total assets		2,007.8	1,997.8
Current liabilities			
Overdrafts	11	74.6	95.0
Trade and other payables		395.6	425.9
Disposal group liabilities held-for-sale	8	46.7	9.7
Income tax payable		4.0	1.3
Deferred income		515.2	501.3
Lease liabilities	11	45.8	51.1
Financial liabilities	11	88.9	10.8
Provisions	10	74.5	101.6
		1,245.3	1,196.7
Non-current liabilities			
Trade and other payables		5.9	8.5
Deferred income		43.5	36.2
Lease liabilities	11	309.7	312.3
Financial liabilities	11	180.6	267.5
Deferred tax liabilities		7.2	7.2
Provisions	10	40.5	48.6
Employee benefits	13	4.7	5.9
		592.1	686.2
Total liabilities		1,837.4	1,882.9

Net assets		170.4	114.9
Capital and reserves			
Share capital	12	35.2	35.2
Share premium	12	1,145.5	1,145.5
Employee benefit trust shares	12	(0.4)	(0.7)
Capital redemption reserve		1.8	1.8
Other reserves		(11.9)	(15.0)
Retained deficit		(992.5)	(1,053.8)
Equity attributable to owners of the Company		177.7	113.0
Non-controlling interests		(7.3)	1.9
Total equity		170.4	114.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2024

	Share capital £m	Share premium £m	Employee benefit trust shares £m	Capital redemption reserve £m	Retained deficit £m	Other reserves £m	Total attributable to the owners of the parent £m	Non- controlling interests £m	Total equity £m
At 31 December 2022	34.8	1,145.5	(4.2)	1.8	(843.2)	(4.5)	330.2	22.5	352.7
Loss for the period	—	—	—	—	(84.4)	—	(84.4)	(0.3)	(84.7)
Other comprehensive expense	—	—	—	—	(20.6)	(5.2)	(25.8)	(0.3)	(26.1)
Total comprehensive expense for the period	—	—	—	—	(105.0)	(5.2)	(110.2)	(0.6)	(110.8)
Share-based payment net of deferred tax effect	—	—	—	—	2.7	—	2.7	—	2.7
Exercise of share options under employee long-term incentive plans	—	—	3.8	—	(3.8)	—	—	—	—
Shares issued	0.4	—	(0.4)	—	—	—	—	—	—
Change in put-options held by non-controlling interests	—	—	—	—	2.0	—	2.0	—	2.0
At 30 June 2023	35.2	1,145.5	(0.8)	1.8	(947.3)	(9.7)	224.7	21.9	246.6
At 31 December 2023	35.2	1,145.5	(0.7)	1.8	(1,053.8)	(15.0)	113.0	1.9	114.9
Profit/(loss) for the period	—	—	—	—	53.0	—	53.0	(0.1)	52.9
Other comprehensive (expense)/income	—	—	—	—	(2.7)	3.1	0.4	—	0.4
Total comprehensive income/(expense) for the period	—	—	—	—	50.3	3.1	53.4	(0.1)	53.3
Share-based payment net of deferred tax effect	—	—	—	—	2.8	—	2.8	—	2.8
Elimination of non-controlling interest on disposal of businesses (note 8)	—	—	—	—	—	—	—	(9.1)	(9.1)
Exercise of share options under employee long-term incentive plans (note 12)	—	—	0.3	—	(0.3)	—	—	—	—
De-recognition of put-options held by non-controlling interests (note 11)	—	—	—	—	8.5	—	8.5	—	8.5
At 30 June 2024	35.2	1,145.5	(0.4)	1.8	(992.5)	(11.9)	177.7	(7.3)	170.4

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed consolidated cash flow statement

For the six months ended 30 June 2024

	Notes	30 June 2024 £m	30 June 2023 £m
Cash generated/(used by) from operations	9	26.6	(5.6)
Income tax paid		(0.4)	(3.2)
Interest received		4.1	3.0
Interest paid		(26.3)	(21.6)
Net cash inflow/(outflow) from operating activities		4.0	(27.4)
Cash flows from investing activities			
Purchase of property, plant and equipment		(7.2)	(15.0)
Purchase of intangible assets		(14.3)	(14.4)
Proceeds from sale of property, plant and equipment, and intangible assets		—	0.1
Proceeds from disposal of associates and joint ventures		0.3	—
Additions to originated loans receivable		(0.5)	—
Changes to investments at fair value through other comprehensive income		—	(0.1)
Capital element of lease rental receipts		2.8	3.8
Deferred consideration from sale of subsidiary undertakings		10.7	—
Total proceeds received from disposal of businesses, net of disposal costs	8	56.0	8.2
Cash held by businesses when sold	8	(6.3)	(3.7)
Net cash inflow/(outflow) from investing activities		41.5	(21.1)
Cash flows from financing activities			
Capital element of lease rental payments		(29.9)	(31.1)
Repayment of private placement loan notes		—	(48.7)

Proceeds from cross-currency interest rate swaps	—	8.2
Repayment of other finance	—	(0.5)
Proceeds from credit facilities	—	41.0
Debt financing arrangement costs	—	(1.2)
Net cash outflow from financing activities	(29.9)	(32.3)
Increase/(decrease) in cash and cash equivalents	15.6	(80.8)
Cash and cash equivalents at the beginning of the period	67.6	177.2
Effect of exchange rates on cash and cash equivalents	2.2	(1.5)
Cash and cash equivalents at 30 June	85.4	94.9
Cash and cash equivalents comprise:		
Cash	148.7	161.3
Overdrafts	(74.6)	(86.8)
Cash, net of overdrafts, included in disposal group assets and liabilities held-for-sale	11.3	20.4
Total	85.4	94.9
Alternative performance measures (refer note 1.2(b))		
Cash generated from operations before business exits	9	19.0
Free cash flow before business exits	9	(51.9)
		5.1
		(64.3)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the six months ended 30 June 2024

1.1 Corporate information

Capita plc (the 'Company' or the 'Parent Company') is a public limited liability company incorporated in England and Wales whose shares are publicly traded.

These condensed consolidated financial statements as at and for the six months ended 30 June 2024 comprise the Company and its subsidiaries (together referred to as 'the Group').

These condensed consolidated financial statements were authorised for issue by the Board of directors on 1 August 2024.

These condensed consolidated financial statements are presented in British pounds sterling and all values are rounded to the nearest tenth of a million (£m) except where otherwise indicated.

1.2 Basis of preparation, judgements and estimates, and going concern

(a) Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, and with IAS 34 *Interim Financial Reporting* under UK-adopted International Financial Reporting Standards (IFRS).

These condensed consolidated financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2023.

The Group has considered the impact of new, and amendments to, reporting standards which are effective from 1 January 2024 and concluded that they were either not applicable, or not material, to these condensed consolidated financial statements.

The Group is in the early stages of its assessment for all other standards, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) but are not yet effective.

These condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2023 have been delivered to the Registrar of Companies. The auditor has reported on those accounts and their opinion was (i) unqualified, (ii) did not include any matters to which the auditor drew attention by way of emphasis of matter without modifying their opinion, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These condensed consolidated financial statements have been reviewed by the Group's auditors pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information.

(b) Adjusted results

IAS 1 *Presentation of Financial Statements* permits an entity to present additional information for specific items to enable users to better assess the entity's financial performance.

The Board has adopted a policy to separately disclose those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the Board's judgement, these need to be disclosed separately by virtue of their nature, size and/or incidence for users of the condensed consolidated financial statements to obtain a proper understanding of the financial information and the underlying performance of the Group.

In general, the Board believes that alternative performance measures (APMs) are useful for investors because they provide further clarity and transparency about the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions. Accordingly, these items are also excluded from the discussion of divisional performance. Refer to the appendix for further details of the Group's APMs. Those items which relate to the ordinary course of the Group's operating activities remain within adjusted results.

The Board has limited the items excluded from the adjusted results to: business exits; amortisation and impairment of acquired intangibles; impairment of goodwill; certain net finance expense/income; the costs associated with the cyber incident in March 2023; and the costs associated with the cost reduction programme announced in November 2023.

The Board considers free cash flow, and cash generated from operations excluding business exits, after deducting the capital element of lease payments and receipts, to be alternative performance measures because these metrics provide a more representative measure of the sustainable cash flow of the Group.

While the Board considers APMs to be helpful to the reader, it notes that APMs have certain limitations, including the exclusion of significant recurring and non-recurring items, and may not be directly comparable with similarly titled measures presented by other companies.

A reconciliation between reported and adjusted operating profit and profit before tax is provided in note 4, and a reconciliation between reported and free cash flow excluding business exits and cash generated from operations is provided in note 9.

(c) Judgements and estimates

These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles which require the Board of directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the presented periods. Although these judgements and assumptions are based on the Board's best knowledge of the amounts, events or actions, actual results may differ.

The significant judgements and assumptions made by the Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

Judgements

The key areas where significant accounting judgements have been made and which have the most significant effect on the amounts recognised in the condensed consolidated financial statements, are summarised below and set out in more detail in the related note:

- Contract accounting (note 2) - revenue recognition;
- Capitalisation of contract fulfilment assets (note 2); and
- Adoption of the going concern basis of preparation (note 1.2(d)).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised below and set out in more detail in the related note. The Group based its assumptions and estimates on parameters available when the condensed consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are incorporated into the assumptions when they occur:

- Contract accounting (note 2) - impairment of contract fulfilment assets, and customer and onerous contract provisions;
- Deferred tax asset recognition (note 6);
- Valuation of investments (note 11); and
- Measurement of defined benefit pension obligations (note 13).

(d) Going concern

In determining the appropriate basis of preparation of these condensed consolidated financial statements for the six month period ended 30 June 2024, the Board is required to consider whether the Group can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities and mitigations, as set out below.

Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these condensed consolidated financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these condensed consolidated financial statements to 31 December 2025 ('the going concern period'), which aligns with a year end and a covenant test date for the Group.

The base case financial forecasts used in the going concern assessment are derived from financial projections for 2024-2025 as approved by the Board in June 2024.

The going concern assessment considers the Group's sources and uses of liquidity and covenant compliance throughout the period under review. The value of the Group's committed revolving credit facility (RCF) was £250.0m at 30 June 2024 and extends to 31 December 2026.

Financial position at 30 June 2024

As detailed further in the Chief Financial Officer's review, as at 30 June 2024 the Group had net debt of £521.9m (31 December 2023: £545.5m), net financial debt (pre-IFRS 16) of £166.4m (31 December 2023: £182.1m), available liquidity of £293.1m (31 December 2023: £282.3m) and was in compliance with all debt covenants.

Board assessment

Base case scenario

Under the base case scenario, the Group's transformation programme and completion of the Portfolio non-core business disposal programme in January 2024 has simplified and strengthened the business and facilitates further efficiency savings enabling sustainable growth in revenue, profit and cash flow over the medium term. When combined with available committed facilities, this allows the Group to manage scheduled debt repayments. The most material sensitivities to the base case are the risk of not delivering the planned revenue growth and efficiency savings from the Group's previously announced restructuring programme.

The base case projections used for going concern assessment purposes reflect business disposals completed up to the date of approval of these financial statements and the agreed sale of the Capita One business because the completion of the disposal has been assessed to be highly probable. The liquidity headroom assessment in the base case projections reflects the Group's existing committed financing facilities and debt redemptions and does not reflect any potential future refinancing. The base case financial forecasts demonstrate liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 December 2025.

Severe but plausible downside scenario

In considering severe but plausible downside scenarios, the Board has taken account of the potential adverse financial impacts resulting from the following risks:

- revenue growth falling materially short of plan;
- operating profit margin expansion not being achieved;
- targeted cost savings delayed or not delivered;
- unforeseen operational issues leading to contract losses and cash outflows;
- sustained interest rates at current levels;
- non-availability of the Group's non-recourse trade receivables financing facility; and
- unexpected financial costs linked to incidents such as data breaches and/or cyber-attacks.

The likelihood of simultaneous crystallisation of the above risks is considered by the directors to be low. Nevertheless in the event that simultaneous crystallisation were to occur, the Group would need to take action to mitigate the risk of insufficient liquidity and covenant headroom. In its assessment of going concern, the Board has considered the mitigations, under the direct control of the Group, that could be implemented including reductions or delays in capital investment, and substantially reducing (or removing in full) bonus and incentive payments. The Board considered the impact of the above risks and mitigations on the Group both in the scenario where the Capita One disposal does occur, and if it were not to occur. In the event of the simultaneous crystallisation of risks and the Capita One disposal does not complete, the Board also considered the ability of the Group to refinance a portion of the 2025 maturing debt. Taking these considerations into account, the Group's financial forecasts, in a severe but plausible downside scenario, demonstrate sufficient liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 31 December 2025.

Adoption of going concern basis

Reflecting the levels of liquidity and covenant headroom in the base case and severe but plausible downside scenarios, the Group continues to adopt the going concern basis in preparing these condensed consolidated financial statements. The Board has concluded that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2025.

2 Contract accounting

At 30 June 2024, the Group had the following results and balance sheet items related to long-term contracts:

	Note	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Long-term contractual revenue	3	908.7	1,114.8	
Deferred income		558.7		537.5
Contract fulfilment assets (non-current)		257.2		257.0
Onerous contract provisions		40.6		43.3

Background

The Group operates diverse businesses. The majority of the Group's revenue is from contracts greater than two years in duration (long-term contractual), representing 73.4% of Group revenue for the six months ended 30 June 2024 (30 June 2023: 75.5%).

Recoverability of contract fulfilment assets and completeness of onerous contract provisions

Management first assesses whether contract assets are impaired and then further considers whether an onerous contract exists. For half and full year reporting, the Audit and Risk Committee specifically reviews the material judgements and estimates, and the overall approach to this assessment in respect of the Group's major contracts, including comparison against previous forecasts.

The major contracts are rated by management according to their financial risk profile, which is linked to the level of uncertainty over future assumptions. From the 2024 half year, the major contracts that the Audit and Risk Committee review for half year reporting, are those in the high or medium rated risk categories.

At the full year, those contracts material by virtue of their size relative to the Group, will also be reviewed by the Audit and Risk Committee if not already identified through the above indicators.

In the following paragraphs, the amounts disclosed for the current period are only in respect of those major contracts that the Audit and Risk Committee have reviewed (ie at half year this is only those major contracts which are in the high or medium risk categories). The prior period amounts in relation to major contracts are as previously presented, and as such reflect the major contracts reviewed by the Audit and Risk Committee for that period end. The prior period amounts are therefore not directly comparable to the those disclosed for the current period.

The major contracts contributed £180.2m (30 June 2023: £647.1m) or 15% (30 June 2023: 46%) of Group adjusted revenue. Non-current contract fulfilment assets as at 30 June 2024 were £257.2m (31 December 2023: £257.0m), of which £59.8m (31 December 2023: £125.1m) relates to major contracts with ongoing transformational activities. The remainder relates to contracts post transformation and includes non-major contracts.

As noted above, the major contracts, both pre- and post-transformation, are rated according to their financial risk profile. For those that are in the high and medium rated risk categories the associated non-current contract fulfilment assets were, in aggregate £61.4m at 30 June 2024 (31 December 2023: £52.8m). The recoverability of these assets is dependent on no significant adverse change in the key contract assumptions arising during the next financial year. The balance of deferred income associated with these contracts was £148.9m at 30 June 2024 (31 December 2023: £109.5m) and is forecast to be recognised as performance obligations continue to be delivered over the life of the respective contracts. Onerous contract provisions associated with these contracts were £33.7m at 30 June 2024 (31 December 2023: £37.3m).

Following these reviews, and reviews of smaller contracts across the business, non-current contract fulfilment asset impairments of £0.2m (30 June 2023: £nil) were identified and recognised within adjusted cost of sales of which £nil (30 June 2023: £nil) relates to non-current contract fulfilment assets added during the period. Additionally, net onerous contract provisions of £4.2m (30 June 2023: £1.7m) were identified and recognised in adjusted cost of sales with a further £0.7m excluded from adjusted cost of sales as part of business exits.

Given the quantum of the relevant contract assets and liabilities, and the nature of the estimates noted above, management has concluded it is reasonably possible, that outcomes within the next financial year may be different from management's current assumptions and could require a material adjustment to the carrying amounts of contract assets and onerous contract provisions. However, as noted above, £59.8m of non-current contract fulfilment assets relates to major contracts with ongoing transformational activities; and, £61.4m of non-current contract fulfilment assets and £33.7m of onerous contract provisions relate to the highest and medium rated risk category. Due to the level of uncertainty, combination of variables and timing across numerous contracts, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and management do not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a user of the financial statements. Due to commercial sensitivities, the Group does not specifically disclose the amounts involved in any individual contract.

Certain major contracts in transformation have key milestones during the next twelve months and an inability to meet these key milestones could lead to reduced profitability and a risk of impairment of the associated contract assets. These include contracts with the BBC, Transport for London, Department for Work and Pensions and the City of London Police.

3 Revenue and segmental information

The Group's operations are managed separately according to the nature of the services provided, with each segment representing a strategic business division offering a different package of client outcomes across the markets the Group serves. Capita plc is a reconciling item and not an operating segment. Inter-segmental pricing is based on set criteria and is either charged on an arm's length basis or at cost.

The tables below present revenue and segmental profit for the Group's business segments as reported to the Chief Operating Decision Maker. The Group now comprises two divisions - Capita Public Service and Capita Experience - following the completion of the Group's exit of the non-core businesses in the Capita Portfolio division. Comparative information has been re-presented to reflect businesses exited during the second half of 2023 and the first half of 2024. Comparative information has also been re-presented to reflect the move of businesses between segments during the period to enable comparability.

Revenue

Adjusted revenue, excluding results from businesses exited in both periods (adjusting items), was £1,201.5m (30 June 2023: £1,324.4m), a decline of 9.3% (30 June 2023: an increase of 4.8%).

Six months ended 30 June 2024	Notes	Capita Public Service £m	Capita Experience £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations						
Long-term contractual		570.5	309.7	880.2	28.5	908.7
Short-term contractual		80.6	190.1	270.7	2.6	273.3
Transactional (point-in-time)		37.4	13.2	50.6	4.7	55.3
Total segment revenue		688.5	513.0	1,201.5	35.8	1,237.3
Trading revenue		700.2	527.9	1,228.1	—	1,228.1
Inter-segment revenue		(11.7)	(14.9)	(26.6)	—	(26.6)
Total adjusted segment revenue		688.5	513.0	1,201.5	—	1,201.5
Business exits – trading	8	—	—	—	35.8	35.8
Total segment revenue		688.5	513.0	1,201.5	35.8	1,237.3

Six months ended 30 June 2023	Notes	Capita Public Service £m	Capita Experience £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations						
Long-term contractual		574.8	496.2	1,071.0	43.8	1,114.8
Short-term contractual		101.8	107.8	209.6	20.1	229.7
Transactional (point-in-time)		31.4	12.4	43.8	88.7	132.5
Total segment revenue		708.0	616.4	1,324.4	152.6	1,477.0
Trading revenue		719.7	630.8	1,350.5	—	1,350.5
Inter-segment revenue		(11.7)	(14.4)	(26.1)	—	(26.1)
Total adjusted segment revenue		708.0	616.4	1,324.4	—	1,324.4
Business exits – trading	8	—	—	—	152.6	152.6
Total segment revenue		708.0	616.4	1,324.4	152.6	1,477.0

Order book

The tables below show the order book for each division, categorised into long-term contractual (contracts with length greater than two years) and short-term contractual (contracts with length less than two years). The length of the contract is calculated from the service commencement date. The figures present the aggregate amount of the currently contracted transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied. Revenue expected to be recognised upon satisfaction of these performance obligations is as follows:

Order book 30 June 2024	Capita Public Service £m	Capita Experience £m	Total £m
Long-term contractual	3,297.8	1,193.0	4,490.8
Short-term contractual	102.2	336.4	438.6
Total	3,400.0	1,529.4	4,929.4

Order book 31 December 2023	Capita Portfolio £m	Capita Public Service £m	Capita Experience £m	Total £m
Long-term contractual	—	3,381.1	2,111.2	5,492.3
Short-term contractual	37.2	164.9	188.2	390.3
Total	37.2	3,546.0	2,299.4	5,882.6

The table below shows the expected timing of revenue to be recognised from long-term contractual orders at 30 June 2024:

Time bands of expected revenue recognition from long-term contractual orders	Capita Public Service £m	Capita Experience £m	Total £m
< 1 year	868.1	407.5	1,275.6
1–5 years	1,671.7	581.7	2,253.4
> 5 years	758.0	203.8	961.8
Total	3,297.8	1,193.0	4,490.8

Prior year comparative information is not presented for the expected timing of revenue recognition because it is a forward looking disclosure and therefore management does not believe that such disclosure provides meaningful information to a user of these condensed consolidated financial statements.

The order book represents the consideration that the Group will be entitled to receive from customers when the Group satisfies its remaining performance obligations under the contracts. However, the total revenue that will be earned by the Group will also include non-contracted volumetric revenue, future indexation linked to an external metric, new wins, scope changes and anticipated contract extensions. These elements have been excluded from the figures in the tables above because they are not contracted. Additionally, revenue from contract extensions is also excluded from the order book unless the extensions are pre-priced whereby the Group has a legally binding obligation to deliver the performance obligations during the extension period. The total revenue related to pre-priced extensions included in the tables above amounted to £233.2m (31 December 2023: £513.8m). The amounts presented do not include orders for which neither party has performed, and each party has the unilateral right to terminate a wholly unperformed contract without compensating the other party.

Of the £4.5 billion (31 December 2023: £5.5 billion) revenue to be earned on long-term contracts, £0.9 billion (31 December 2023: £3.4 billion¹) relates to major contracts. This amount excludes revenue that will be derived from frameworks (transactional, ie point-in-time, contracts), non-contracted volumetric revenue, non-contracted scope changes and future unforeseen volume changes from these major contracts at half year, which together are anticipated to contribute an additional £0.9 billion (31 December 2023: £0.6 billion¹) of revenue to the Group over the life of these contracts.

Deferred income

The Group's deferred income balances solely relate to revenue from contracts with customers. Revenue recognised in the reporting period that was included in the deferred income balance at the beginning of the period was £427.1m (30 June 2023: £504.5m; 31 December 2023: £599.0m).

Movements in the deferred income balances were driven by transactions entered into by the Group in the normal course of business during the six months ended 30 June 2024.

¹ The prior period amounts in relation to major contracts are as previously presented, and as such reflect the major contracts reviewed by the Audit and Risk Committee for that period end (refer to note 2). The prior period amounts are therefore not directly comparable to the those disclosed for the current period.

Segmental profit

The tables below present profit of the Group's business segments. For segmental reporting, the costs of central functions have been allocated to the segments using appropriate drivers such as adjusted revenue, adjusted profit or headcount. Comparative information has been re-presented to reflect businesses exited during the second half of 2023 and the first half of 2024.

Six months ended 30 June 2024	Notes	Capita Public Service £m	Capita Experience £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Adjusted operating profit	4	47.1	25.1	(18.0)	54.2	—	54.2
Cost reduction programme	4	(3.6)	0.5	(5.1)	—	(8.2)	(8.2)
Business exits – trading	8	—	—	—	—	8.4	8.4
Total trading result		43.5	25.6	(23.1)	54.2	0.2	54.4
Non-trading items:							
Business exits – non-trading	8				—	(10.8)	(10.8)
Other adjusting items	4				—	0.3	0.3
Operating profit/(loss)					54.2	(10.3)	43.9
Interest income	5						4.9
Interest expense	5						(28.3)
Share of results in associates and investment gains							1.4
Gain on business disposal							38.1
Profit before tax							60.0
Supplementary information							
Depreciation and amortisation		18.7	25.8	1.1	45.6	1.4	47.0
Impairment of property, plant and equipment, intangible assets and right-of-use assets		0.9	1.5	—	2.4	8.4	10.8
Non-current contract fulfilment assets utilisation, impairment and derecognition		27.6	4.8	—	32.4	1.0	33.4
Onerous contract provisions		—	4.2	—	4.2	—	4.2

Six months ended 30 June 2023	Notes	Capita Public Service £m	Capita Experience £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Adjusted operating profit	4	26.2	39.1	(24.4)	40.9	—	40.9
Business exits – trading	8	—	—	—	—	12.5	12.5
Total trading result		26.2	39.1	(24.4)	40.9	12.5	53.4
Non-trading items:							
Business exits – non-trading	8				—	(25.1)	(25.1)
Other adjusting items	4				—	(64.1)	(64.1)
Operating profit/(loss)					40.9	(76.7)	(35.8)
Interest income	5						4.4
Interest expense	5						(29.9)
Loss on business disposal							(6.6)
Loss before tax							(67.9)
Supplementary information							
Depreciation and amortisation		19.6	29.1	4.2	52.9	4.9	57.8
Impairment of property, plant and equipment, intangible assets and right-of-use assets		1.0	2.0	0.3	3.3	—	3.3
Contract fulfilment assets utilisation, impairment and derecognition		30.3	7.2	—	37.5	2.7	40.2
Onerous contract provisions		—	1.7	—	1.7	—	1.7

4 Adjusted operating profit and adjusted profit before tax

The Board has adopted a policy to separately disclose those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the Board's judgement, these need to be disclosed separately by virtue of their nature, size and/or incidence for users of the consolidated financial statements to obtain a proper understanding of the financial information and the underlying performance of the Group.

In general, the Board believes that alternative performance measures (APMs) are useful for investors because they provide further clarity and transparency about the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions. Accordingly, these items are also excluded from the discussion of divisional performance. Those items which relate to the ordinary course of the Group's operating activities remain within adjusted profit.

The items excluded from adjusted profit are discussed further below.

	Notes	Operating profit/(loss)		Profit/(loss) before tax	
		30 June 2024 £m	30 June 2023 £m	30 June 2024 £m	30 June 2023 £m
Reported		43.9	(35.8)	60.0	(67.9)
Amortisation and impairment of acquired intangibles		0.1	0.1	0.1	0.1

Impairment of goodwill		—	42.2	—	42.2
Net finance expense	5	—	—	0.4	2.2
Business exits	8	2.4	12.6	(36.7)	19.9
Cyber incident		(0.4)	21.8	(0.4)	21.8
Cost reduction programme		8.2	—	8.2	—
Adjusted		54.2	40.9	31.6	18.3

1. Adjusted operating profit of £54.2m (30 June 2023: £40.9m) was generated on adjusted revenue of £1,201.5m (30 June 2023: £1,324.4m) resulting in an adjusted operating margin of 4.5% (30 June 2023: 3.1%).

2. The tax impact of the profit before tax adjusting items is a £12.4m charge (30 June 2023: £42.1m charge).

Amortisation and impairment of acquired intangible assets: the Group recognised acquired intangible amortisation of £0.1m (30 June 2023: £0.1m). These charges are excluded from the adjusted results of the Group because they are non-cash items generated from historical acquisition related activity. The charge is included within administrative expenses.

Impairment of goodwill: the Group carries on its balance sheet significant amounts of goodwill which are subject to annual impairment testing and when any indicators of impairment are identified. Any impairment charges are reported separately because they are non-cash items generated from historical acquisition related activity. The charge is included within administrative expenses.

Net finance expense: net finance expense excluded from adjusted profits relate to movements in the mark-to-market value of forward foreign exchange contracts to cover anticipated future costs and therefore have no equivalent offsetting transaction in the accounting records.

Business exits: the trading result of businesses exited, or in the process of being exited, and the gain or loss on disposals, are excluded from the Group's adjusted results. Note 8 provides further detail regarding which income statement lines are impacted by business exits.

Cyber incident: the Group has incurred exceptional costs associated with the March 2023 cyber incident. These costs comprise specialist professional fees, recovery and remediation costs and investment to reinforce Capital's cyber security environment. A credit of £0.4m has been recognised in the six months ended 30 June 2024, which includes an insurance recovery which met the criteria to be recognised (30 June 2023: charge of £21.8m). Cumulatively the net costs incurred total £24.9m. Refer to note 15 contingent liabilities. The (credit)/charge is included within administrative expenses.

Cost reduction programme: As detailed in the Chief Financial Officer's review, the Group has implemented a significant cost reduction programme. A charge of £8.2m has been recognised in the six months ended 30 June 2024 for the costs to deliver the cost reduction programme. This includes redundancy and other costs of £11.0m to deliver a significant reduction in indirect support function and overhead roles, partly offset by a credit of £2.8m arising from the rationalisation of the Group's property estate. The net credit arises on property as the charge arising from the impairment of right-of-use assets and property, plant and equipment, and provisions in respect of onerous property costs, in the period, has been offset by adjustments to impairments and provisions recognised in 2023 following lease modifications and changes to sublet assumptions. The cumulative cost recognised since the commencement of the cost reduction programme in the second half of 2023 is £62.6m. The charge is included within administrative expenses.

Refer to note 9 for the cash flow impact of the above.

5 Net finance expense

The table below shows the composition of net finance costs, including those excluded from adjusted profit:

	Notes	30 June 2024 £m	30 June 2023 £m
Interest income			
Interest on cash		(1.2)	(0.9)
Interest on finance lease assets		(2.8)	(2.0)
Net interest income on defined benefit pension schemes	13	(0.9)	(1.5)
Total interest income		(4.9)	(4.4)
Interest expense			
Private placement loan notes ¹		8.2	6.8
Bank loans and overdrafts		5.6	7.0
Cost of non-recourse trade receivables financing	11	2.1	1.4
Interest on finance lease liabilities		10.9	11.0
Discount unwind on provisions	10	0.7	0.8
Total interest expense		27.5	27.0
Net finance expense included in adjusted profit		22.6	22.6
Included within business exits			
Bank loans and overdrafts		—	0.7
Interest on finance lease liabilities		0.4	0.1
Other financial income		—	(0.1)
Total included within business exits	8	0.4	0.7
Other items excluded from adjusted profits			
Non-designated foreign exchange forward contracts - change in mark-to-market value		(0.2)	2.3
Fair value hedge ineffectiveness ²		0.6	(0.1)
Total other items excluded from adjusted profits		0.4	2.2
Net finance expense excluded from adjusted profit		0.8	2.9
Total net finance expense		23.4	25.5

1. Private placement loan notes comprise US dollar and British pound sterling private placement loan notes, and the euro fixed rate bearer notes which were repaid during 2023.

2. Fair value hedge ineffectiveness arises from changes in currency basis, and the movement in a provision for counterparty risk associated with the swaps.

6 Income tax

	30 June 2024			30 June 2023		
	Total reported £m	Included in adjusted profit £m	Excluded from adjusted profit £m	Total reported £m	Included in adjusted profit £m	Excluded from adjusted profit £m
Tax (charge)/credit	(7.1)	5.3	(12.4)	(16.8)	25.3	(42.1)

Excluding discrete items, the adjusted income tax charge for the six month period is £8.6m (2023: £3.7m) and has been calculated by applying management's best estimate of the full-year effective tax rate of 27.3% (estimated using full-year profit projections excluding any discrete items) to the adjusted profit before tax for the six months to 30 June 2024. The effective adjusted tax rate, excluding discrete items, is higher than the standard UK rate of 25% mainly due to withholding tax on dividends, Pillar Two income tax provisions and unrecognised tax losses arising in overseas jurisdictions. The adjusted tax credit on discrete items for the six months is calculated separately, and relates to the change in estimate of deferred tax assets, £14.3m (2023: £29.4m) and a prior year adjustment, charge of £0.4m (2023: £0.4m), resulting in the total adjusted tax credit, including discrete items, of £5.3m (2023: credit of £25.3m), on adjusted profit before tax of £31.6m (2023: profit of £18.3m).

Excluding discrete items, the reported tax charge of £6.5m (2023: £6.7m) reflects the £2.1m tax credit on adjusting items. This has been calculated on an item-by-item basis and reflects the tax exempt profit on disposal. The reported tax charge on discrete business exit items relates to the deferred tax relating to the change in estimate of deferred tax assets in respect of divestments, £14.5m (2023: charge of £39.1m), resulting in the total reported tax charge, including discrete items, of £7.1m (2023: charge of £16.8m), on a reported profit before tax of £60.0m (2023: loss of £67.9m).

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The recoverability of deferred tax assets is supported by the

deferred tax liabilities against which the reversal can be offset and the expected level of future profits in the countries concerned. The recognition of deferred tax assets has been based on the latest financial projections for 2024-2025, using a long-term growth rate of 1.7% and a reducing probability factor applied to future profits, consistent with the approach in recent years. This assessment results in a change in the accounting estimate of deferred tax of £0.2m, which is reflected as a deferred tax charge in adjusting items due to business disposals (£14.5m reduction), and an adjusted tax credit in relation to an increase in taxable profits in the assessment model (£14.3m increase).

Unrecognised temporary differences have increased by £3.4m, resulting in total unrecognised temporary differences as at 30 June 2024 of £850.9m (31 December 2023: £847.5m).

The estimated full year effective tax rate of 27.3% includes an income tax expense of £0.5m (2023: not applicable) related to Pillar Two income taxes. This charge relates to estimated Pillar Two top-up taxes on profits earned in the Isle of Man, Switzerland and Poland.

The Group has an open and positive working relationship with HMRC, has a designated customer compliance manager, and is committed to prompt disclosure and transparency in dealings with HMRC and overseas tax authorities. The Group does not have a complex tax structure, supported by legal structure simplification from the entity rationalisation programme. The Group does not pursue aggressive tax avoidance activities and has a low-risk rating from HMRC. The Group has operations in a number of countries outside the UK. All Capita operations outside the UK are trading operations and pay the appropriate local taxes on these activities. Further detail regarding Capita's tax strategy can be found on the Policies and Principles area of the Capita website (<https://www.capita.com/our-company/about-capita/policies-and-principles>).

7 Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net profit/(loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	30 June 2024	30 June 2023
	pence	pence
Basic earnings/(loss) per share – reported	3.14	(5.06)
– adjusted	2.19	2.68
Diluted earnings/(loss) per share – reported	3.07	(5.06)
– adjusted	2.14	2.68

The following tables show the earnings and share data used in the basic and diluted earnings/(loss) per share calculations:

	Notes	30 June 2024 £m	30 June 2023 £m
Reported profit/(loss) before tax for the period		60.0	(67.9)
Income tax (charge)/credit	6	(7.1)	(16.8)
Reported profit/(loss) for the period		52.9	(84.7)
Less: Non-controlling interest		0.1	0.3
Total profit/(loss) attributable to shareholders		53.0	(84.4)
Adjusted profit before tax for the period	4	31.6	18.3
Income tax (charge)/credit		5.3	25.3
Adjusted profit for the period		36.9	43.6
Less: Non-controlling interest		0.1	1.1
Adjusted profit attributable to shareholders		37.0	44.7
Weighted average number of ordinary shares (excluding Employee Benefit Trust shares) for basic earnings per share		1,688.1	1,669.4
Dilutive potential ordinary shares:			
Employee share options		41.1	34.9
Weighted average number of ordinary shares (excluding Employee Benefit Trust shares) adjusted for the effect of dilution		1,729.2	1,704.3

At 30 June 2023, 34,916,637 options were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. Under IAS 33 *Earnings per Share*, potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

The earnings per share figures are calculated based on earnings attributable to ordinary equity holders of the Parent Company, and therefore exclude non-controlling interest. The earnings per share is calculated on a total reported and an adjusted basis. The earnings per share for business exits and specific items are reconciling items between total reported and adjusted basic earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the balance sheet date and the date on which these condensed consolidated financial statements were authorised for issue.

8 Business exits and assets held-for-sale

Business exits

Business exits are businesses that have been sold, exited during the period, or are in the process of being sold or exited in accordance with the Group's strategy. None of these business exits meet the definition of 'discontinued operations' as stipulated by IFRS 5 *Non-current assets held-for-sale and discontinued operations*, which requires disclosure and comparatives to be restated where the relative size of a disposal or business closure is significant, which is normally understood to mean a reported segment.

However, the trading results of these businesses, non-trading expenses, and any gain/loss on disposal, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 30 June 2023 comparatives have been re-presented to exclude businesses classified as business exits from 1 July 2023 to 30 June 2024.

Assets held-for-sale

The Group classifies a non-current asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction instead of continued use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

Based on the above requirements, individual businesses will only reach the criteria to be treated as held-for-sale where the disposal is seen to be highly probable and expected to complete within the following twelve months. At 30 June 2023, the PageOne, Software, and Enforcement business disposals were deemed to have met this threshold. At 31 December 2023 one business (the Group's 75% shareholding in Fera Science Limited) was deemed to have met the threshold to be treated as held-for-sale.

2024 business exits

Business exits at 30 June 2024 comprised:

Business	Disposal completed on
Fera	17 January 2024
Capita One	Held-for-sale at 30 June 2024

In addition to the above disposals, as disclosed in the 2023 Annual Report, the Group decided to exit a business in Capita Public Service during the second half of 2023, the trading result and non-trading expenses of that business have been excluded from adjusted results. During the first half of 2024, the Group decided to exit the Mortgage Services business and its corporate venture business (Capita Scaling Partner), both in Capita Experience. The trading results and non-trading expenses of these businesses have been excluded from adjusted results. The Capita Scaling Partner business managed the Group's investments in start-up and scale-up companies, one of which was sold during the first half of the year realising a gain of £0.3m. The Group will seek to maximise value from the remaining Capita Scaling Partner investments, which at 30 June 2024 had an aggregate carrying value of £19.3m including loans receivable by Capita of £1.2m. While it is the Board's intention to complete these disposals in the short to medium-term where there are presently no signed agreements in place with any counterparty, there are a range of possible outcomes that could occur, and the actual net proceeds received could be materially higher or lower than the investment carrying values.

Income statement impact	30 June 2024			30 June 2023		
	Trading £m	Non-trading £m	Total £m	Trading £m	Non-trading £m	Total £m
Revenue	35.8	—	35.8	152.6	—	152.6
Cost of sales	(27.1)	—	(27.1)	(95.7)	—	(95.7)
Gross profit	8.7	—	8.7	56.9	—	56.9
Administrative expenses	(0.3)	(10.8)	(11.1)	(44.4)	(25.1)	(69.5)
Operating profit/(loss)	8.4	(10.8)	(2.4)	12.5	(25.1)	(12.6)
Share of results in associates and investment gains	—	1.4	1.4	—	—	—
Net finance income/(expense)	(0.4)	—	(0.4)	(0.8)	0.1	(0.7)
Gain/(loss) on business disposal	—	38.1	38.1	—	(6.6)	(6.6)
Profit/(loss) before tax	8.0	28.7	36.7	11.7	(31.6)	(19.9)
Taxation	(2.0)	(12.2)	(14.2)	(3.0)	(39.1)	(42.1)
Profit/(loss) after tax	6.0	16.5	22.5	8.7	(70.7)	(62.0)

Trading revenue and costs represent the trading performance of the above businesses up to the point of being disposed or exited, and in the comparative those businesses disposed of during 2023 (being: Resourcing, Security Watchdog, PageOne, Software, Enforcement, and Travel). Trading expenses primarily comprise payroll costs of £18.0m (30 June 2023: £108.8m) and information technology costs of £9.5m (30 June 2023: £20.2m).

Non-trading administrative expenses comprise: asset impairments of £8.7m (30 June 2023: £18.1m); disposal project costs of £2.5m (30 June 2023: £5.5m); other costs including staff and redundancy costs of £nil (30 June 2023: £2.2m); and other income of £0.4m (30 June 2023: £0.7m).

Non-trading taxation in 2024 relates to a change in accounting estimate of deferred tax assets, due to businesses being disposed or exited and deductible intangible impairment. Refer to note 6 for further details.

2024 disposals

During the six months ended 30 June 2024, the Group disposed of the Group's 75% shareholding in Fera Science Limited. During the six months ended 30 June 2023, the Group disposed of two businesses: Resourcing and Security Watchdog. The gain/(loss) arising was determined as follows:

	30 June 2024 £m	30 June 2023 £m
Property, plant and equipment	—	0.1
Intangible assets	—	7.9
Goodwill	—	1.7
Trade and other receivables	—	21.8
Accrued income	—	6.4
Prepayments	—	1.4
Cash and cash equivalents	—	3.7
Disposal group assets held-for-sale	69.9	—
Trade and other payables	—	(3.7)
Accruals	—	(8.1)
Other taxes and social security	—	(1.2)
Deferred income	—	(3.7)
Income tax payable and deferred tax liability	—	(0.4)
Capita group loan balances	—	(15.0)
Disposal group liabilities held-for-sale	(42.4)	—
Net identifiable assets sold	27.5	10.9
Non-controlling interests	(9.1)	—
	18.4	10.9
Sales price		
- received in cash	61.9	3.3
- deferred receivable	—	6.7
Less: disposal costs	(5.4)	(5.7)
Net sales price	56.5	4.3
Gain/(loss) on business disposals	38.1	(6.6)
Net cash inflow		
Proceeds received	61.9	3.3
Less disposal costs:		
- income statement charge	(5.4)	(5.7)
- change in accrued disposal costs during the period	(0.5)	(4.4)
Settlement of receivables due from disposed businesses		
- disposal of businesses in the period	—	15.0
Total proceeds received net of disposal costs paid	56.0	8.2
Total cash held by businesses when sold		
Cash held by businesses when sold	—	(3.7)
Cash held by businesses classified as held-for-sale	(6.3)	—
Total cash held by businesses when sold	(6.3)	(3.7)
Net cash inflow	49.7	4.5

Disposal group assets and liabilities held-for-sale

At 30 June 2024, the Capita One business was deemed to have met the threshold to be treated as held-for-sale. At 31 December 2023, the Group's 75% shareholding in Fera Science Limited was deemed to have met the threshold to be treated as held-for-sale.

	30 June 2024 £m	31 December 2023 £m
Property, plant and equipment	—	5.1
Intangibles	10.5	—
Goodwill	47.0	15.0
Contract fulfilment assets	4.7	—
Trade and other receivables	5.4	3.3
Accrued income	0.2	6.1
Prepayments	3.0	1.4
Cash and cash equivalents	11.3	7.2
Income tax receivable and deferred tax assets	1.1	—
Disposal group assets held for sale	83.2	38.1
Trade and other payables	0.4	2.1
Other taxes and social security	0.1	1.6
Accruals	1.5	1.8
Deferred income	43.9	3.6
Income tax payable and deferred tax liabilities	0.8	0.6
Disposal group liabilities held for sale	46.7	9.7

Business exit cash flows

Businesses exited and being exited had a cash generated from operations inflow of £22.1m (30 June 2023: cash inflow of £4.9m).

9 Cash flow information

	Note	30 June 2024		30 June 2023	
		Reported £m	Excluding business exits ¹ £m	Reported £m	Excluding business exits ¹ £m
Cash flows from operating activities:					
Reported operating profit/(loss)	4	43.9	43.9	(35.8)	(35.8)
Add back: business exit operating loss	8	—	2.4	—	12.6
Total operating profit/(loss)		43.9	46.3	(35.8)	(23.2)
Adjustments for non-cash items:					
Depreciation		34.9	34.9	41.0	39.9
Amortisation of intangible assets		12.1	10.8	16.8	13.1
Share-based payment expense		2.8	2.8	2.7	2.7
Employee benefits	13	4.2	4.2	3.9	3.9
Loss on sale of property, plant and equipment and intangible assets		0.1	0.1	0.1	0.1
Amendments and early terminations of leases		(8.4)	(8.4)	1.2	1.2
Impairment of non-current assets		10.8	2.1	63.6	45.5
Other adjustments:					
Movement in provisions		(35.4)	(30.6)	(5.8)	(7.3)
Pension deficit contributions		(20.8)	(6.3)	(30.6)	(15.0)
Other contributions into pension schemes		(4.1)	(4.1)	(4.5)	(4.5)
Movements in working capital:					
Trade and other receivables		(46.7)	(43.1)	(106.4)	(71.7)
Non-recourse trade receivables financing		(1.7)	(1.7)	(4.1)	(4.1)
Trade and other payables		(25.8)	(28.1)	27.6	21.6
Deferred income		65.7	45.3	25.5	2.3
Contract fulfilment assets (non-current)		(5.0)	(5.2)	(0.8)	0.6
Cash generated/(used by) from operations		26.6	19.0	(5.6)	5.1
Adjustments for free cash flows:					
Income tax paid		(0.4)	(0.4)	(3.2)	0.6
Interest received		4.1	4.1	3.0	3.0
Interest paid		(26.3)	(26.3)	(21.6)	(20.9)
Net cash inflow/(outflow) from operating activities		4.0	(3.6)	(27.4)	(12.2)
Purchase of property, plant and equipment		(7.2)	(6.9)	(15.0)	(10.5)
Purchase of intangible assets		(14.3)	(14.3)	(14.4)	(14.4)
Proceeds from sale of property, plant and equipment and intangible assets		—	—	0.1	0.1
Capital element of lease rental receipts		2.8	2.8	3.8	3.8
Capital element of lease rental payments		(29.9)	(29.9)	(31.1)	(31.1)
Free cash flow¹		(44.6)	(51.9)	(84.0)	(64.3)

¹Definitions of the alternative performance measures and related KPIs can be found in the appendix.

Cyber incident: In relation to the exceptional cyber incident costs referred to in note 4, the cash outflow during the period ended 30 June 2024 was £6.4m (30 June 2023: £9.2m) and is included within free cash flow excluding business exits, and cash generated from operations excluding business exits. The cumulative cash outflow since the incident in the first half of 2023 is £26.5m.

Cost reduction programme: In relation to the implementation of the cost reduction programme detailed in note 4, the cash outflow during the period ended 30 June 2024 was £19.7m and is included within free cash flow excluding business exits, and cash generated from operations excluding business exits. The cumulative cash outflow since the commencement of the cost reduction programme in the second half of 2023 is £25.8m. As announced in March 2024, the cost reduction initiatives are expected to result in cash costs in the whole of 2024 of an estimated £50m.

Free cash flow and cash generated from operations

The Board considers free cash flow, and cash generated from operations excluding business exits, to be alternative performance measures because these metrics provide a more representative measure of the sustainable cash flow of the Group.

These measures are analysed below:

	Free cash flow		Cash generated/(used) by operations	
	2024 £m	2023 £m	2024 £m	2023 £m
Reported (including business exits)	(44.6)	(84.0)	26.6	(5.6)
Business exits	(21.8)	4.1	(22.1)	(4.9)
Pension deficit contributions triggered by disposals	14.5	15.6	14.5	15.6
Excluding business exits	(51.9)	(64.3)	19.0	5.1

Business exits: the cash flows of businesses exited, or in the process of being exited, and the proceeds from disposals, are disclosed outside the adjusted results. The 30 June 2023 results have been re-presented for those businesses exited, or in the process of being exited, during the period from 1 July 2023 to 30 June 2024 to enable comparability of the adjusted results.

Pension deficit contributions triggered by disposals: the Trustee of the Group's main defined benefit pension scheme has agreed with the Group to accelerate the payment of future agreed deficit contributions on a pound for pound basis in the event of disposal proceeds being used to fund mandatory prepayments of debt. The disposal of Trustmarque in March 2022 resulted in accelerated deficit contributions totalling £14.5m being paid into the Scheme in the first half of 2024. The disposal of Pay360 and Capita Translation and Interpreting in the second half of 2022 resulted in accelerated deficit contributions totalling £15.6m in the first half of 2023.

Reconciliation of net cash flow to movement in net debt

Overdrafts comprise the aggregate value of overdrawn bank account balances within the Group's notional interest pooling arrangements. These aggregate overdrawn amounts are fully offset by surplus balances within the same notional pooling arrangements.

At 30 June 2024, Group's £250.0m committed revolving credit facility was undrawn (31 December 2023: undrawn).

Six months ended 30 June 2024	Net debt at 1 January £m	Cash flow movements £m	Non-cash movement ¹ £m	Net debt at 30 June £m
Cash, cash equivalents and overdrafts	67.6	15.6	2.2	85.4
Private placement loan notes	(267.0)	—	(1.5)	(268.5)
Unamortised transaction costs on debt issuance	4.5	—	(1.1)	3.4
Carrying value of private placement loan notes	(262.5)	—	(2.6)	(265.1)
Cross-currency interest rate swaps	13.6	—	0.5	14.1
Fair value of private placement loan notes	(248.9)	—	(2.1)	(251.0)
Other finance	(0.1)	—	—	(0.1)
Lease liabilities	(363.4)	41.2	(33.3)	(355.5)
Total net liabilities from financing activities	(612.4)	41.2	(35.4)	(606.6)
Deferred consideration payable	(0.7)	—	—	(0.7)
Net debt	(545.5)	56.8	(33.2)	(521.9)

1. The non-cash movement relates to: the effect of changes in foreign exchange rates on cash; fair value changes on the swaps; amortisation of loan notes issue costs; amortisation of the discount on the euro debt; and additions, terminations and foreign exchange rate effects on the Group's leases.

Six months ended 30 June 2023	Net debt at 1 January £m	Cash flow movements £m	Non-cash movement ¹ £m	Net debt at 30 June £m
Cash, cash equivalents and overdrafts	177.2	(80.8)	(1.5)	94.9
Private placement loan notes	(289.5)	48.7	6.8	(234.0)
Unamortised discount on debt issuance	1.6	—	(0.7)	0.9
Unamortised transaction costs on debt issuance	2.4	1.2	(1.0)	2.6
Carrying value of private placement loan notes	(285.5)	49.9	5.1	(230.5)
Cross-currency interest rate swaps	24.8	(8.2)	(5.4)	11.2
Fair value of private placement loan notes	(260.7)	41.7	(0.3)	(219.3)
Other finance	(0.7)	0.5	0.1	(0.1)
Credit facilities	—	(41.0)	—	(41.0)
Lease liabilities	(397.5)	42.2	(23.1)	(378.4)
Total net liabilities from financing activities	(658.9)	43.4	(23.3)	(638.8)
Deferred consideration payable	(0.7)	—	—	(0.7)
Net debt	(482.4)	(37.4)	(24.8)	(544.6)

10 Provisions

	Cost reduction provision £m	Business exit provision £m	Claims and litigation provision £m	Property provision £m	Customer contract provision £m	Other provisions £m	Total £m
At 1 January	29.5	7.8	41.4	7.8	58.5	5.2	150.2
Provisions in the period	8.0	4.0	4.5	1.5	7.2	2.8	28.0
Releases in the period	(3.9)	(1.2)	(7.4)	0.3	(7.0)	(3.0)	(22.2)
Utilisation	(19.7)	(5.2)	(6.4)	(1.8)	(7.4)	(1.2)	(41.7)
Discount unwind on provisions	—	—	—	—	0.7	—	0.7
At 30 June	13.9	5.4	32.1	7.8	52.0	3.8	115.0

	30 June 2024 £m	31 December 2023 £m
Current	74.5	101.6
Non-current	40.5	48.6
	115.0	150.2

Cost reduction provision: The provision represents the cost of reducing headcount where communication to affected employees has crystallised a valid expectation that roles are at risk and it is likely to unwind over the next twelve months. Additionally, it relates to unavoidable running costs of leasehold properties (such as insurance and security) and dilapidation provisions, where properties are exited as a result of the cost reduction programme. These provisions are likely to unwind over periods of up to four years.

Business exit provision: The provision relates to the cost of exiting businesses through disposal or closure including professional fees related to business exits and the costs of separating the businesses being disposed. These are likely to unwind over a period of one to four years.

Claims and litigation provision: The Group is exposed to claims and litigation proceedings arising in the ordinary course of business. These matters are reassessed regularly and where obligations are probable and estimable, provisions are made representing the Group's best estimate of the expenditure to be incurred. Due to the nature of these claims, the Group cannot give an estimate of the period over which this provision will unwind.

Property provision: The provision relates to unavoidable running costs, such as insurance and security, of leasehold property where the space is vacant or currently not planned to be used, and dilapidation costs, for ongoing operations, and not the cost reduction programme (where such costs are included in the cost reduction provision). The expectation is that this expenditure will be incurred over the remaining periods of the leases which vary up to 22 years.

Customer contract provision: The provision includes onerous contract provisions in respect of customer contracts where the costs of fulfilling a contract (both incremental and costs directly related to contract activities) exceed the economic benefits expected to be received under the contract, claims/obligations associated with missed milestones in contractual obligations, and other potential exposures related to contracts with customers. Customer contract life-time reviews are used to determine the value of an onerous contract provision. The lifetime contract review reflects the forecast of the best estimate of external revenues and costs over the remaining contract term. These provisions are forecast to unwind over periods of up to six years.

The customer contract provision includes £46.4m (31 December 2023: £53.3m) in respect of closed book Life and Pensions contracts in Capita Experience. The closed books and contractual dynamics have led to onerous conditions to service certain of these contracts. Management has been required to assess the likely length of these contracts, given the pattern and experience of contract terminations while also recognising the evergreen clauses (which potentially allow the customer to extend the contracts indefinitely until the run-off of the underlying life and pension books is complete). Accordingly, the Group has, in prior years, provided for the onerous contract conditions based on the best estimate of the remaining contract terms and the period and likely costs to support the final handover of services. At 30 June 2024, the provision was increased to provide cover for contracts to extend out to June 2029 (ie a five year rolling period).

Other provisions: Relates to provisions in respect of other exposures arising as a result of the nature of some of the operations that the Group provides, including supplier audit and regulatory provisions, and for which an outflow of economic benefits is deemed probable. These are likely to unwind over periods of up to five years.

11 Financial instruments

The Group's financial assets and liabilities are classified based on the following fair value hierarchy:

- **Level-1:** quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level-2:** other techniques for which inputs that have a significant effect on the recorded fair value are based on observable (directly or indirectly) market data. With the exception of current financial instruments (which have a short maturity), the fair value of the Group's level-2 financial instruments was calculated by discounting the expected future cash flows at prevailing interest rates. The valuation models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves. In the case of floating rate borrowings the nominal value approximates to fair value because interest is set at floating rates where payments are reset to market values at intervals of less than one year.
- **Level-3:** other techniques for which inputs that have a significant effect on the recorded fair value are not based on observable market data.

Other financial instruments, where observable market data is not available, are carried at either amortised cost or cost (undiscounted cash flows) as a reasonable approximation of fair value. During the six months ended 30 June 2024, there were no assets or liabilities transferred between the fair value levels.

The following table analyses, by classification and category, the carrying value of the Group's financial instruments and identifies the level of the fair value hierarchy for the instruments carried at fair value:

At 30 June 2024	Note	Fair value hierarchy	FVPL £m	FVOCI £m	Derivatives used for hedging £m	Amortised cost £m	Total £m	Current £m	Non-current £m
Financial assets									
Lease receivables		n/a	—	—	—	98.8	98.8	5.6	93.2
Cash flow hedges - foreign exchange contracts		Level-2	—	—	2.3	—	2.3	1.4	0.9
Cash flow hedges - interest rate swaps	a	Level-2	—	—	0.4	—	0.4	0.2	0.2
Non-designated foreign exchange forwards and swaps		Level-2	0.4	—	—	—	0.4	0.4	—
Cross-currency interest rate swaps	a	Level-2	—	—	15.4	—	15.4	11.7	3.7
Originated loans receivable		n/a	—	—	—	1.2	1.2	—	1.2
Financial assets at fair value through P&L		Level-3	17.9	—	—	—	17.9	2.5	15.4
Financial assets at fair value through OCI		Level-3	—	0.7	—	—	0.7	—	0.7
Deferred consideration receivable		n/a	—	—	—	9.3	9.3	9.3	—
Cash		n/a	—	—	—	148.7	148.7	148.7	—
Cash included within disposal group assets held-for-sale	8	n/a	—	—	—	11.3	11.3	11.3	—
Total financial assets			18.3	0.7	18.1	269.3	306.4	191.1	115.3

At 30 June 2024	Note	Fair value hierarchy	FVPL £m	FVOCI £m	Derivatives used for hedging £m	Amortised cost £m	Total £m	Current £m	Non-current £m
Financial liabilities									
Private placement loan notes	a	n/a	—	—	—	265.1	265.1	87.4	177.7
Other finance		n/a	—	—	—	0.1	0.1	0.1	—
Cash flow hedges - foreign exchange contracts		Level-2	—	—	1.4	—	1.4	0.5	0.9
Cash flow hedges - interest rate swaps		Level-2	—	—	0.5	—	0.5	0.5	—
Non-designated foreign exchange forwards and swaps		Level-2	0.4	—	—	—	0.4	0.4	—
Cross-currency interest rate swaps	a	Level-2	—	—	1.3	—	1.3	—	1.3
Deferred consideration payable		n/a	—	—	—	0.7	0.7	—	0.7
Overdrafts		n/a	—	—	—	74.6	74.6	74.6	—
Lease liabilities		n/a	—	—	—	355.5	355.5	45.8	309.7
Total financial liabilities			0.4	—	3.2	696.0	699.6	209.3	490.3

Financial assets measured at amortised cost consist of cash, lease receivables, originated loans and deferred consideration receivable. The carrying value of cash is a reasonable approximation of its fair value due to the short-term nature of the instruments. Lease receivables, originated loans and deferred consideration receivable are measured at amortised cost using the effective interest rate method. Included in other investments are £0.7m (31 December 2023: £0.7m) of strategic investments in unlisted equity securities which are not held-for-trading and the Group elected to recognise at Fair Value through Other Comprehensive Income (FVOCI). During the period no dividends were received from, and no disposals were made of, strategic investments.

The financial assets at Fair Value through Profit and Loss (FVPL) relate to the Group's minority shareholding in companies as part of Capita Scaling Partner. The assets are revalued when reliable information on fair value becomes available, which is normally at each funding round. As set out in note 8, during the first half of 2024 the Group decided to exit the Capita Scaling Partner business, and the Group will seek to maximise value from the remaining investments. Where the disposal process for an investment is deemed to be sufficiently advanced at 30 June 2024, such that the disposal is expected to complete within 12 months of the balance sheet date, the related asset has been disclosed as current, rather than non-current. While it is the Board's intention to complete these disposals in the short to medium-term where there are presently no signed agreements in place with any counterparty, there are a range of possible outcomes that could occur, and the actual net proceeds received could be materially higher or lower than the carried forward investment carrying values.

Financial liabilities measured at amortised cost consist of loan notes, overdrafts, lease liabilities, credit facilities and deferred consideration payable. With the exception of certain series within the fixed rate private placement loan notes, the carrying value of financial liabilities are a reasonable approximation of their fair value. This is because either the interest payable is close to market rates or the liability is short-term in nature. The private placement loan note series that remain subject to a fixed rate of interest have an underlying carrying value of £174.1m (31 December 2023: £173.9m) and a fair value of £166.1m (31 December 2023: £166.3m). The carrying value of overdrafts is a reasonable approximation of fair value reflecting the short-term nature of the instruments. Lease liabilities and deferred consideration payable are measured at amortised cost using the effective interest rate method.

The Group's key financial liabilities are set out below:

a. Private placement loan notes

The private placement loan notes were issued in USD and GBP. The Group manages its exposure to foreign exchange and interest rate movements through cross-currency interest rate swaps, interest rate swaps, and cross currency swaps.

b. Bank facilities

The Group's revolving credit facility (RCF) was undrawn at 30 June 2024 (31 December 2023 undrawn). The Chief Financial Officer's review and going concern basis of preparation in note 1.2(d) includes further details of the RCF.

c. Put options of non-controlling interests

The option held by the non-controlling shareholder of Fera Science Limited expired without being exercised on completion of the sale of the Group's shareholding in Fera Science Limited on 17 January 2024 (refer to note 8) and the related liability was de-recognised.

At 31 December 2023	Note	Fair value hierarchy	FVPL £m	FVOCI £m	Derivatives used for hedging £m	Amortised cost £m	Total £m	Current £m	Non-current £m
Financial assets									
Lease receivables		n/a	—	—	—	70.3	70.3	6.3	64.0
Cash flow hedges - foreign exchange contracts		Level-2	—	—	1.8	—	1.8	1.4	0.4
Cash flow hedges - interest rate swaps		Level-2	—	—	0.1	—	0.1	0.1	—
Non-designated foreign exchange forwards and swaps		Level-2	0.3	—	—	—	0.3	0.3	—
Cross-currency interest rate swaps	a	Level-2	—	—	14.5	—	14.5	—	14.5
Originated loans receivable		n/a	—	—	—	0.7	0.7	—	0.7
Financial assets at fair value through P&L		Level-3	16.9	—	—	—	16.9	—	16.9
Financial assets at fair value through OCI		Level-3	—	0.7	—	—	0.7	—	0.7
Deferred consideration receivable		n/a	—	—	—	20.0	20.0	20.0	—
Cash and cash equivalents		n/a	—	—	—	155.4	155.4	155.4	—
Cash and cash equivalents included within disposal group assets held-for-sale	4	n/a	—	—	—	7.2	7.2	7.2	—
Total financial assets			17.2	0.7	16.4	253.6	287.9	190.7	97.2

At 31 December 2023	Note	Fair value hierarchy	FVPL £m	FVOCI £m	Derivatives used for hedging £m	Amortised cost £m	Total £m	Current £m	Non-current £m
Financial liabilities									
Private placement loan notes	a	n/a	—	—	—	262.5	262.5	—	262.5
Other loan notes		n/a	—	—	—	0.1	0.1	0.1	—
Cash flow hedges - foreign exchange contracts		Level-2	—	—	3.6	—	3.6	1.5	2.1
Cash flow hedges - currency swaps		Level-2	—	—	1.2	—	1.2	—	1.2
Cash flow hedges - interest rate swaps		Level-2	—	—	0.6	—	0.6	0.6	—
Non-designated foreign exchange forwards and swaps		Level-2	0.2	—	—	—	0.2	0.1	0.1
Cross-currency interest rate swaps	a	Level-2	—	—	0.9	—	0.9	—	0.9
Deferred consideration payable		n/a	—	—	—	0.7	0.7	—	0.7
Put options of non-controlling interests	c	Level-3	—	8.5	—	—	8.5	8.5	—
Overdrafts		n/a	—	—	—	95.0	95.0	95.0	—
Lease liabilities		n/a	—	—	—	363.4	363.4	51.1	312.3
Total financial liabilities			0.2	8.5	6.3	721.7	736.7	156.9	579.8

The following table shows the changes from the opening balances to the closing balances for Level-3 fair values.

	Put options of non-controlling interests £m	Investments FVPL and FVOCI £m
At 1 January	8.5	17.6
Change in put-options recognised in retained earnings	(8.5)	—
Gain in fair value recognised in income statement	—	1.0
At 30 June	—	18.6

Non-recourse trade receivables financing

In the UK, to provide working capital at economically favourable rate versus the RCF, the Group uses a non-recourse trade receivables financing facility. The value of invoices sold under this arrangement at 30 June 2024 was £22.8m (31 December 2023: £23.7m). Additionally, in Germany the Group uses a non-recourse trade receivable financing arrangement for two specific customer contracts, the value of invoices sold under that arrangement at 30 June 2024 was £10.7m (31 December 2023: £11.5m). The costs of selling such invoices of £2.1m (30 June 2023: £1.4m) are included in net finance expense in the condensed consolidated income statement.

12 Issued share capital and share premium

Allotted, called up and fully paid	Share capital		Share premium	Employee benefit trust shares	
	No.m	£m	£m	No.m	£m
Ordinary shares of 2 1/15p					
At 1 January	1,701.1	35.2	1,145.5	16.8	(0.7)
Issued on exercise of share options	—	—	—	(7.7)	0.3
At 30 June	1,701.1	35.2	1,145.5	9.1	(0.4)

The Group uses shares held in the Employee Benefit Trust (EBT) to satisfy future requirements for shares under the Group's share option and long-term incentive plans.

During the six months to 30 June 2024, 7,745,618 (30 June 2023: 8,413,744) shares with a value of £0.3m (30 June 2023: £3.8m) were transferred out of the EBT to satisfy exercises under the Group's share option and long term incentive plans. The total consideration received in respect of these shares was £nil (30 June 2023: £nil).

The Group has an unexpired authority to repurchase up to 10.0% of its issued share capital.

13 Employee benefits

The total net defined benefit pension position for accounting purposes as at 30 June 2024 is calculated on a year-to-date basis, using the accounting valuations as at 31 December 2023.

The principal financial assumptions for the accounting valuation as at 30 June 2024 for the UK based schemes (which represents around 98% total assets of the defined benefit pension schemes in which the Group participates) were as follows:

	30 June 2024	31 December 2023
Discount rate	5.15% pa	4.55% pa
Rate of price inflation – RPI	3.15% pa	3.05% pa
Rate of price inflation – CPI	2.60% pa	2.45% pa

There were no changes in demographic assumptions since 31 December 2023.

Movements in the total net defined benefit pension position recognised in the balance sheet were as follows:

	30 June 2024 £m	30 June 2023 £m
At 1 January	26.8	39.6
Current service and administration costs	(4.2)	(3.7)
Termination benefits	—	(0.2)
Interest income	0.9	1.5
Actuarial gain recognised in OCI ¹	81.1	50.7
Return on plan assets, excluding interest, recognised in OCI	(84.6)	(77.3)
Employer contributions	24.9	40.0
Exchange movement	0.1	—
At 30 June	45.0	50.6
Schemes in a net surplus	49.7	54.2
Schemes in a net deficit	(4.7)	(3.6)
At 30 June	45.0	50.6

1. The increase in long-dated corporate bond yields, and hence the discount rate, (by around 0.6% pa) reduced the value placed on the liabilities. This was partially offset by the impact of actual inflation over the period being greater than expected and future expected inflation being slightly higher.

The latest formal valuation for the Group's main defined benefit pension scheme ('HPS', which represents around 96% of the total assets of the defined benefit pension schemes in which the Group participates), was carried out as at 31 March 2023. This identified a statutory funding surplus of £51.4m. Given the funding position of the HPS, the Group and the Trustee of the HPS agreed that no further deficit contributions from the Group would be required other than those already committed² as part of the 31 March 2020 actuarial valuation. In accordance with the schedule of contributions put in place following the 31 March 2020 actuarial valuation, in the first half of 2024 the Group has paid £6.3m of regular deficit contributions and £14.5m of accelerated deficit contributions triggered by the disposal of Trustmarque in March 2022. The Group is not expected to pay any further deficit contributions to the HPS in the second half of 2024 and beyond.

The estimated updated funding positions as at 30 June 2024 show that the HPS continued to meet its statutory funding target, and had met its secondary funding target.

The next full actuarial valuation for the HFS is due to be carried out with an effective date of 31 March 2026.

2 These include additional, non-statutory, contributions to meet a secondary funding target with the objective of having sufficient assets to invest in a portfolio of low-risk assets with a low dependency covenant that will generate income to pay members' benefits as they fall due.

14 Related-party transactions

Compensation of key management personnel

	30 June 2024 £m	30 June 2023 £m
Short-term employment benefits	2.9	3.4
Share-based payments	0.9	0.8
	3.8	4.2

Gains on share options exercised in the period by Capita plc Executive Directors were £nil (30 June 2023: £nil) and by key management personnel £0.1m (30 June 2023: £0.3m).

During the period, the Group rendered administrative services to Smart DCC Limited (DCC), a wholly-owned subsidiary which is not consolidated. The Group received £62.6m (30 June 2023: £61.3m) of revenue for these services and at the balance sheet date had receivables of £11.1m (31 December 2023: £9.0m) from DCC. The services are procured by DCC on an arm's length basis under the DCC licence. The services are subject to review by Ofgem to ensure that all costs are economically and efficiently incurred by DCC.

HFS (Capita's main defined benefit pension scheme) is a related party of the Group.

15 Contingent liabilities

Contingent liabilities represent potential future cash outflows which are either not probable or cannot be measured reliably.

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £23.8m (31 December 2023: £22.5m). At 30 June 2024 there was an additional guarantee of £9.5m in relation to the disposed Travel businesses, which has since expired as of the 25 July 2024.

The Group is reviewing its position in respect of a number of its closed book Life and Pensions contracts. The outcomes and timing of this review, which are uncertain, could result in no change to the current position, the continuation of contracts with amended terms or the termination of contracts. If an operation is terminated, the Group may incur associated costs, accelerate the recognition of deferred income or the impairment of contract assets.

Following the cyber incident in March 2023, Capita has been working closely with all appropriate regulatory authorities and with customers, suppliers and employees to notify those affected and take any remaining necessary steps to address the incident. At the date of approval of these consolidated financial statements, we remain in dialogue with the Information Commissioner's Office (ICO) and are responding to the ICO's information requests. While we anticipate that there will be further additional requests as part of the ICO's review, no formal action has been taken by the ICO in connection with the cyber incident and there have been no preliminary findings regarding fault that could lead to any potential regulatory penalty. The Group has received notification of potential claims for damages by or on behalf of individuals whose data may have been exfiltrated as part of the incident. The Group has received only one substantive claim in relation to the cyber incident, which was issued by Barings Law on 4 April 2024. The Group intends to vigorously defend itself against this and any other claims which may be issued. At the date of approval of these financial statements, it is not possible to reliably estimate the value of any existing, potential or future claim or penalty against the Group and consequently no provision has been recorded.

The Group's entities are otherwise party to legal actions and claims which arise in the normal course of business. The Group needs to apply judgement in determining the merit of litigation against it and the chances of a claim being successfully made. It needs to determine the likelihood of an outflow of economic benefits occurring and whether there is a need to disclose a contingent liability or whether a provision might be required due to the probability assessment.

At any time there are a number of claims or notifications that need to be assessed across the Group. The disparate nature of the Group's entities heightens the risk that not all potential claims are known at any point in time.

16 Post balance sheet events

There have been no material events arising after the reporting date.

Independent review report to Capita plc

Conclusion

We have been engaged by Capita PLC ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1.2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Ian Griffiths
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

1 August 2024




Appendix: Alternative performance measures

The Group presents various alternative performance measures (APMs) because internally the performance of the Group is reported and measured on this basis. This includes Key Performance Indicators (KPIs) such as adjusted revenue, adjusted profit before tax, adjusted basic/diluted earnings per share, free cash flow excluding business exits, and gearing ratios. In general, the Board believes that the APMs are useful for investors because they provide further clarity and transparency of the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions.

These APMs should not be viewed as a complete picture of the Group's financial performance which is presented in the reported results. The exclusion of certain items may result in a more favourable view when costs such as acquired intangible amortisation, costs relating to the cyber incident in March 2023, expenses associated with the cost reduction programme and impairments of goodwill are excluded. These measures may not be comparable when reviewing similar measures reported by other companies.

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation																																													
Income statement																																															
Adjusted revenue <div>R</div>	Revenue	<p>Calculated as revenue less any revenue relating to businesses that have been sold, or exited during the year or prior year; or, are in the process of being sold, or exited.</p> <p>This measure of revenue is used internally in respect of the Group's continuing business (being the Group's continuing activities, which exclude business exits) and the Board believes it is a good indication of ongoing performance.</p> <p>The table below shows a reconciliation between reported and adjusted revenue, as well as adjusted revenue growth/(decline):</p> <table><tr><th></th><th>30 June 2024</th><th>30 June 2023</th></tr><tr><td>Reported revenue per the income statement</td><td>£1,237.3m</td><td>£1,477.0m</td></tr><tr><td>Deduct: business exits (note 3)</td><td>(£35.8m)</td><td>(£152.6m)</td></tr><tr><td>Adjusted revenue</td><td>£1,201.5m</td><td>£1,324.4m</td></tr><tr><td>Adjusted revenue (decline)/growth</td><td>(9.3)%</td><td>4.8%</td></tr></table>		30 June 2024	30 June 2023	Reported revenue per the income statement	£1,237.3m	£1,477.0m	Deduct: business exits (note 3)	(£35.8m)	(£152.6m)	Adjusted revenue	£1,201.5m	£1,324.4m	Adjusted revenue (decline)/growth	(9.3)%	4.8%																														
	30 June 2024	30 June 2023																																													
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Adjusted revenue	£1,201.5m	£1,324.4m																																													
Adjusted revenue (decline)/growth	(9.3)%	4.8%																																													
Adjusted operating profit <div>R</div>	Operating profit	<p>Calculated as reported operating profit excluding items determined by the Board to be outside underlying operations. These items are detailed in note 4.</p> <p>A reconciliation of reported to adjusted operating profit is provided in note 4.</p>																																													
Adjusted operating profit margin <div>R</div>	Operating profit margin	<p>Calculated as the adjusted operating profit divided by adjusted revenue.</p> <p>This measure is an indicator of the Group's operating efficiency.</p> <p>The table below shows the components, and calculation, of adjusted operating profit margin:</p> <table><tr><th></th><th></th><th>30 June 2024</th><th>30 June 2023</th></tr><tr><td>Adjusted revenue</td><td>a</td><td>£1,201.5m</td><td>£1,324.4m</td></tr><tr><td>Adjusted operating profit (note 4)</td><td>b</td><td>£54.2m</td><td>£40.9m</td></tr><tr><td>Adjusted operating profit margin</td><td>b/a</td><td>4.5%</td><td>3.1%</td></tr></table>			30 June 2024	30 June 2023	Adjusted revenue	a	£1,201.5m	£1,324.4m	Adjusted operating profit (note 4)	b	£54.2m	£40.9m	Adjusted operating profit margin	b/a	4.5%	3.1%																													
		30 June 2024	30 June 2023																																												
Adjusted revenue	a	£1,201.5m	£1,324.4m																																												
Adjusted operating profit (note 4)	b	£54.2m	£40.9m																																												
Adjusted operating profit margin	b/a	4.5%	3.1%																																												
Adjusted EBITDA <div>R</div>	No direct equivalent	<p>Calculated as adjusted operating profit for the six month period before: depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets; net finance costs; and the share of results in associates and investment gains (other than those already excluded from adjusted operating profit).</p> <p>The directors believe that adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is a useful measure for investors because it is closely monitored by management to evaluate Group and divisional operating performance.</p> <p>This measure has been calculated pre and post the impact of IFRS 16 to enable investors to understand the impact of the Group's lease portfolio on adjusted EBITDA.</p> <p>The table below shows the calculation of adjusted EBITDA:</p> <table><tr><th></th><th colspan="2">Post IFRS 16</th><th colspan="2">Pre IFRS 16</th></tr><tr><th></th><th>30 June 2024</th><th>30 June 2023</th><th>30 June 2024</th><th>30 June 2023</th></tr><tr><td>Adjusted profit before tax</td><td>£31.6m</td><td>£18.3m</td><td>£32.4m</td><td>£19.2m</td></tr><tr><td>Add back: adjusted net finance costs (note 5)</td><td>£22.6m</td><td>£22.6m</td><td>£14.5m</td><td>£13.6m</td></tr><tr><td>Add back: adjusted depreciation and impairment of property, plant and equipment</td><td>£12.9m</td><td>£16.4m</td><td>£12.9m</td><td>£16.4m</td></tr><tr><td>Add back: depreciation and impairment of right-of-use assets</td><td>£22.3m</td><td>£26.5m</td><td>£—m</td><td>£—m</td></tr><tr><td>Add back: adjusted amortisation and impairment of intangibles</td><td>£12.8m</td><td>£13.3m</td><td>£12.8m</td><td>£13.3m</td></tr><tr><td>Adjusted EBITDA</td><td>£102.2m</td><td>£97.1m</td><td>£72.6m</td><td>£62.5m</td></tr><tr><td>Adjusted EBITDA margin</td><td>8.5%</td><td>7.3%</td><td>6.0%</td><td>4.7%</td></tr></table>		Post IFRS 16		Pre IFRS 16			30 June 2024	30 June 2023	30 June 2024	30 June 2023	Adjusted profit before tax	£31.6m	£18.3m	£32.4m	£19.2m	Add back: adjusted net finance costs (note 5)	£22.6m	£22.6m	£14.5m	£13.6m	Add back: adjusted depreciation and impairment of property, plant and equipment	£12.9m	£16.4m	£12.9m	£16.4m	Add back: depreciation and impairment of right-of-use assets	£22.3m	£26.5m	£—m	£—m	Add back: adjusted amortisation and impairment of intangibles	£12.8m	£13.3m	£12.8m	£13.3m	Adjusted EBITDA	£102.2m	£97.1m	£72.6m	£62.5m	Adjusted EBITDA margin	8.5%	7.3%	6.0%	4.7%
	Post IFRS 16		Pre IFRS 16																																												
	30 June 2024	30 June 2023	30 June 2024	30 June 2023																																											
Adjusted profit before tax	£31.6m	£18.3m	£32.4m	£19.2m																																											
Add back: adjusted net finance costs (note 5)	£22.6m	£22.6m	£14.5m	£13.6m																																											
Add back: adjusted depreciation and impairment of property, plant and equipment	£12.9m	£16.4m	£12.9m	£16.4m																																											
Add back: depreciation and impairment of right-of-use assets	£22.3m	£26.5m	£—m	£—m																																											
Add back: adjusted amortisation and impairment of intangibles	£12.8m	£13.3m	£12.8m	£13.3m																																											
Adjusted EBITDA	£102.2m	£97.1m	£72.6m	£62.5m																																											
Adjusted EBITDA margin	8.5%	7.3%	6.0%	4.7%																																											

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation												
Income statement continued														
Adjusted profit/(loss) before tax 	Profit/(loss) before tax	<p>Calculated as profit or loss before tax excluding the items detailed in note 4 which include: business exits (trading results, non-trading expenses, and any gain/(loss) on business disposal); acquired intangible amortisation; impairment of goodwill and acquired intangibles; costs of the cyber incident in March 2023; and expenses associated with the cost reduction programme.</p> <p>A reconciliation of reported to adjusted profit before tax is provided in note 4.</p>												
Adjusted profit/(loss) after tax 	Profit/(loss) after tax	<p>Calculated as the above adjusted profit or loss before tax, less the tax credit or expense on adjusted profit or loss.</p> <p>The table below shows a reconciliation:</p> <table> <tr> <th></th><th>30 June 2024</th><th>30 June 2023</th></tr> <tr> <td>Adjusted profit before tax (note 4)</td><td>£31.6m</td><td>£18.3m</td></tr> <tr> <td>Tax on adjusted profit (note 6)</td><td>£5.3m</td><td>£25.3m</td></tr> <tr> <td>Adjusted profit after tax</td><td>£36.9m</td><td>£43.6m</td></tr> </table>		30 June 2024	30 June 2023	Adjusted profit before tax (note 4)	£31.6m	£18.3m	Tax on adjusted profit (note 6)	£5.3m	£25.3m	Adjusted profit after tax	£36.9m	£43.6m
	30 June 2024	30 June 2023												
Adjusted profit before tax (note 4)	£31.6m	£18.3m												
Tax on adjusted profit (note 6)	£5.3m	£25.3m												
Adjusted profit after tax	£36.9m	£43.6m												
Adjusted basic earnings per share 	Basic earnings per share	<p>Calculated as the adjusted profit or loss for the period after tax less non-controlling interests divided by the weighted average number of ordinary shares outstanding during the period.</p> <p>The Board believes that this provides an indication of basic earnings per share of the Group on adjusted profit after tax.</p>												

For the calculation of adjusted basic earnings per share refer to note 7.

Adjusted diluted earnings per share R	Diluted earnings per share	<p>Calculated as the adjusted profit or loss for the period after tax less non-controlling interests divided by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would have been issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.</p> <p>The Board believes that this provides an indication of diluted earnings per share of the Group on adjusted profit after tax.</p> <p>For the calculation of adjusted diluted earnings per share refer to note 7.</p>
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Cash flows and net debt		
Cash flows generated/(used) by operations excluding business exits R	Cash generated/(used) by operations	<p>Calculated as the cash flows generated from operations excluding the items detailed in note 9 which includes: business exits (trading results, non-trading expenses) and pension deficit contributions which have been triggered by disposals.</p> <p>A reconciliation of reported to cash generated/(used) by operations excluding business exits is provided in note 9.</p>

Free cash flow and free cash flow excluding business exits R	Net cash flows from operating activities	<p>Free cash flow is calculated as cash generated from operations after: capital expenditure; income tax and interest; and the proceeds from the sale of property, plant and equipment and intangible assets; and the capital element of lease payments and receipts. Free cash flow excluding business exits has the same calculation but is excluding the impact of business exits.</p> <p>Free cash flow and free cash flow excluding business exits are measures used to show how effective the Group is at generating cash and the Board believes they are useful for investors and management to measure whether the Group is generating sufficient cash flow to fund operations, capital expenditure, non-lease debt obligations, and dividends.</p> <p>A reconciliation of net cash flows from operating activities to free cash flow and free cash flow excluding business exits and a reconciliation of free cash flow to free cash flow excluding business exits are provided in note 9.</p>
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Operating cash flow and operating cash conversion	No direct equivalent	Calculated as operating cash flow excluding business exits divided by adjusted EBITDA. The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.			
R					
				Reported	Excluding business exits
		30 June 2024	30 June 2023	30 June 2024	30 June 2023
EBITDA	a	£101.7m	£85.6m	£102.2m	£97.1m
Add back: EBITDA element of cyber incident and cost reduction programme		£8.1m	£21.8m	£—m	£—m
Working capital (note 9)		(£13.5m)	(£58.2m)	(£32.8m)	(£51.3m)
Add back: Working capital element of cyber incident and cost reduction programme		£2.4m	(£12.6m)	£2.4m	(£12.6m)
Non-cash and other adjustments (note 9)		(£40.8m)	(£2.4m)	(£36.0m)	(£3.9m)
Add back: Non-cash element of cyber incident and cost reduction programme (note 10)		£15.6m	£—m	£15.6m	£—m
Operating cash flow	b	£73.5m	£34.2m	£51.4m	£29.3m
Operating cash conversion	b/a	72.3%	40.0%	50.3%	30.2%

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Cash flows and net debt continued		
Available liquidity	No direct equivalent	<p>Calculated as the sum of any undrawn committed facilities and the net cash, cash equivalents net of overdrafts, less any restricted cash. Restricted cash is defined as any cash held that is not capable of being applied against consolidated total borrowings (inclusive of cash required to be held under FCA regulations and cash represented by non-controlling interests).</p>
		<div>30 June 2024</div> <div>31 December 2023</div>
		<div>Revolving credit facility (RCF)</div> <div>£250.0m</div> <div>£260.7m</div>
		<div>Less: drawing on committed facilities (note 11)</div> <div>£—m</div> <div>£—m</div>
		<div>Undrawn committed facilities</div> <div>£250.0m</div> <div>£260.7m</div>
		<div>Cash and cash equivalents net of overdrafts (note 9)</div> <div>£85.4m</div> <div>£67.6m</div>
		<div>Less: restricted cash</div> <div>(£42.3m)</div> <div>(£46.0m)</div>
		<div>Available liquidity</div> <div>£293.1m</div> <div>£282.3m</div>
Net debt	Borrowings, cash, derivatives, lease liabilities and deferred consideration	<p>Calculated as the net of the Group's: cash, cash equivalents and overdrafts; private placement loan notes; other finance; currency and interest rate swaps; lease liabilities; and deferred consideration.</p> <p>The Board believes that net debt enables investors to see the economic effect of debt, related hedges and cash and cash equivalents in total and shows the indebtedness of the Group.</p> <p>The calculation of net debt is provided in note 9.</p>
Net financial debt (pre-IFRS 16)	No direct equivalent	<p>Calculated as the sum of the Group's: cash, cash equivalents and overdrafts; the fair value of the Group's private placement loan notes; other loan notes; and deferred consideration.</p> <p>The Board believes that this measure of net debt allows investors to see the Group's net debt position excluding its IFRS 16 lease liabilities.</p>
		<div>30 June 2024</div> <div>31 December 2023</div>
		<div>Net debt (note 9)</div> <div>£521.9m</div> <div>£545.5m</div>
		<div>Remove: IFRS16 impact (note 9)</div> <div>(£355.5m)</div> <div>(£363.4m)</div>

Net financial debt (pre-IFRS 16) **£166.4m** £182.1m

Gearing: net debt to adjusted EBITDA ratio **No direct equivalent**

This ratio is calculated as net debt divided by adjusted EBITDA over a rolling twelve month period including business exits not yet completed at the balance sheet date.

The Board believes that this ratio is useful because it shows how significant net debt is relative to adjusted EBITDA.

This measure has been calculated including and excluding the impact of IFRS 16 leases on EBITDA and net debt because the Board believes this provides useful information to enable investors to understand the impact of the Group's lease portfolio on its gearing ratio.

The table below shows the components, and calculation, of the net debt / net financial debt (post and pre IFRS 16) to adjusted EBITDA ratio:

Rolling twelve month period	Post IFRS 16		Pre IFRS 16	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Adjusted EBITDA	£200.7m	£214.6m	£137.5m	£146.2m
EBITDA in respect of business exits not yet completed	£20.7m	£8.2m	£20.7m	£8.2m
Adjusted EBITDA (including business exits not yet completed)	£221.4m	£222.8m	£158.2m	£154.4m
Net debt / net financial debt	£521.9m	£545.5m	£166.4m	£182.1m
Net debt / net financial debt to adjusted EBITDA ratio	2.4x	2.4x	1.1x	1.2x

1. To ensure the consistent presentation of the ratios between periods, the 2023 comparatives have not been restated.

R Comparatives re-presented

Alternative performance measures continued

The below measures are submitted to the Group's lenders and the Board believes these measures provide a useful insight to investors. The 31 December 2023 comparatives have not been restated because they are not required to be restated for covenant purposes.

		Source	
Covenants (based on rolling twelve months)		30 June 2024	31 December 2023
Adjusted operating profit ¹		£103.0m	£106.5m
Add back: covenant adjustments ²		£77.5m	£64.1m
Adjusted EBITA	a1	£180.5m	£170.6m
Adjusted EBITA		£180.5m	£170.6m
Add back: covenant adjustments ³		£64.5m	£70.9m
Covenant calculation – adjusted EBITDA	b1	£245.0m	£241.5m
Adjusted EBITA (US PP covenants)	a2	£172.3m	£162.4m
Adjusted EBITDA (US PP covenants)	b2	£236.8m	£233.3m
Adjusted interest charge		(£50.0m)	(£50.0m)
Add back: covenant adjustments		£4.4m	£3.8m
Borrowing costs	c1	(£45.6m)	(£46.2m)
Less: IFRS 16 impact		£17.3m	£18.2m
Borrowing costs (excluding IFRS 16)	c2	(£28.3m)	(£28.0m)
5.1 Interest cover (US PP covenant)	a2/c2	6.1x	5.8x
5.2 Interest cover (other financing agreements)	a1/c2	6.4x	6.1x
Net debt		£521.9m	£545.5m
Add back: covenant adjustments ⁴		£53.6m	£53.2m
Less: IFRS 16 impact		(£355.5m)	(£363.4m)
Covenant calculation - adjusted net debt (excluding IFRS 16)	d1	£220.0m	£235.3m
6.1 Adjusted net debt to post IFRS 16 adjusted EBITDA ratio (US PP covenant)	d1/b2	0.9x	1.0x
6.2 Adjusted net debt to adjusted EBITDA ratio (other financing agreements)	d1/b1	0.9x	1.0x

1. Adjusted operating profit excludes items that are separately disclosed and considered to be outside the underlying operating results for the particular period under review and against which the Group's performance is assessed.

2. Covenant adjustments include adjustments for business exits, exceptional costs, share-based payment and pension adjustments, and removal of profits owned by minority interests.

3. Covenant adjustments include adjustments for depreciation and earnings related to disposed entities.

4. Covenant adjustments include adjustments relating to restricted cash and cash in businesses held-for-sale.

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