CAPITA

21 July 2011

THE CAPITA GROUP PLC

Half year results for the 6 months to 30 June 2011

SOLID H1 PERFORMANCE & POSITIVE FUTURE OUTLOOK

Highlights	Half year 2011	Half year 2010	**Change**
Turnover	£1,400m	£1,361m	**+ 3%**
Underlying operating profit*	£193.0m	£178.4m	**+ 8%**
Underlying profit before tax*	£174.0m	£163.1m	**+ 7%**
Underlying earnings per share*	21.95p	19.60p	**+ 12%**
Interim dividend per share	7.2p	6.6p	**+ 9%**

** excludes intangible amortisation and acquisition costs of £33.8m (H1 2010: £18.2m), the non-cash impact of mark to market movement on financial instruments of £1.2m credit (H1 2010: £12.5m charge).*

Key points

- Major contracts wins and renewals of £1.1bn to date in 2011 (H1 2010: £523m), including:
  - £570m over 15 years with Zurich
  - £149m over 10 years with MetLife
  - £100m over 5 years with the DVLA
- Bid pipeline rapidly replenished to £4.7bn (Feb 2011: £4.7bn)
- Win rates of approximately 1:2, operational excellence supporting contract extensions & expansions
- Broadening our operational capability and market reach with £194m invested in 11 acquisitions
- Progressing new European service delivery capability and enhancing our Indian offering
- Underlying profit before tax up 7% to £174.0m (H1 2010: £163.1m)
- Continued margin progression: up 0.7 percentage points to 13.8% (H1 2010: 13.1%)
- EPS up 12% to 21.95p (H1 2010: 19.60p)
- 9% increase in half year dividend to 7.2p per share

Paul Pindar, Chief Executive of Capita commented:

“Against a backdrop of trading conditions which have continued to be challenging, the business has progressed in 2011 and we are now experiencing strong major contract sales performance and high levels of acquisition activity. We have secured contracts and renewals totalling £1.1bn in the first half of the year, more than double the value achieved in the first half of 2010. This reflects the increasingly strong demand for outsourcing across the public and private sectors after a 2 year period of subdued sales activity.

Following our recent contract wins, our bid pipeline has been rapidly replenished to its previous record level of £4.7bn of opportunities, with buoyant activity in the local government and life and pensions markets and growing activity across central government. After strong sales outcomes in the first half, we expect decisions on a number of bids in the bid pipeline in Q3 and Q4 this year.

Our pipeline of sales prospects, visibility of revenue from long term contracts and acquisition activity position us well for steady progress in 2011 and underpin strong growth prospects for 2012 and beyond.”

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CAPITA

The Capita Group Plc

Half year results for the 6 months to 30 June 2011

Capita, the UK's leading business process outsourcing ("BPO") and professional services company, has performed well in the first 6 months of 2011, securing £1.1bn of major new and extended contracts reflecting increasing demand for outsourcing across our markets and the excellent operational track record of the Group. Additionally, to date in 2011, we have invested £194m in 11 small to medium sized businesses which broaden our operational capability, market reach and scale, enabling us to add value to existing clients and enhance our propositions for new clients.

In the 6 months ended 30 June 2011, revenue increased by 3% to £1,400m (H1 2010: £1,361m). Underlying operating profit[1] rose by 8% to £193.0m (H1 2010: £178.4m) and underlying profit before taxation[1] increased by 7% to £174m (H1 2010: £163.1m). Underlying earnings per share[1] grew by 12% to 21.95p (H1 2010: 19.60p). Cash generated from operations was £179.6m (H1 2010: £216.3m). We have increased our interim dividend by 9% to 7.2p per share (2010: 6.6p).

Of the growth in revenues in the period, £134m was generated by both 2011 acquisitions and additional revenue from acquisitions completed in 2010. There was revenue attrition in 4 specific areas totalling £92m, consisting of 2 contracts (National Strategies and Home Access) which we previously announced were coming to an end and 2 business areas where major project spend was planned to reduce. This attrition was not fully counterbalanced in the period, mainly because growth in our resourcing and property consultancy businesses was more subdued than expected. However, Capita is now enjoying a healthy flow of new opportunities and the bid pipeline has been replenished to its previous record level of £4.7bn, providing us with a good platform for stronger progress in 2012.

Our focus on optimising our operational infrastructure and expanding the Group's offshore capacity continues to drive margin progression, resulting in margins increasing to 13.8% (H1 2010: 13.1%). During the period, we have contained capital expenditure and retained an efficient capital structure.

Delivering shareholder value

To ensure that we continue to build long term value for shareholders, we focus on a number of key financial measures including:

- **Margin** – our focus remains on generating a steadily improving operating margin. In H1 2011, operating margin (before acquired amortisation) was 13.8% (H1 2010: 13.1%). Our continued margin progression is due to our focus on operating at optimum efficiency across the Group, our ability to drive out benefits from our extensive scale, in particular through IT rationalisation, property consolidation and effective procurement, and the sophistication and added value of the services we deliver to clients.

- **Cash flow** – £180m was generated by operations in the period (H1 2010: £216m), representing an underlying operating profit to cash conversion rate of 93% (H1 2010: 121%). Our underlying free cash flow was £97m (H1 2010: £140m). Operating cash flow has been impacted by additional working capital required for new and expanded contracts and for our Building Schools for the Future projects. These factors will continue to impact cash flow for the remainder of the year. Thereafter, cash flow is expected to revert to more usual levels.

We use surplus cash to add value in 3 main ways – through acquisitions, share buybacks and dividends. We deliver value to shareholders through steadily growing dividends, acquiring businesses which meet our strict criteria and are priced attractively, and undertaking share buybacks when attractive market opportunities arise. Weighing these 3 elements, our current balance is to focus more strongly than usual on the healthy pipeline of acquisition opportunities; a decision which we believe will generate significant value to shareholders.

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[1] *Excludes intangible amortisation and acquisition costs of £33.8m (H1 2010: £18.2m), the non-cash impact of mark to market movement on financial instruments of £1.2m credit (H1 2009: £12.5m charge).*

- **Acquisitions** – acquisitions have consistently added value to our client propositions and been a key driver for enhancing value to our shareholders by both building platforms for future organic growth and by generating excellent returns on capital. Current market conditions are fuelling our pipeline of potential acquisitions and to date in 2011, we have invested £194m in 11 transactions. We expect to acquire further suitable businesses in the second half of the year alongside our focus on integrating our recently acquired companies into the Group.

- **Share buybacks** – opportunistic share buybacks help us to maintain an efficient capital structure and minimise our long term cost of capital and we will continue to buy back shares if attractive opportunities arise. Shareholders renewed the Group's authority to purchase up to 10% of issued share capital at our AGM in May 2011. No share buybacks were undertaken in H1 2011.

- **Interim dividend –** the Board has declared an interim dividend of 7.2p per ordinary share (2010: 6.6p), representing an increase of 9%. The dividend will be payable on 12 October 2011 to shareholders on the register at the close of business on 2 September 2011.

• **Capital expenditure –** we aim to contain capital expenditure at or below 4% of revenue. During the period, we met this objective with net capital expenditure at 2.8% (H1 2010: 2.8%) of revenue and anticipate maintaining these levels for the full year.

• **Return on capital employed –** we deploy our capital carefully and focus on driving a healthy return on capital. Over the last 12 months, the post tax return on average capital employed (including debt) was 18.8% (12 months to 30 June 2010: 20.2%). This compares to our estimated weighted average cost of capital which is 7.8%.

• **Balance sheet gearing** – in January 2011, we issued £101m of 8½ year private placement notes and in July 2011, we have issued a further £208m of 7 and 10 year private placement notes. The proceeds of the new issues were used to repay monies drawn down on the Group's revolving credit facility. Following these issuances, we have £1,142m of private placement debt of which £123m matures between June 2012 and August 2015 and the remainder then gradually matures until 2021.

Generating profitable growth

We generate profitable growth by winning business from new and existing clients principally in the UK, Ireland and Continental Europe and supplement this by acquiring businesses that broaden our skill base and extend our market reach.

Organic growth

Following a relatively subdued 2009 and 2010, we are seeing increasingly buoyant conditions for outsourcing in 2011, as demonstrated by the significant year on year increase in new contract awards and extensions. To date in 2011, we have secured 12 new contracts and extensions with an aggregate value of £1.1bn (H1 2010: 17 contracts totalling £523m). This includes life and pensions contracts with Zurich Financial Services Group and MetLife, a contract to administer vehicle tax and insurance evasion on road enforcement for the DVLA and a collaborative partnership with the London Borough of Lambeth:

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

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

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

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

- **London Borough of Lambeth:** Appointed as preferred bidder to form a collaborative partnership to deliver a range of Council services including the existing revenue collection administered by Capita and additional services including management of the Council's call centre operations, ICT support services and a benefits resilience service. For the core services, the contract is expected to be worth £60m over 10 years with the option to extend for a further five years. The commissioning programme also allows for the opportunity to widen the scope of the contract up to £300m.

Contracts worth between £10m-£50m: We have also secured 7 contracts with an aggregate value of £118m. This includes delivery of a shared services contract for the London Boroughs of Bromley and Lewisham, IT outsourcing for English Heritage, revenues administration for the London Borough of Brent, managed resourcing services regarding contractors for EDF Energy, an agreement with the National Policing Improvement Agency (NPIA) to be one of 3 companies on the Digital Interviewing Framework, preferred supplier to deliver HR, payroll and recruitment services for up to 12 NHS trusts in Mersey. In addition, in July 2011 we have secured an extension to our existing contract with the Driving Standards Agency for the provision of a full range of information services throughout the DSA network.

Creating the fuel for organic growth

Following the 12 new contracts announced in H1 2011, we have rapidly replenished our bid pipeline which stands at £4.7bn today (February 2011: £4.7bn). This reflects the continued quality and quantity of business opportunities across our target markets. In the private sector, opportunities are particularly strong in the life and pensions and financial services markets. The most active public sector markets are local government and defence and we are also seeing opportunities emerge in the central government arena.

The pipeline, which is currently made up of 30 bids with an average contract duration of 9 years, only includes bid situations in which Capita is shortlisted to the last 4 or fewer bidders and caps the largest bids at £500m. There are 4 bids in our pipeline where the potential client has publicly announced that Capita is on the shortlist: administration of army recruitment for the MOD, support for Edinburgh City Council, the rebid to administer TV licensing for the BBC and a strategic partnership with NHS shared support services provider, Anglia Support Partnership (ASP).

Over the 5 years to 31 December 2015, we only have 2 material contracts (defined as having annual revenue in excess of 1% of 2010 turnover) due for rebid and these are both due in 2012 - the contract for TV licensing, where the re-bid process has commenced and we have been shortlisted, and the CRB contract. The National Strategies initiative ceased in March 2011 and the contract has therefore not been re-tendered.

Underpinning the pipeline is an active prospect list of opportunities which are the fuel for the next tranche of potential outsourcing contracts, supported by a suspect list of early stage targets.

Stimulating growth through acquisition

The acquisition of small to medium sized companies that enhance our capabilities and take us into new and complementary areas has always played a key part in Capita's business model. For example, our entry into the private sector in 2000 was via the purchase of IRG Plc, a share registration business, which we then expanded through organic growth and further acquisition creating the platform for our growth into the private sector and particularly the wider financial services market. From this initial entry point 11 years ago, our private sector annual revenues are now approaching £1.5bn and contribute 50% of the Group's revenue, with leading positions established across a number of areas, including life & pensions, insurance and financial services.

Our more recent acquisitions continue to enhance our client propositions and provide platforms for further growth. For example:

- We continue to expand our financial services offering and, in June 2009, acquired the European loan administration, asset management administration and commercial mortgage backed securities (CMBS) administration services of Capmark Financial Group Inc, creating Capita Asset Services. The business has subsequently grown organically, securing the largest ever outsourcing mandate in Europe from the National Asset Management Agency ('NAMA') in November 2009, and also by further bolt-on acquisitions. In February 2011, Capita acquired the securitised commercial loan business of Barclays Capital Mortgage Servicing Limited ('BCMS'), owned by Barclays Capital making Capita Asset Services Europe's largest, independent, third-party commercial mortgage servicer, providing loan administration, facility agency, asset management and special servicing to the banking and securitisation markets.

- We entered the business travel market in 2005 with the acquisition of Lonsdale Travel and expanded our capability with the acquisitions of Harry Weeks Travel & Leisure in 2007 and BSI in December 2010. Capita's end-to-end business travel offering is now one of the top 5 travel businesses in the UK, allowing us to compete for clients across the public and private sectors where we are seeing significant demand. In particular, central government is looking to significantly drive down travel and subsistence costs for its workforce and we will be in a strong position to help achieve these aims.

We continue to see a healthy flow of acquisition opportunities that fit our growth strategy and are priced at attractive levels. To date in 2011, a total of £194m has been invested in 11 transactions across a number of our core capabilities and target markets, including customer services, health, consultancy and financial services, including:

- **Talis** – provides management software and managed services to higher education markets and local authorities. The acquisition will add valuable new expertise and capabilities to Capita's existing products for the academic and public sector.

- **Barclays Capital Mortgage Servicing Limited ('BCMS')** – a securitised commercial loan business that provides primary and special loan servicing for commercial real estate finance transactions. The acquired business is being integrated into Capita Asset Services, which is now Europe's largest, independent, third-party commercial mortgage servicer.

- **Right Document Solutions** – a provider of document consultancy and managed print services through long term contracts with a range of public and private sector clients. The acquisition builds upon Capita's existing design, bulk print and document management capabilities and provides a good strategic fit with a number of our professional services businesses.

- **Tribal (health & government divisions)** – The acquisition adds key new capabilities and scale to Capita's health and consulting businesses and brings established relationships across a wider spectrum of the health and government markets.

- **Call Centre Technology** – a provider of voice telephony, applications and services for customer contact centres, adding valuable expertise and capabilities for new contracts and Capita's existing telephony services. CCT already supplies services to a number of our contracts and businesses that have recently been acquired by Capita, including First Assist and Capita Secure Information Systems.

- **Team 24** – a specialist healthcare recruitment company which adds depth and breadth of expertise to Capita's recruitment business and to the range of services it provides to the NHS and wider healthcare market.

- **Ventura** – a customer contact specialist managing 50 million customer contacts each year for a range of additional private and public sector clients. Ventura was the third party customer services management arm of Next plc and is particularly strong in the private sector with clients including leading telecoms, utilities and retail companies. This acquisition provides us with greater scale and flexibility and enhances our customer services outsourcing capability and the potential to increase our private sector reach.[2]

We have a robust process for integrating acquisitions into the Group to generate value and will be concentrating on bedding down these new acquisitions in the second half of the year. We will continue to acquire further small to medium-sized businesses in H2 2011 if they fit our strict acquisition criteria and provide opportunities to enhance our propositions and create further value.

Market update

Industry analysts value the overall UK BPO market at £117bn per annum with only £7.8bn actually outsourced by the end of 2010, reflecting the enormous potential for growth. We continue to be the market leader with a 23% market share in 2010. Below we have highlighted some of the key drivers for outsourcing in a number of our public and private sector markets.

Public sector: Following the Spending Review in October 2010 which addressed the potential for cost savings and efficiencies in the public sector, fiscal pressure continues to highlight the value that outsourcing can deliver. With an annual administration spend estimated at £16bn and 500,000 staff in administrative roles in 2008/2009, the Government is committed to reducing spend in this area by around £6bn a year by 2014-2015. Similarly in local government, where spending is to be cut by 7.1% per annum over the next 4 years, we are working with existing and new clients to see how we can support more efficient, quality service models.

The Government's recent Open Public Services White Paper confirms the Government's desire to reform public services to ensure equality of access to high-quality public services. It recognises that this reform will take time but that significant steps forward can be taken now. It also recognises the need to open these public services to a range of providers, engaging both large and smaller organisations from the private and third sectors to help them to achieve their aims. The Government is also encouraging and exploring a spectrum of engagement models, such as joint ventures, mutuals and other employee ownership and cooperative models.

We have an extensive track record of creating collaborative partnerships and working together with local organisations, charities and small businesses to deliver the right outcomes for our clients and the communities they serve. We are therefore well positioned to help create and participate in new models of delivering public services and to leverage our expertise, capability and infrastructure to support government at both a central and local level.

Some local authorities are already procuring in different ways to allow them to form partnerships capable of providing shared services for third party providers to the authority and to other local authorities and organisations to achieve considerable savings by working together to deliver common services and address local needs.

For example, our contract with the London Borough of Lambeth includes provision to significantly widen the scope of the contract and achieve further efficiencies by including other third party organisations. The collaborative partnership can grow the services delivered over the life of the contract from an initial value of £60m to a maximum value of £300m. Our pension administration business, Capita Hartshead, has recently been awarded the contract to act as the single provider to a Local Government Pension Scheme (LGPS) framework. The London Borough of Hammersmith & Fulham and the London Borough of Brent created the Framework Agreement and invited all 32 London boroughs to register 'an interest' in consolidating their pension administration. 28 London boroughs are able to join the framework and with expected savings of more than £1m for the two founding councils over the 6 year contract term, other boroughs have indicated strong interest in joining the scheme in the near future. We expect to see more

[2] *Acquisition completed on 1 July 2011*

of this type of activity as local authorities look at innovative ways of cutting administration costs and protecting frontline services.

Private sector: Commercial organisations are also facing continued pressure to maintain their competitive position by driving down operational costs without compromising customer service. Organisations can clearly benefit from the higher productivity and enhanced operational capabilities and flexible capacity that an experienced outsourcing service partner can provide. Sales activity in the first half of 2011 has picked up considerably in the private sector and we expect to see decisions on bids start to flow through in the later part of the year. We are particularly active in the UK life & pensions and wider financial services markets and also in Continental Europe where new and existing clients are exploring the alternative service delivery models. Several of our recent acquisitions bring with them high level relationships across a wide range of private sector organisations beyond our existing market reach and we are expanding these relationships. We are developing our nearshore and offshore capability to meet the increasing demand for flexible delivery models from private sector clients.

Developing our offshore/nearshore capability

Continental Europe: Capita's plans to create a multi-lingual shared services centre in Krakow, Poland, are well advanced. The business centre is scheduled to start delivering services to existing clients from Q4 2011 and will be fully operational from early 2012 ensuring that we are well positioned to respond to increasing demand from new clients in Europe. We have already opened temporary offices and have signed heads of terms to lease a 500 seat capacity shared services centre in Krakow city centre. The business centre's primary language will be English; however, multilingual services will be offered as required by our clients.

India: Capita's business centres in India continue to thrive and deliver quality, efficient services to our UK clients. 1,300 new people are joining us in Pune as part of the recent acquisition of the Ventura operations from Next plc. We welcome them to Capita where they will continue to deliver services to former Ventura clients and assist us in growing the business. We will be reviewing our property portfolio in India to bring together our valuable workforces to share skills and expertise and optimise the use of resources and infrastructure.

Outlook: strong drivers for future growth

Against a backdrop of trading conditions which have continued to be challenging, the business has progressed in 2011 and we are now experiencing strong major contract sales performance and high levels of acquisition activity. We have secured contracts and renewals totalling £1.1bn in the first half of the year, more than double the value achieved in the first half of 2010. This reflects the increasingly strong demand for outsourcing across the public and private sectors after a 2 year period of subdued sales activity.

Following our recent contract wins, our bid pipeline has been rapidly replenished to its previous record level of £4.7bn of opportunities, with buoyant activity in the local government and life and pensions markets and growing activity across central government. After strong sales outcomes in the first half, we expect decisions on a number of bids in the bid pipeline in Q3 and Q4 this year.

Our pipeline of sales prospects, visibility of revenue from long term contracts and acquisition activity position us well for steady progress in 2011 and underpin strong growth prospects for 2012 and beyond.

-Ends-

The Capita Group Plc is the UK's leading provider of BPO and integrated professional support service solutions. With approximately 45,000 people at more than 350 sites, including 64 business centres across the UK, Ireland, the Channel Islands, Continental Europe and India, the Group uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange (CPI.L), and is a constituent of the FTSE100 with revenues for 2010 of £2,744 million. Further information on The Capita Group Plc can be found at: http://www.capita.co.uk.

Half year condensed consolidated income statement

for the 6 months ended 30 June 2011

	Notes	Underlying £m 30 June 2011	Non-underlying £m 30 June 2011	Total £m 30 June 2011	Underlying £m 30 June 2010	Non-underlying £m 30 June 2010	Total £m 30 June 2010
Continuing operations:							
Revenue	3	**1,399.9**	**–**	**1,399.9**	1,361.1	–	1,361.1
Cost of sales		**(989.8)**	**–**	**(989.8)**	(971.7)	–	(971.7)
Gross profit		**410.1**	**–**	**410.1**	389.4	–	389.4
Administrative expenses		**(217.1)**	**(33.8)**	**(250.9)**	(211.0)	(18.2)	(229.2)
Operating profit	3	**193.0**	**(33.8)**	**159.2**	178.4	(18.2)	160.2
Finance costs		**(19.0)**	**1.2**	**(17.8)**	(15.3)	(12.5)	(27.8)
Profit before tax	3	**174.0**	**(32.6)**	**141.4**	163.1	(30.7)	132.4
Income tax expense		**(40.9)**	**8.7**	**(32.2)**	(42.4)	8.2	(34.2)
Profit for the period		**133.1**	**(23.9)**	**109.2**	120.7	(22.5)	98.2
Attributable to:							
Equity holders of the parent		**133.1**	**(23.9)**	**109.2**	120.7	(22.5)	98.2
Earnings per share	4						
– basic		**21.95p**	**(3.94)p**	**18.01p**	19.60p	(3.65)p	15.95p
– diluted		**21.66p**	**(3.89)p**	**17.77p**	19.38p	(3.62)p	15.76p

Half year condensed consolidated statement of comprehensive income

for the 6 months ended 30 June 2011

	£m	30 June 2011 £m	£m	30 June 2010 £m
Profit for the period		**109.2**		98.2
Other comprehensive income/(expense):				
Actuarial losses on defined benefit pension schemes	**(1.2)**		(14.8)	
Income tax effect	**0.1**		4.1	
		(1.1)		(10.7)
Exchange differences on translation of foreign operations		**4.0**		(0.9)
(Losses)/gains on cash flow hedges	**(3.1)**		6.6	
Reclassification adjustments for gains included in the income statement	**(2.7)**		(0.1)	
Income tax effect	**1.6**		(1.8)	
		(4.2)		4.7
Other comprehensive expense for the period net of tax		**(1.3)**		(6.9)
Total comprehensive income for the period net of tax		**107.9**		91.3
Attributable to:				
Equity holders of the parent		**107.9**		91.3

Half year condensed consolidated balance sheet
at 30 June 2011

	30 June 2011 £m	31 December 2010 £m
Non-current assets		
Property, plant and equipment	**295.0**	291.4
Intangible assets	**1,527.3**	1,416.0
Financial assets	**216.4**	237.4
Trade and other receivables	**57.7**	66.8
	2,096.4	2,011.6
Current assets		
Financial assets	**5.0**	6.0
Trade and other receivables	**818.5**	704.2
Cash	**41.8**	38.5
	865.3	748.7
Total assets	**2,961.7**	2,760.3
Current liabilities		
Trade and other payables	**934.3**	855.2
Financial liabilities	**149.0**	114.1
Provisions	**21.0**	26.3
Income tax payable	**59.0**	42.9
	1,163.3	1,038.5
Non-current liabilities		
Trade and other payables	**69.9**	72.2
Financial liabilities	**1,126.2**	1,066.4
Deferred taxation	**21.1**	31.8
Provisions	**28.6**	31.3
Employee benefits	**22.8**	24.6
	1.268.6	1,226.3
Total liabilities	**2,431.9**	2,264.8
Net assets	**529.8**	495.5
Capital and reserves		
Issued share capital	**13.0**	13.0
Share premium	**457.6**	454.9
Employee benefit trust	**(0.5)**	(0.5)
Capital redemption reserve	**1.8**	1.8
Foreign currency translation	**9.4**	5.4
Net unrealised gains reserve	**4.2**	8.4
Retained earnings	**44.3**	12.5
Equity shareholders' funds	**529.8**	495.5

Included in aggregate financial liabilities is an amount of £1,092.6m (31 December 2010: £1,016.4m) which represents the fair value of the Group's bonds which should be considered in conjunction with the aggregate value of currency and interest rate swaps of £179.8m (31 December 2010: £194.3m) included in financial assets and £21.5m (31 December 2010: £11.4m) included in financial liabilities. Consequently, this gives an effective liability of £934.3m (31 December 2010: £833.5m).

Half year condensed consolidated statement of changes in equity

for the 6 months ended 30 June 2011

	Share capital £m	Share premium £m	Employee benefit trust £m	Capital redemption reserve £m	Retained earnings £m	Foreign currency translation reserve £m	Net unrealised gains reserve £m	Total equity £m
At 1 January 2010	12.9	435.2	(0.2)	1.8	4.4	4.3	7.8	466.2
Profit for the period	–	–	–	–	98.2	–	–	98.2
Other comprehensive income/(expense)	–	–	–	–	(10.7)	(0.9)	4.7	(6.9)
Total comprehensive income/(expense) for the period	–	–	–	–	87.5	(0.9)	4.7	91.3
Share based payment	–	–	–	–	4.9	–	–	4.9
Purchase of own shares	–	–	(0.2)	–	(89.3)	–	–	(89.5)
Share transaction costs	–	–	–	–	(0.5)	–	–	(0.5)
Income tax deduction on exercise of share options in excess of share based payments	–	–	–	–	0.7	–	–	0.7
Deferred income tax relating to share based payments	–	–	–	–	(4.1)	–	–	(4.1)
Shares issued	0.1	15.8	–	–	–	–	–	15.9
Equity dividends paid	–	–	–	–	(69.1)	–	–	(69.1)
At 30 June 2010	13.0	451.0	(0.4)	1.8	(65.5)	3.4	12.5	415.8
At 1 January 2011	13.0	454.9	(0.5)	1.8	12.5	5.4	8.4	495.5
Profit for the period	**–**	**–**	**–**	**–**	**109.2**	**–**	**–**	**109.2**
Other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**(1.1)**	**4.0**	**(4.2)**	**(1.3)**
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**108.1**	**4.0**	**(4.2)**	**107.9**
Share based payment	**–**	**–**	**–**	**–**	**5.6**	**–**	**–**	**5.6**
Deferred income tax relating to share based payments	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Shares issued	**–**	**2.7**	**–**	**–**	**–**	**–**	**–**	**2.7**
Equity dividends paid	**–**	**–**	**–**	**–**	**(81.2)**	**–**	**–**	**(81.2)**
At 30 June 2011	**13.0**	**457.6**	**(0.5)**	**1.8**	**44.3**	**9.4**	**4.2**	**529.8**

Half year condensed consolidated cash flow statement

for the 6 months ended 30 June 2011

	Notes	**30 June 2011 £m**	30 June 2010 £m
Cash flows from operating activities			
Operating profit on continuing activities before interest and taxation		**159.2**	160.2
Depreciation		**34.0**	36.4
Amortisation of intangible assets		**28.3**	17.0
Share based payment expense		**5.6**	4.9
Pensions		**(6.0)**	(5.0)
Movement in provisions		**(8.8)**	0.8
Movement in receivables and payables		**(32.7)**	2.0
Cash generated from operations		**179.6**	216.3
Income tax paid		**(26.5)**	(23.2)
Net interest paid		**(17.7)**	(15.3)
Cash generated from operations after income tax and interest		**135.4**	177.8
Net cash used in investing activities			
Purchase of property, plant and equipment		**(38.7)**	(38.8)
Proceeds from sale of property, plant and equipment		**0.3**	1.3
Investment loan		**0.5**	0.2
Acquisition of subsidiary undertakings and businesses		**(120.4)**	(104.6)
Cash acquired with subsidiary undertakings		**2.0**	1.1
Debt repaid on acquisition of subsidiary undertakings		**(16.9)**	–
		(173.2)	(140.8)
Net cash used in financing activities			
Issue of ordinary share capital		**2.7**	15.7
Share buybacks		**–**	(89.3)
Share transaction costs		**–**	(0.5)
Dividends paid	5	**(81.2)**	(69.1)
Capital element of finance lease rental payments	7	**(0.3)**	(0.3)
Asset based securitised financing arrangement	7	**(7.8)**	(5.3)
Instalment debtor movement		**9.4**	6.4
Proceeds on issue of debt	7	**100.8**	253.5
Financing arrangement costs	7	**(0.1)**	(0.7)
Repayment of loan notes and long term debt	7	**–**	(217.1)
		23.5	(106.7)
Net decrease in cash and cash equivalents		**(14.3)**	(69.7)
Cash and cash equivalents at the beginning of the period		**(60.3)**	181.5
Cash and cash equivalents at 30 June		**(74.6)**	111.8
Cash and cash equivalents comprise:			
Overdraft	7	**(116.4)**	–
Cash at bank and in hand	7	**41.8**	111.8
Total		**(74.6)**	111.8

Notes to the half year condensed consolidated financial statements

for the 6 months ended 30 June 2011

1 Corporate information

The Capita Group Plc is a public limited company incorporated in England and Wales whose shares are publicly traded. The half year condensed consolidated financial statements of the Company and its subsidiaries ('the Group') for the 6 months ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 20 July 2011.

2 Basis of preparation and accounting policies

(a) Basis of preparation

The half year condensed consolidated financial statements for the 6 months ended 30 June 2011 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 Interim Financial Reporting.

The half year condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated half year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 were approved by the Board of Directors on 23 February 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The half year condensed consolidated financial statements for the 6 months ended 30 June 2011 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The Group has considerable financial resources together with long term contracts with a wide range of public and private sector clients and suppliers. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully.

After making enquiries and in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year condensed consolidated financial statements.

(b) Significant accounting policies

The accounting policies adopted in preparation of the half year condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of the new standards and interpretations as of 1 January 2011, noted below.

IAS 24 Related Party Transactions (Revised) The revised standard clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect the related party relationships of an entity. Secondly, the revised standard introduces a partial exemption from the general related party disclosure requirements for government-related entities. The adoption of this revised standard did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment) The amendment alters the definition of a financial liability to enable parties to classify rights issues (and certain options or warrants) as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

Improvements to IFRSs In May 2010 the International Accounting Standards Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective from 1 January 2011, did not have any impact on the financial position or performance of the Group although in some cases they resulted in enhanced or additional disclosures.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) The amendment provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits a prepayment of a minimum funding requirement by an entity to be recognised as a pension asset. The adoption of this interpretation had no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration in accordance with paragraph 41 of IAS 39. The equity instruments issued are measured at fair value (unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished) with gain or loss being immediately recognised in profit or loss. The adoption of this interpretation had no effect on the financial position or performance of the Group.

3 Segmental information

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010 respectively. The comparative figures have been restated due to a reorganisation of the Group's business divisions during the period. The Directors decided that this was necessary to better manage the growth in the business and to enhance service provision across the Group.

6 months ended 30 June			**2011**			2010
	Total revenue	**Inter-segment revenue**	**External revenue**	Total revenue	Inter-segment revenue	External revenue
Analysis of segment revenue	**£m**	**£m**	**£m**	£m	£m	£m
Investor & Banking Services	**98.5**	**(9.7)**	**88.8**	90.8	(10.0)	80.8
General Insurance	**97.0**	**–**	**97.0**	89.7	–	89.7
Life & Pensions Services	**312.0**	**(33.9)**	**278.1**	311.9	(34.6)	277.3
Integrated Services	**114.7**	**(7.5)**	**107.2**	144.8	(7.6)	137.2
Professional Services	**258.3**	**(55.1)**	**203.2**	298.9	(56.3)	242.6
IT Services & Consulting	**356.3**	**(68.2)**	**288.1**	279.5	(69.8)	209.7
Health Services	**77.9**	**(10.5)**	**67.4**	42.2	(10.7)	31.5
Property Services	**139.5**	**(14.1)**	**125.4**	160.6	(14.4)	146.2
Workforce Services	**157.9**	**(13.2)**	**144.7**	159.6	(13.5)	146.1
Total segments	**1,612.1**	**(212.2)**	**1,399.9**	1,578.0	(216.9)	1,361.1

Analysis of segment profit	**6 months to 30 June 2011 £m**	6 months to 30 June 2010 £m
Investor & Banking Services	**21.6**	17.7
General Insurance	**12.8**	10.2
Life & Pensions Services	**26.4**	33.2
Integrated Services	**17.2**	22.3
Professional Services	**49.3**	41.0
IT Services & Consulting	**29.0**	21.2
Health Services	**11.6**	4.1
Property Services	**8.6**	11.9
Workforce Services	**16.5**	16.8
Total underlying segment profit	**193.0**	178.4
Net finance costs (before callable swaps)	**(19.0)**	(15.3)
Underlying profit before tax	**174.0**	163.1
Intangible amortisation	**(28.3)**	(17.0)
Acquisition costs	**(5.5)**	(1.2)
Callable swaps	**1.2**	(12.5)
Profit before tax	**141.4**	132.4

4 Earnings per share

The average number of shares in issue during the period was 606.4m (30 June 2010: 615.7m). The diluted earnings per share have been calculated on the profit for the period of £109.2m (30 June 2010: £98.2m) and an average diluted number of shares of 614.4m (30 June 2010: 622.9m). As at 20 July 2011, there were 608.2m shares in issue.

5 Dividends

The interim dividend of 7.2p (2010: 6.6p) per share (not recognised as a liability at 30 June 2011) will be payable on 12 October 2011 to ordinary shareholders on the register at the close of business on 2 September 2011. The dividend disclosed in the cash flow statement represents the final ordinary dividend of 13.4p (2010: 11.2p) per share as proposed in the 31 December 2010 financial statements and approved at the Group's AGM (not recognised as a liability at 31 December 2010).

6 Business combinations

The Group has made a number of acquisitions in the period, which are shown in aggregate below:

	Provisional fair value to Group £m
Property, plant and equipment	**0.7**
Intangible assets	**20.0**
Deferred tax	**1.0**
Debtors	**23.9**
Cash and cash equivalents	**2.0**
Creditors	**(22.1)**
Provisions	**(0.3)**
Long term debt	**(16.9)**
Corporation tax	**(0.6)**
Net assets	**7.7**
Goodwill arising on acquisition	**117.5**
	125.2
Discharged by:	
Cash	**112.3**
Contingent consideration accrued	**12.9**
	125.2

The full exercise to determine the fair value of intangible assets acquired is still to be completed, thus the above numbers are provisional; this exercise will be finalised for the full year financial statements. Further cash consideration was paid in respect of previous acquisitions of £2.6m.

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

7 Movement in net debt

	Net debt at 1 January 2011 £m	Acquisitions in 2011 £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 30 June 2011 £m
Cash and cash equivalents	**38.5**	**–**	**3.3**	**–**	**41.8**
Overdraft	**(98.8)**	**–**	**(17.6)**	**–**	**(116.4)**
	(60.3)	**–**	**(14.3)**	**–**	**(74.6)**
Loan notes	**(2.3)**	**–**	**–**	**–**	**(2.3)**
Bonds*	**(1,016.4)**	**–**	**(100.7)**	**24.5**	**(1,092.6)**
Long term debt	**–**	**(16.9)**	**16.9**	**–**	**–**
Currency swaps in relation to US $ denominated bonds*	**178.5**	**–**	**–**	**(24.8)**	**153.7**
Interest rate swaps in relation to GBP denominated bonds*	**4.4**	**–**	**–**	**0.2**	**4.6**
Finance leases	**(2.4)**	**–**	**0.3**	**–**	**(2.1)**
Sub-total net debt	**(898.5)**	**(16.9)**	**(97.8)**	**(0.1)**	**(1,013.3)**
Callable swaps	**(37.5)**	**–**	**–**	**1.2**	**(36.3)**
Asset based securitised finance	**(11.7)**	**–**	**7.8**	**–**	**(3.9)**
	(947.7)	**(16.9)**	**(90.0)**	**1.1**	**(1,053.5)**

On 20 January 2011 the Group issued £50m and US$80m of bonds with a maturity date of July 2019. Subsequent to the period end, on 19 July 2011 the Group issued £35m and US$276m of bonds, of which US$40m mature in July 2018 and the remainder in July 2021.

The aggregate bond fair value above of £1,092.6m (30 June 2010: £1,059.8m) includes the GBP value of the US$ denominated bonds at 30 June 2011 (30 June 2010). To remove the Group's exposure to currency fluctuations it has entered into currency swaps which effectively hedge the movement in the underlying bond fair value. The interest rate swap is being used to hedge the exposure to changes in the fair value of GBP denominated bonds.

* The sum of these items held at fair value equates to the underlying value of the Group's bond debt of £934.3m (30 June 2010: £833.7m).

7 Movement in net debt (continued)

	Net debt at 1 January 2010 £m	Acquisitions in 2010 £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 30 June 2010 £m
Cash and cash equivalents	181.5	–	(69.7)	–	111.8
Loan notes	(2.6)	–	0.7	–	(1.9)
Bonds*	(720.5)	–	(252.8)	(86.5)	(1,059.8)
Term debt	(198.0)	–	200.0	(2.0)	–
Factored debt acquired	–	(13.0)	13.0	–	–
Currency swaps in relation to US $ denominated bonds*	136.0	–	–	85.2	221.2
Interest rate swaps in relation to GBP denominated bonds*	3.3	–	–	1.6	4.9
Long term debt	(2.8)	(0.6)	3.4	–	–
Finance leases	(1.4)	(0.3)	0.3	(0.4)	(1.8)
Sub-total net debt	(604.5)	(13.9)	(105.1)	(2.1)	(725.6)
Callable swaps	(30.9)	–	–	(12.5)	(43.4)
Asset based securitised finance	(17.1)	–	5.3	–	(11.8)
	(652.5)	(13.9)	(99.8)	(14.6)	(780.8)

8 Capital commitments

At 30 June 2011, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £3.2m (2010: £8.2m).

9 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The only related party transactions requiring disclosure are details of key management personnel compensation (including Directors of the parent company). These details are set out in the table below.

Compensation of key management personnel (including Directors of parent company)

	6 months 30 June 2011 £m	6 months 30 June 2010 £m
Short term employment benefits	**2.0**	1.2
Post employment benefits	**0.1**	0.1
Share based payments	**2.5**	2.8
	4.6	4.1

Gains on share options exercised in the period by key management personnel totalled £4.9m (2010: £4.7m).

10 Update on Arch Cru provision

On 21 June 2011, Capita Financial Managers Limited ("CFM") agreed with the FSA to contribute and administer a package for investors holding shares in sub funds of Arch Cru investments. Under the terms of the agreement, CFM along with the depositaries to the funds will voluntarily contribute to the establishment of a £54m payment scheme, which, when combined with payments already made and the remaining assets of the funds, will return an estimated 70% of the net asset value as published at the date of suspension. CFM's contributions to this payment scheme were already provided for within the 2009 accounts, and no further provisions are anticipated to be required.

11 Contingent liabilities

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £56.4m (31 December 2010: £69.4m).

Further consideration may be due, dependent on certain performance criteria, on acquisitions completed by the Group since 2009 up to a maximum of £55.1m. The Group expects that these payments, if ultimately due, will be satisfied by the end of 2014.

Statement of Directors' responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Half Year Management Report includes a fair review of the information required by Rules 4.2.4, 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority.

The names and functions of the Directors of The Capita Group Plc are as listed in the Group's Annual Report for 2010. A list of current Directors is maintained on the Group website: www.capita.co.uk.

By order of the Board

P R M Pindar	G M Hurst
Chief Executive	Group Finance Director
20 July 2011	