CAPITA

25 July 2012

Capita plc

Half year results for the 6 months to 30 June 2012

Strong H1 performance and a positive outlook

Financial Highlights	**Half year 2012**	Half year 2011	**Change**
Revenue	**£1,607m**	£1,400m	**+ 15%**
Underlying operating profit*	**£216.6m**	£193.0m	**+ 12%**
Underlying profit before tax*	**£190.7m**	£174.0m	**+ 10%**
Underlying earnings per share*	**24.19p**	21.95p	**+ 10%**
Interim dividend per share	**7.9p**	7.2p	**+ 10%**

** Excludes non-underlying items being: intangible amortisation and acquisition expenses of £47.4m (H1 2011: £33.8m), the non-cash impact of mark to market movement on financial instruments of £0.5m credit (H1 2011: £1.2m credit). After these non-underlying items: reported operating profit is £169.2m (H1 2011 £159.2m), reported profit before tax is £143.8m (H1 2011: £141.4m) and reported earnings per share is 18.70p (H1 2011: 18.01p)*

Key points

Creating profitable growth

- A record £1.3bn of major contract wins secured in H1 2012 (H1 2011: £1.1bn)
- Improving organic growth rate; clear visibility of meeting full year 2012 expectations
- Maintaining win rate of 1 in 2 reflecting our strong client propositions and operational capability
- High level of sales momentum; bid pipeline replenished well after recent wins to £4.1bn (February 2012: £4.6bn)
- Enhancing our offering through acquisitions; £642m spent in the 2 years to December 2011 and a further £129m invested in 10 acquisitions to date in 2012
- £271m raised in equity placing to fund stronger pipeline of potential acquisition opportunities

Delivering results

- Revenue up 15%, with 2011 & H1 2012 acquisitions contributing 15% and flat organic growth after attrition on 4 contracts of 5%, most of which related to activities that ended in H1 2011
- Underlying profit before tax increased by 10% to £190.7m (H1 2011: £174.0m)
- Underlying operating margin of 13.5% (H1 2011: 13.8%)
- Operating cash flow of £201m (H1 2011: £180m) and cash conversion improved to 93% from 85% at the full year 2011 (H1 2011: 93%)

Paul Pindar, Chief Executive of Capita plc, commented:

“With organic growth returning as expected, cash conversion improving and a good pipeline of potential acquisitions, Capita is positioned well for further growth. As a result of stronger major contract sales performance over the past 18 months, together with the contribution from recent acquisitions, we have clear visibility of revenue growth in 2012. These factors, coupled with the current buoyant sales environment, underpin our confidence in full year performance and provide a strong platform for further progression in 2013.”

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Analyst presentation

Paul Pindar, Chief Executive of Capita plc, will host an analyst presentation and conference call in London at 8.30am UK time today.

There will be a conference call and live webcast of the full event. Details can be found at www.capita.co.uk. (**Please dial into the call in time to allow for registration)**

8.30am conference call details below:

Dial-in number: **+ 44 (0)20 3059 8125**

Replay: A replay of the conference call will be available for 7 days by dialling **+44 (0)121 260 4861** (access code is **4749763#**).

Capita plc

Half year results for the 6 months to 30 June 2012

Capita, the UK's leading business process outsourcing ("BPO") and professional services company, has made good progress in the first 6 months of 2012 with strong major sales performance in our key markets and good operating and financial results across the majority of the Group's businesses.

The market for outsourcing remains buoyant, particularly across the UK public sector where we are seeing a high level of sales activity. During H1 2012, we secured major long term contracts totalling £1.3bn (H1 2011: £1.1bn), of which 74% relates to new contract wins and 26% to contract renewals, maintaining an average win rate of 1 in 2. We have also actively replenished our bid pipeline which now stands at £4.1bn (February 2012: £4.6bn), demonstrating the quality and volume of opportunities across our 9 markets.

We continue to invest in small to medium sized businesses which broaden our capability and extend our scale, enhancing our sales propositions or providing entry into a new sector. To date in 2012, we have acquired 10 companies for a total value of £129m. In April, we raised £271m, net of expenses, through an equity placing to enable us to pursue our increased acquisition pipeline, whilst allowing us to maintain a prudent yet efficient balance sheet.

The majority of our underlying businesses are trading well, particularly the Investor and Banking Services division, customer management services within the Integrated Services division and the Workplace Services division which includes the Group's resourcing businesses. The challenging economic environment continues to adversely hold back performance in 3 distinct areas: our property consultancy and parts of our IT services and insurance services businesses.

Financial update

Overview - Capita has delivered robust financial results with good growth in revenue and profits compared to H1 2011 and improved cash conversion compared to FY 2011.

In the first six months of 2012, revenue increased by 15% to £1,607m (H1 2011: £1,400m) with acquisitions completed during 2011 and H1 2012 contributing 15% but flat organic growth, after revenue attrition of 5% relating largely to contracts and projects that ended in H1 2011. Following this period of higher attrition, we expect to revert back to the Group's long term attrition rate of approximately 3% for the full year 2012 and beyond.

Underlying operating profit[1] rose by 12% to £216.6m (H1 2011: £193.0m) and underlying profit before taxation[1] increased by 10% to £190.7m (H1 2012: £174.0m). Underlying earnings per share[1] grew by 10% to 24.19p (H1 2011: 21.95p).

The Board is recommending an interim dividend of 7.9p per ordinary share (H1 2011: 7.2p) representing an increase of 10%. The interim dividend will be payable on 15 October 2012 to shareholders on the register at the close of business on 14 September 2012.

Margin - In H1 2012, the Group's underlying operating margin[1] was 13.5% (H1 2011: 13.8%). Margins were 30bps lower due to the assimilation in H1 2012 of certain new large contracts and acquisitions, with their expected initial transformation and integration costs.

Cash flow - In H1 2012, £201m (H1 2011: £180m) was generated by operations representing an improved operating profit to cash conversion rate[2] of 93%, improved from 85% at the full year 2011 (H1 2011: 93%).

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[1] *Excludes non-underlying items being: intangible amortisation and acquisition expenses of £47.4m (H1 2011: £33.8m), the non-cash impact of mark to market movement on financial instruments of £0.5m credit (H1 2011: £1.2m credit). After these non-underlying items: reported operating profit is £169.2m (H1 2011 £159.2m), reported profit before tax is £143.8m (H1 2011: £141.4m) and reported earnings per share is 18.70p (H1 2011: 18.01p)*

[2] *Defined as cash generated from operations divided by underlying operating profit for the year*

Operating cash flow, as previously stated, has been impacted by the one-off effect of the beneficial payment terms that we had historically secured on certain contracts reverting on renewal to industry norms and the additional working capital requirements for certain new major contracts and projects. As these items unwind, we expect our operating cash to operating profit conversion rate to continue to improve in 2013.

Free cash flow, defined as operating cash flow, less capital expenditure, interest and taxation for the half year was £95m (H1 2011: £97m). This decrease was due to a higher level of capital expenditure on IT infrastructure and new contracts.

Capital expenditure - We aim to contain capital expenditure at or below 4% of revenue. In H1 2012, we met this objective, with net capex at 3.4% of annual revenue (H1 2011: 2.8%). There are currently no indications of significant capex increases in our business forecasts or bid pipeline.

Return on capital employed - We focus on driving a healthy return on capital. During H1 2012, our post-tax return on average capital employed was 16.3% (H1 2011: 18.8%). This compares to our estimated post-tax WACC which is 7.2%. We would expect returns to increase as recent acquisitions deliver their full profitability and organic growth continues to strengthen.

Debt profile - As at 30 June 2012, we have £1,151m of private placement debt of which only £99m matures before August 2015, with the remainder gradually maturing over the 9 years to 2021. In addition, we have £185m of bank debt under a 2 year term loan facility, offset by £186m of cash held on deposit.

Our aim continues to be to keep the ratio of net debt to EBITDA in the range of 2 to 2.5 over the long term and we would be unlikely to incur borrowings which would reduce interest cover below 7 times. At 30 June 2012, our annualised net debt to EBITDA ratio was 2.2 (H1 2011: 2.1) with annualised interest cover at 9 times (H1 2011: 11 times).

Generating profitable growth

We generate profitable growth by winning business from new and existing customers and through acquiring organisations that broaden our capability, scale and market reach.

Major contract wins

We have made a strong start to 2012, securing 24 new and extended major contracts with a total value of £1.3bn (H1 2011: 12 contracts totalling £1.1bn) representing a win rate of 1 in 2. This includes:

- **Recruiting Partnering Project (RPP) –** partnering with the MOD to deliver RPP for the Army, and the enabling ICT for the Royal Navy and the Royal Air Force, in a contract valued at approximately £50m per annum over 10 years. The project represents a major investment in the transformation of military recruiting. While the Army retains ownership of recruitment policy, entry criteria and assessment standards, RPP will jointly deliver the entire process for the attraction and recruitment of soldiers and officers to the Regular and Territorial Army. It will also provide a tri-service digital ICT platform to underpin recruitment for the Royal Navy, Army and Royal Air Force.

  This is our first significant partnering contract in the defence sector. Our ability to secure the contract was a result of the Group's experience and proven track record in the UK BPO market combined with our established presence in the resourcing market, which has been built up over 16 years via strategic acquisitions and organic growth.

  Civil Service Learning agreement – selected by the Cabinet Office to manage exclusively the provision of training across the Civil Service in a contract that is expected to generate revenues of at least £50m per annum to Capita over 2 years, with the option to extend for a further 2 years. The contract commenced in April 2012 following a short procurement process. Capita will deliver just under half of the training directly through our learning and development business and will be responsible for managing the balance of 51% through a network of small and medium sized (SME) training providers, with all revenue flowing through Capita. The contract is expected to make a significant contribution to the projected £90m per annum savings which Civil Service Learning, the Government's training agency, is tasked to deliver.

- **3 major private sector contracts** – our expanded customer management offering has secured 3 major new and extended contracts in H1 2012, worth in aggregate £161m over 3 to 5 years, including a full customer management service for Debenhams plc, another major UK retailer and Scottish Power.

  Combining the expertise and infrastructure of Capita with the recently acquired Ventura and Vertex Private Sector enables us to offer compelling customer management propositions and to identify and bid for large scale opportunities. This would not previously have been possible as separate entities. This is a particularly buoyant area for Capita where we have a strong pipeline of opportunities, predominantly in the private sector with an increasing level of interest from public sector organisations. Capita also has the scope to expand these customer management relationships by providing further services to this private sector client base. We expect to see a high level of activity in this area going forward.

- **West Sussex County Council Support Services partnership** – selected to deliver a range of services including HR and payroll, finance, office services, online service delivery, procurement and pensions administration. The 10 year relationship is scheduled to commence in September and is expected to generate approximately £154m new revenues to Capita over the life of the contract. Our existing IT Services contract that commenced in 2010 has also been extended concurrent with the new contract bringing additional revenues of £18m over an additional 2 years to 2022.

- **Contracts worth between £10-50m** – The Group secured 17 new contracts and extensions in this range with an aggregate value of £325m over 2 to 10 years including:

  - **8 customer management contracts** in the motor, retail and utilities markets worth in aggregate £124m over 2 to 5 years
  - **a property consultancy contract** for Capita Symonds to support Carillion's partnership with Oxfordshire County Council worth approximately £42m over 10 years and
  - **preferred bidder** for contact management services, worth up to £30m over 4 years, to support the UK Border Agency in the management of the "overstayer" backlog.

Bid pipeline & market update

Bid pipeline: Our bid pipeline includes all bids worth £10m or above, capped at £500m and where we have been shortlisted to the last 4 or fewer. We announce the value of the pipeline twice a year at our half and full year results and it is therefore a snapshot at a specific point in time. The pipeline has been replenished well after recent wins and now stands at £4.1bn (February 2012: £4.6bn) and comprises 33 bid situations across our target markets with an average length of 7 years. The most active markets are central government, defence, local government and the wider private sector.

Behind the bid pipeline is an active prospect list of opportunities including a number of bids which are expected to reach shortlist stage shortly.

Contract rebids: Over the next 7 years to 31 December 2019, we have only 3 material contracts (defined as having annual revenue in excess of 1% of 2011 turnover) due for rebid: Criminal Records Bureau (CRB) in 2013, where the bid process is at an advanced stage, and Civil Service Learning in 2014, which has a 2 year extension option, with the next material renewal not until 2019, relating to our Phoenix contract.

Market dynamics: The current economic climate is encouraging interest in outsourcing and the benefits it can deliver to organisations, as demonstrated by our strong major sales wins and pipeline over the previous 18 months. The public sector is particularly buoyant, with significant activity across central government departments, notably the Ministry of Justice, Department for Work and Pensions and the Ministry of Defence, and also across local government, the emergency services and health markets.

There has been some good progress in the Government's streamlining of its procurement timelines and processes, evidenced by the increased use of procurement frameworks which support a more efficient approach for public sector organisations to source services. Capita has successfully secured places on a wide range of frameworks including: the **Health and Disability Assessment Services** framework to support the Department for Work and Pensions and other public authorities including the Department of Social Development in Northern Ireland; **Information Management and Learning Services** framework for use by

schools, academies, consortia and local authorities to purchase both management information systems and learning services; the **Radio Services** framework to deliver services to the Metropolitan Police and the **Public Services Network (PSN)** framework agreements to supply connectivity and related services across the public sector.

In the private sector, we are seeing a high level of demand for customer management services, particularly from retail and utilities organisations, and increasing interest from financial services, especially banking organisations. However, large outsourcing opportunities in the life and pensions sector are currently quieter.

Acquisitions

The acquisition of small to medium sized businesses is a key part of Capita's business model and has consistently enhanced shareholder value by both building platforms for future organic growth and by generating excellent returns on investment. Throughout the Company's history, acquisitions have provided capability and scale to support our BPO propositions as well as providing entry into new market areas. This is evidenced by a number of our recent major contracts, including the RPP and Civil Service Learning contracts, being secured as a direct result of the combination of capabilities from companies acquired in previous years and Capita's wider expertise.

Since January 2010, we have had a particularly strong period of making acquisitions, with £642m spent in the 2 years to 31 December 2011 and a further £129m on 10 acquisitions to date in 2012. In April 2012, we considered it appropriate to raise fresh equity to fund the pursuit of our pipeline of acquisitions, while allowing us to maintain a prudent yet efficient balance sheet. We undertook an equity placing which raised net proceeds of approximately £271m. A total of 40m ordinary shares were placed at 685 pence per share, representing 6.5% of the Company's share capital prior to the placing. Our acquisition pipeline remains active and we currently anticipate spending a total of £200m to £250m on acquisitions in 2012.

We have a strong track record of integrating acquired businesses well and achieving synergies with our existing operations and corporate functions. Acquisitions made in the last 4 years have delivered an estimated post tax return on capital of approximately 14% and we believe that the acquisitions in our current pipeline are capable of delivering similar returns.

To date in 2012, we have acquired 10 businesses in key market areas including:

- **Health**

  Aviva's occupational health business, a provider of a complete range of occupational health services to more than 500 organisations, acquired for £2.5m. The acquisition adds further expertise and capacity to Capita's health and wellbeing business and provides it with an entry into a number of new client sectors, including transport and logistics.

  Medicals Direct Holdings (`MDG'), a provider of medical screening services, for £13.2m. MDG provides more than 150,000 medical screenings every year, primarily to the life and pensions sector. The acquisition extends Capita's capabilities in this area, including the addition of home-based screening expertise which enhances our existing portfolio of clinic and mobile unit screening services.

  These 2 businesses strengthen our position in the medical assessments and disability support marketplace, an area where there are currently significant opportunities.

  Clinical Solutions Holdings, a provider of clinical decision support and clinical content products for healthcare professionals, for a cash consideration of £20m. Its products comprise patient management software, clinical content and decision support technology, which have been used to triage and manage over 70 million clinical calls over the past 10 years in the UK and abroad. The acquisition adds further expertise to Capita's existing services for the NHS which include support services for health providers and commissioners, clinical performance management services, health informatics and a range of finance, procurement, estates, IT and HR solutions.

- **Pensions administration**

  Bluefin Corporate Consulting, a provider of employee benefits consultancy to medium and large corporations, acquired for £50m. Bluefin has also developed award-winning benefits management technology which is used by more than 150 clients with over 80,000 employees. This acquisition extends the capability of our corporate pensions and actuarial consultancy business, complements other Capita employee and corporate support services and brings a number of private sector and banking clients to the Group.

- **Emergency services**

  Fortek Computers Ltd ('Fortek'), a provider of command, control and communications systems to emergency services, for a cash consideration of £3.5m. Its solutions deliver the full range of functionalities that support all control room operations from call taking, resource availability and incident management through to fielding out data securely to front line staff despatched to an incident.

  The acquisition complements the other businesses recently acquired by Capita in this area and enhances our existing command, control and communication solutions. Capita and Fortek have worked closely together for a number of years, most recently on a successful programme in Wales to provide a resilient, networked solution to the 3 Welsh Fire and Rescue Services control rooms. By joining together our next generation solutions we are well-placed to support shared service models and enable inter-agency communications and data exchange.

- **Insurance**

  Fish Administration, acquired for £21m, has added greater capacity and valuable new expertise to Capita's specialist insurance broking business. Fish is the market leader in the field of providing insurance broking services to the independent living and disability markets, with specialist insurance products including cover for adapted vehicles, travel, and mobility scooters. Alongside our existing specialist insurance broking business, we anticipate opportunities for growth in the motor, travel, independent living and carer insurance markets.

- **Offshore**

  Full Circle, acquired for £1m, is a leading contact centre solutions business based in Cape Town, South Africa. Since 2005, Full Circle has been directly involved in assisting international clients to offshore their operations successfully to South Africa. It has been associated with some of the most notable offshore projects in the region and will enable Capita to provide a full range of offshored services in South Africa to our clients, including outsourced customer service and fully-hosted contact centre solutions. The South African operation broadens our existing international delivery capability and complements our operations in India and Poland. We expect to have over 4,350 employees across our offshore operations by the year end, including 200 in South Africa.

Future prospects

With organic growth returning as expected, cash conversion improving and a good pipeline of potential acquisitions, Capita is positioned well for further growth. As a result of stronger major contract sales performance over the past 18 months, together with the contribution from recent acquisitions, we have clear visibility of revenue growth in 2012. These factors, coupled with the current buoyant sales environment, underpin our confidence in full year performance and provide a strong platform for further progression in 2013.

-Ends-

Half year condensed consolidated income statement
for the 6 months ended 30 June 2012

	Notes	30 June 2012 Underlying £m	30 June 2012 Non-underlying £m	30 June 2012 Total £m	30 June 2011 Underlying £m	30 June 2011 Non-underlying £m	30 June 2011 Total £m
Continuing operations:							
Revenue	3	**1,607.3**	**–**	**1,607.3**	1,399.9	–	1,399.9
Cost of sales		**(1,140.6)**	–	**(1,140.6)**	(989.8)	–	(989.8)
Gross profit		**466.7**	–	**466.7**	410.1	–	410.1
Administrative expenses		**(250.1)**	**(47.4)**	**(297.5)**	(217.1)	(33.8)	(250.9)
Operating profit	3	**216.6**	**(47.4)**	**169.2**	193.0	(33.8)	159.2
Net finance costs		**(25.9)**	**0.5**	**(25.4)**	(19.0)	1.2	(17.8)
Profit before tax	3	**190.7**	**(46.9)**	**143.8**	174.0	(32.6)	141.4
Income tax expense		**(40.0)**	**12.7**	**(27.3)**	(40.9)	8.7	(32.2)
Profit for the period		**150.7**	**(34.2)**	**116.5**	133.1	(23.9)	109.2
Attributable to:							
Equity holders of the parent		**150.7**	**(34.2)**	**116.5**	133.1	(23.9)	109.2
Earnings per share	4						
– basic		**24.19p**	**(5.49)p**	**18.70p**	21.95p	(3.94)p	18.01p
– diluted		**24.08p**	**(5.47)p**	**18.61p**	21.66p	(3.89)p	17.77p

Half year condensed consolidated statement of comprehensive income
for the 6 months ended 30 June 2012

	£m	30 June 2012 £m	£m	30 June 2011 £m
Profit for the period		**116.5**		109.2
Other comprehensive income/(expense):				
Actuarial losses on defined benefit pension schemes	**(41.1)**		(1.2)	
Income tax effect	**9.0**		0.1	
		(32.1)		(1.1)
Exchange differences on translation of foreign operations		**(2.2)**		4.0
Losses on cash flow hedges	**(11.0)**		(3.1)	
Reclassification adjustments for gains included in the income statement	**(0.7)**		(2.7)	
Income tax effect	**2.7**		1.6	
		(9.0)		(4.2)
Other comprehensive expense for the period net of tax		**(43.3)**		(1.3)
Total comprehensive income for the period net of tax		**73.2**		107.9
Attributable to:				
Equity holders of the parent		**73.2**		107.9

Half year condensed consolidated balance sheet

at 30 June 2012

	30 June 2012 £m	31 December 2011 £m
Non-current assets		
Property, plant and equipment	**346.0**	330.2
Intangible assets	**1,911.0**	1,828.9
Financial assets	**292.7**	293.8
Trade and other receivables	**54.7**	65.8
	2,604.4	2,518.7
Current assets		
Financial assets	**9.2**	3.0
Funds receivables	**143.1**	98.0
Trade and other receivables	**969.9**	846.3
Cash	**185.7**	71.5
	1,307.9	1,018.8
Total assets	**3,912.3**	3,537.5
Current liabilities		
Trade and other payables	**985.8**	936.5
Financial liabilities	**56.6**	36.5
Funds payables	**153.0**	107.1
Provisions	**18.8**	17.0
Income tax payable	**51.4**	47.0
	1,265.6	1,144.1
Non-current liabilities		
Trade and other payables	**8.9**	20.0
Financial liabilities	**1,672.9**	1,695.9
Deferred taxation	**0.7**	21.0
Provisions	**45.8**	46.7
Employee benefits	**125.7**	85.7
	1,854.0	1,869.3
Total liabilities	**3,119.6**	3,013.4
Net assets	**792.7**	524.1
Capital and reserves		
Issued share capital	**13.8**	13.0
Share premium	**732.6**	459.4
Employee benefit trust and treasury shares	**(0.4)**	(0.4)
Capital redemption reserve	**1.8**	1.8
Foreign currency translation reserve	**5.3**	7.5
Net unrealised gains reserve	**(16.5)**	(7.5)
Retained earnings	**56.1**	50.3
Equity shareholders' funds	**792.7**	524.1

Included in aggregate financial liabilities is an amount of £1,415.4m (31 December 2011: £1,432.2m) 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 £264.4m (31 December 2011: £256.8m) included in financial assets and £nil (31 December 2011: £0.9m) included in financial liabilities. Consequently, this gives an effective liability of £1,151.0m (31 December 2011: £1,176.3m).

Half year condensed consolidated statement of changes in equity

for the 6 months ended 30 June 2012

	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 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
At 1 January 2012	13.0	459.4	(0.4)	1.8	50.3	7.5	(7.5)	524.1
Profit for the period	**–**	**–**	**–**	**–**	**116.5**	**–**	**–**	**116.5**
Other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**(32.1)**	**(2.2)**	**(9.0)**	**(43.3)**
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**84.4**	**(2.2)**	**(9.0)**	**73.2**
Share based payment	**–**	**–**	**–**	**–**	**4.8**	**–**	**–**	**4.8**
Income tax deduction on exercise of share options	**–**	**–**	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Deferred income tax relating to share based payments	**–**	**–**	**–**	**–**	**2.8**	**–**	**–**	**2.8**
Shares issued	**0.8**	**273.2**	**–**	**–**	**–**	**–**	**–**	**274.0**
Equity dividends paid	**–**	**–**	**–**	**–**	**(86.7)**	**–**	**–**	**(86.7)**
At 30 June 2012	**13.8**	**732.6**	**(0.4)**	**1.8**	**56.1**	**5.3**	**(16.5)**	**792.7**

Half year condensed consolidated cash flow statement

for the 6 months ended 30 June 2012

	Notes	**30 June 2012 £m**	30 June 2011 £m
Cash flows from operating activities			
Operating profit on continuing activities before interest and taxation		**169.2**	159.2
Depreciation		**38.5**	34.0
Amortisation of intangible assets		**41.2**	28.3
Share based payment expense		**4.8**	5.6
Pensions		**(5.5)**	(6.0)
Movement in provisions		**(0.4)**	(8.8)
Movement in receivables and payables		**(46.5)**	(32.7)
Cash generated from operations		**201.3**	179.6
Income tax paid		**(29.5)**	(26.5)
Net interest paid		**(22.8)**	(17.7)
Net cash inflow from operating activities		**149.0**	135.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(55.0)**	(38.7)
Proceeds from sale of property, plant and equipment		**1.0**	0.3
Investment loan		**–**	0.5
Acquisition of subsidiary undertakings and businesses		**(106.2)**	(120.4)
Cash acquired with subsidiary undertakings		**0.2**	2.0
Debt repaid on acquisition of subsidiary undertakings		**(42.2)**	(16.9)
Net cash outflow from investing activities		**(202.2)**	(173.2)
Cash flows from financing activities			
Issue of ordinary share capital		**276.6**	2.7
Share transaction costs		**(2.6)**	–
Dividends paid	5	**(86.7)**	(81.2)
Capital element of finance lease rental payments	9	**(1.1)**	(0.3)
Asset based securitised financing arrangement	9	**–**	(7.8)
Instalment debtor movement		**–**	9.4
Proceeds on issue of debt	9	**185.0**	100.8
Revolving credit facility	9	**(178.0)**	–
Financing arrangement costs		**(1.1)**	(0.1)
Repayment of loan notes and long term debt	9	**(24.7)**	–
Net cash inflow from financing activities		**167.4**	23.5
Net increase/(decrease) in cash and cash equivalents		**114.2**	(14.3)
Cash and cash equivalents at the beginning of the period		**71.5**	(60.3)
Cash and cash equivalents at 30 June		**185.7**	(74.6)
Cash and cash equivalents comprise:			
Overdraft	9	**–**	(116.4)
Cash at bank and in hand	9	**185.7**	41.8
Total		**185.7**	(74.6)

Notes to the half year condensed consolidated financial statements

for the 6 months ended 30 June 2012

1 Corporate information

Capita 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 2012 were authorised for issue in accordance with a resolution of the Directors on 24 July 2012.

2 Basis of preparation, accounting policies, principal risks and uncertainties and going concern

(a) Basis of preparation

The half year condensed consolidated financial statements for the 6 months ended 30 June 2012 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 2011, 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 2011 were approved by the Board of Directors on 22 February 2012 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 2012 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

(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 2011, except for the adoption of the new standard as of 1 January 2012, noted below.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amendment) The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements. The adoption of this revised standard did not have any impact on the financial position or performance of the Group.

(c) Principal risks and uncertainties and going concern

The Directors have considered the principal risks and uncertainties affecting the Group's financial position and prospects in 2012. As described on pages 33 and 34 of the Group's Annual Report for 2011, the Group continues to be exposed to a number of risks and has well established systems and procedures in place to identify, assess and mitigate those risks. The risks faced by the Group have not changed significantly over the first 6 months of 2012 and are not expected to change materially in the remaining 6 months.

The principal risks include those arising from: failure to meet service level agreements, possible loss of contracts and damage to brand reputation; counterparty failure including disruption to supply chains or service interruption; failure to achieve planned synergies in acquisitions; weaker economic conditions are a key driver for outsourcing but extreme economic uncertainty may result in delays in purchasing decisions and reduced discretionary spend in some market segments; regulatory changes in different jurisdictions may impact businesses in those locations; failure to attract and maintain key staff; failure to secure sensitive or confidential data; and failure to comply with complex laws and regulations.

The Directors have considered the issues raised in the FRC's "Update for directors of listed companies: Responding to heightened country and currency risk in interim financial reports" and can report that, although the Group is not directly exposed to significant overseas sovereign and currency risks, it is exposed indirectly to increased counterparty risk. The Group attempts to mitigate this risk by counterparty monitoring and the avoidance of concentrations of counterparty risk.

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.

3 Segmental information

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011 respectively.

6 months ended 30 June	2012			2011		
	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	**119.1**	**(9.0)**	**110.1**	98.5	(9.7)	88.8
General Insurance	**75.6**	**–**	**75.6**	97.0	–	97.0
Life & Pensions Services	**325.0**	**(31.4)**	**293.6**	312.0	(33.9)	278.1
Integrated Services	**256.0**	**(6.9)**	**249.1**	114.7	(7.5)	107.2
Professional Services	**237.8**	**(51.1)**	**186.7**	258.3	(55.1)	203.2
IT Services & Consulting	**381.4**	**(63.6)**	**317.8**	356.3	(68.2)	288.1
Health	**105.9**	**(9.7)**	**96.2**	77.9	(10.5)	67.4
Property Services	**133.2**	**(13.1)**	**120.1**	139.5	(14.1)	125.4
Workplace Services	**170.4**	**(12.3)**	**158.1**	157.9	(13.2)	144.7
Total segments	**1,804.4**	**(197.1)**	**1,607.3**	1,612.1	(212.2)	1,399.9

Analysis of segment profit	**6 months to 30 June 2012 £m**	6 months to 30 June 2011 £m
Investor & Banking Services	**27.1**	21.6
General Insurance	**9.6**	12.8
Life & Pensions Services	**28.9**	26.4
Integrated Services	**36.7**	17.2
Professional Services	**45.7**	49.3
IT Services & Consulting	**28.8**	29.0
Health	**13.1**	11.6
Property Services	**8.1**	8.6
Workplace Services	**18.6**	16.5
Total underlying segment profit	**216.6**	193.0
Net underlying finance costs	**(25.9)**	(19.0)
Underlying profit before tax	**190.7**	174.0
Intangible amortisation	**(41.2)**	(28.3)
Acquisition costs	**(6.2)**	(5.5)
Financial instruments – mark to market	**0.5**	1.2
Profit before tax	**143.8**	141.4

4 Earnings per share

The average number of shares in issue during the period was 622.9m (30 June 2011: 606.4m). The diluted earnings per share have been calculated on the profit for the period of £116.5m (30 June 2011: £109.2m) and an average diluted number of shares of 625.8m (30 June 2011: 614.4m). As at 24 July 2012, there were 650.6m shares in issue.

5 Dividends

The interim dividend of 7.9p (2011: 7.2p) per share (not recognised as a liability at 30 June 2012) will be payable on 15 October 2012 to ordinary shareholders on the register at the close of business on 14 September 2012. The dividend disclosed in the cash flow statement represents the final ordinary dividend of 14.2p (2011: 13.4p) per share as proposed in the 31 December 2011 financial statements and approved at the Group's AGM (not recognised as a liability at 31 December 2011).

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	**4.1**
Intangible assets	**18.9**
Deferred tax	**(1.9)**
Debtors - gross	**32.5**
Provision for doubtful debts	**(2.8)**
Cash and cash equivalents	**0.2**
Creditors	**(11.5)**
Provisions	**(1.3)**
Long term debt	**(42.2)**
Net liabilities	**(4.0)**
Goodwill arising on acquisition	**98.9**
	94.9
Discharged by:	
Cash	**94.9**

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 £5.1m.

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

7 Provisions

	Insurance captive provision £m	Property provision £m	Arch Cru £m	Other £m	Total £m
At 1 January 2012	20.3	40.4	0.6	2.4	63.7
Utilisation	**(0.4)**	**(5.3)**	**(0.1)**	**(0.2)**	**(6.0)**
Additional provisions in the period	**4.1**	**1.5**	–	–	**5.6**
Provisions acquired	**–**	**1.3**	**–**	–	**1.3**
At 30 June 2012	**24.0**	**37.9**	**0.5**	**2.2**	**64.6**

The insurance provision is made in relation to the Group's Professional Indemnity, Motor and Employee Liability exposures. The Group uses a captive insurer to reduce the cost of providing this cover for its operations; claims that are in excess of the Captive's liability are reinsured with a number of large insurance underwriters. The Group makes provision when a claim has been made where it is more probable than not that an insured loss will occur. These provisions are reassessed regularly to ensure that the level of provisioning is consistent with the claims that have been reported.

The property provision includes a discounted provision for the difference between the market value of the property leases acquired in 2011 with Ventura and Vertex and the lease obligations committed to at the date the leases were signed by the previous owners. This is in accordance with IFRS 3 (revised) which requires the use of fair value measurement. The remaining property provision is made on a discounted basis for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations. The expectation is that this expenditure will be incurred over the remaining periods of the leases which range from 1 to 15 years.

Other relates to provisions in respect of potential claims arising due to the nature of some of the operations that the Group provides. These are likely to unwind over a period of 1 to 3 years.

8 Share capital

The Company completed a placing of shares in April 2012 for 40m ordinary shares at a price of 685 pence per share. The gross proceeds to the Company from the placing of the new ordinary shares were £274m. The new ordinary shares issued in the placing, representing approximately 6.5 per cent of the Company's issued share capital prior to the placing, were credited as fully paid and rank pari passu in all respects with the existing ordinary shares.

9 Movement in net debt

	Net debt at 1 January 2012 £m	Acquisitions in 2012 £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 30 June 2012 £m
Cash and cash equivalents	**71.5**	**0.2**	**114.0**	**–**	**185.7**
Cash	**71.5**	**0.2**	**114.0**	**–**	**185.7**
Loan notes	**(2.3)**	**–**	**–**	**(0.6)**	**(2.9)**
Bonds*	**(1,432.2)**	**–**	**24.7**	**(7.9)**	**(1,415.4)**
Term debt	**–**	**–**	**(185.0)**	**–**	**(185.0)**
Revolving credit facility	**(176.1)**	**–**	**178.0**	**(1.9)**	**–**
Currency swaps in relation to US $ denominated bonds*	**242.4**	**–**	**–**	**7.5**	**249.9**
Interest rate swaps in relation to GBP denominated bonds*	**13.5**	**–**	**–**	**1.0**	**14.5**
Long term debt	**–**	**(42.2)**	**42.2**	**–**	**–**
Finance leases	**(3.1)**	**–**	**1.1**	**–**	**(2.0)**
Underlying net debt	**(1,286.3)**	**(42.0)**	**175.0**	**(1.9)**	**(1,155.2)**
Fixed interest rate swaps	**(44.7)**	**–**	**–**	**(0.6)**	**(45.3)**
	(1,331.0)	**(42.0)**	**175.0**	**(1.9)**	**(1,200.5)**

* The aggregate bond fair value above of £1,415.4m (30 June 2011: £1,092.6m) includes the GBP value of the US$ denominated bonds. 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 swaps are 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 £1,151.0m (30 June 2011: £934.3m).

	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)
Cash	(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)
Underlying net debt	(898.5)	(16.9)	(97.8)	(0.1)	(1,013.3)
Fixed interest rate 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)

10 Capital commitments

At 30 June 2012, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £1.0m (2011: £3.2m).

11 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.

Pursuant to the Company's share placing which completed on 24 April 2012, funds managed by Invesco Limited, a substantial shareholder in the Company and therefore a related party of the Company (in each case, for the purposes of the Listing Rules of the UK Listing Authority), subscribed, pro rata to their previously existing holdings, for an additional 8,000,000 shares in the Company at the placing price of 685p representing an aggregate further investment of £54.8 million.

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

	6 months 30 June 2012 £m	6 months 30 June 2011 £m
Short term employment benefits	**2.1**	2.0
Post employment benefits	**0.1**	0.1
Share based payments	**1.0**	2.5
	3.2	4.6

Gains on share options exercised in the period by key management personnel totalled £4.9m (2011: £4.9m).

12 Contingent liabilities

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £49.0m (31 December 2011: £47.6m).

Further consideration may be due, dependent on certain performance criteria, on acquisitions completed by the Group since 2010 up to a maximum of £130.5m of which £57.2m has been provided. The Group expects that these payments, if ultimately due, will be satisfied by the end of 2016.

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 Capita plc are as listed in the Group's Annual Report for 2011. 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

24 July 2012