CAPITA

29 July 2015

Half year results for the 6 months to 30 June 2015

Good sales, operational and financial performance

Financial highlights	Underlying[1] 2015	Underlying[1,2] 2014	YOY change	Reported 2015
Revenue	£2,283m	£2,071m	+10%	£2,289m
Operating profit	£288.8m	£260.2m	+11%	£170.1m
Profit before tax	£264.9m	£238.0m	+11%	£146.1m
Earnings per share	32.03p	28.88p	+11%	17.69p
Interim dividend per share	10.5p	9.6p	+9%	10.5p

Highlights

Generating growth: contract wins, bid pipeline and win rate all increased

- £1.6bn of major contract wins (H1 2014: £1.3bn) including milestone contracts and frameworks in health and science:
  - Sole provider on £1bn NHS England Primary Care Support Services framework, with initial contract valued at up to £400m over 7 to 10 years
  - Fera joint venture with 10 year Defra contract, anticipated revenue of £700m over first 10 years, provides a strong platform for penetration of wider science market
  - Central London Community Health NHS Trust contract, worth £80m over 10 years
  - Sheffield City Council extension, worth £140m - £170m over 6 years from January 2016
- Major contract win rate above 2 in 3
- Bid pipeline £5.4bn (Feb 2015: £5.1bn), swiftly replenished after significant gains in the first half
- Active period for acquisitions: £279m invested in 11 businesses
- Formation of Capita Europe, following the acquisition of avocis, adds an exciting new growth platform
- Vertex Mortgage Services acquisition supports our ambition to become the mortgage processing partner of choice for existing mortgage providers and challenger banks
- New organisational structure: further alignment of capabilities and sectors to drive additional growth.

Robust financial results

- Underlying revenue growth[1] of 10%, including 3% organic growth[3]
- Underlying operating margin[1] of 12.7% (H1 2014[2]: 12.6%)
- Underlying profit before tax[1] up 11% to £265m (H1 2014[2]: £238m)
- Underlying operating cash[1] conversion rate of 104% (H1 2014[2]: 112%)
- Underlying free cash flow[1] up 6% to £180m (H1 2014[2]: £170m)
- Post tax ROCE[1] 14.5% (FY 2014: 14.8%).

Andy Parker, Chief Executive of Capita plc, commented:

“Capita has had a productive first half year, announcing significant contract wins in the health and science sectors and our largest ever acquisition, avocis in Northern Europe, all of which will contribute substantially to growth going forward. We continue to expect to deliver low double digit revenue growth in 2015, with a slight increase in organic growth in the second half of the year, following the delayed start of some new contracts. We expect organic growth to accelerate in 2016, supported by the conversion of our bid pipeline."

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1 *Excludes non-underlying items being: intangible amortisation, acquisition expenses, net contingent consideration movements, specific non-recurring items, non-cash impact of mark-to-market finance costs and businesses exited*

2 *H1 2014 includes Occupational Health disposed in H2 2014*

3 *Excludes the Occupational Health disposal in 2014 and the organic growth within the non-core health businesses exited in 2015*

Analyst & investor presentation:

Andy Parker, 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/investors.

Please dial into the call in time to allow for registration

Participant dial-in : +44 (0)20 3059 8125. Password: Capita

Replay: a replay of the conference call will be available for 7 days by dialling +44 (0)121 260 4861 (access code is 1260849#).

For further information:

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About Capita

Capita plc is the UK's leading provider of digitally enabled customer and business process services and integrated professional support services. With 68,000 people at over 400 sites, including 80 business centres across the UK, Europe, India and South Africa, 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 FTSE 100 with 2014 revenue of £4.4bn. Further information on Capita plc can be found at: www.capita.co.uk

CAPITA

Capita plc

Results for the 6 months to 30 June 2015

Overview

Capita is today reporting good financial results for the first half of 2015, underpinned by strong sales and operational performance.

Underlying revenue[1] increased by 10% to £2,283m (H1 2014[2]: £2,071m), including 3% organic growth[3], net of attrition, and 7% acquisition growth. Underlying operating profit[1] increased by 11% to £288.8m (H1 2014[2]: £260.2m) and underlying profit before tax[1] rose by 11% to £264.9m (H1 2014[2]: £238.0m). Underlying earnings per share[1] rose by 11% to 32.0p (H1 2014[2]: 28.9p) and we increased our dividend for the half year by 9% to 10.5p per share (H1 2014: 9.6p).

The majority of our divisions performed well in the first half of 2015, with strong growth particularly in our Asset Services and Digital & Software Solutions divisions and a pleasing initial contribution from Capita Europe. Our Workplace Services, Customer Management and Local Government, Health & Property divisions also delivered good growth.

To date this year, we have secured 10 major contracts with an aggregate value of £1.6bn (H1 2014: £1.3bn), comprising 76% new business and 24% renewed contracts and representing a win rate of above 2 in 3 for the Group by value. These included contracts with Defra, NHS England and Central London Community Health NHS Trust (CLCH) and we were also approved by NHS England to join the Lead Provider Framework for Commissioning Support Services, all strategically significant contract wins and frameworks in the science and health sectors. The bid pipeline currently stands at £5.4bn (February 2015: £5.1bn), comprised of 30 bids with a weighted average contract length of 8 years, including 97% new business and 3% renewals and extensions.

We continued to make acquisitions in the first half of 2015 to build capability in existing markets, enter new markets and enhance our future organic growth potential. We invested a total of £279m, excluding deferred and contingent considerations, in acquiring 11 businesses in the period, including avocis, which provides a key platform for Capita Europe, and Vertex Mortgage Services, the completion of which is subject to approval by the Financial Conduct Authority.

Financial update

Revenue – the Group increased underlying revenue[1] by 10% to £2,283m[1] (H1 2014[2]: £2,071m), comprising 3% organic growth[3], net of attrition, and 7% from acquisitions. Organic growth was driven by the full benefit from last year's contract gains, such as the Defence Infrastructure Organisation (DIO) and Transport for London Congestion Charging, and good underlying performances from our Asset Services and Workplace Services divisions. As expected, revenue declined in the Insurance & Benefits Services division as a result of planned contract step downs which will end this year.

Operating profit – underlying operating profit[1] increased by 11% to £288.8m[1] (H1 2014[2]: £260.2m). There were strong performances from Asset Services and Digital & Software Solutions divisions, the latter supported by acquisitions, and we were also pleased with the initial contribution from Capita Europe. Workplace Services, Customer Management, Local Government, Health & Property and IT Enterprise Services divisions all delivered good growth. Profits declined in the Insurance & Benefits Services division, as a result of the contract step downs, and the Integrated Services division, due to the residual impact of the Disclosure and Barring Service contract, which ended in March 2014.

1 *Excludes non-underlying items being: intangible amortisation, acquisition expenses, net contingent consideration movements, specific non-recurring items, non-cash impact of mark-to-market finance costs and businesses exited*

2 *H1 2014 includes Occupational Health disposed in H2 2014*

3 *Excludes the Occupational Health disposal in 2014 and the organic growth within the non-core health businesses exited in 2015*

Operating margin - underlying operating margin[1] was 12.7% (H1 2014[2]: 12.6%). We are confident that underlying Group operating margins will continue to be maintained in the range of 12.5% to 13.5% for the foreseeable future.

Profit before tax - underlying profit before tax[1] increased by 11% to £264.9m (H1 2014[2]: £238.0m). The underlying net interest charge[4] was £24m (H1 2014: £22m).

Earnings per share - underlying earnings per share[1] rose by 11% to 32.0p (H1 2014[2]: 28.9p), after non-controlling interests of £4m (H1 2014: £4m). Our underlying tax rate was 18.5% (H1 2014: 18.5%).

Dividend – the Board has declared an interim dividend of 10.5p per ordinary share (H1 2014: 9.6p), representing an increase of 9%. The interim dividend will be payable on 30 November 2015 to shareholders on the register at the close of business on 23 October 2015.

Cash flow – cash generated by underlying operations[1] was £300m (H1 2014[2]: £291m), representing an underlying operating profit[1] to cash conversion ratio of 104% (H1 2014[2]: 112%). We continue to target a strong medium to long term annual cash conversion ratio at or around 100%. Underlying free cash flow[1] was up 6% to £180m (H1 2014[2]: £170m), supported by tight control of our capital expenditure which was 2.5% of revenue in the first half. There are currently no indications of significant capex increases in our business forecasts or bid pipeline.

Return on capital employed – our post-tax return on average capital employed[1] (ROCE) was 14.5% (FY 2014[2]: 14.8%), based upon the 12 month rolling position from our last reporting date to 30 June. There was a 37bps drag from the end of the Disclosure & Barring contract, the last of the planned contract step downs in the Insurance & Benefits division and exited activities. Our ROCE compares favourably to our estimated post-tax weighted average cost of capital (WACC) of 7.2%.

Debt profile - As at 30 June 2015, net debt was £1,685m (H1 2014: £1,424m). Following issuance of $293.5m and £97m private placement notes in H1 2015, we have a total of £1,401m outstanding private placement bond debt, of which £97m matures in September 2015, £141m in 2016 and the remainder at various maturities to 2027. In addition, we have £300m of long term bank loans, of which £200m is repayable in January 2017 and the remainder in 2019, and a £600m revolving credit facility maturing in August 2020, which was unutilised and fully available at 30 June 2015.

At 30 June 2015, our annualised net debt to EBITDA[1] ratio was 2.4 (H1 2014[2]: 2.3) with annualised interest cover[1] at 14 times (H1 2014: 13 times). We expect 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 underlying interest cover below 7 times.

Our organisational structure

To further align ourselves and match relevant management expertise with clients and the markets in which we operate as we continue to grow, we have made a number of changes to our organisational structure. The key changes are the formation of three divisions: Capita Europe; Digital & Software Solutions, which brings together our software, digital, IT assurance and document services businesses for the first time; and Local Government, Health & Property. We have also re-formed our Integrated Services division, which is comprised of our large central government contracts. All our businesses are now managed in nine market facing or service specific divisions, as reflected by the segmental reporting in these results.

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1 *Excludes non-underlying items being: intangible amortisation, acquisition expenses, net contingent consideration movements, specific non-recurring items, non-cash impact of mark-to-market finance costs and businesses exited*

2 *H1 2014 includes Occupational Health disposed in H2 2014*

3 *Excludes the Occupational Health disposal in 2014 and the organic growth within the non-core health businesses exited in 2015*

4 *Before the impact of the movement in valuation of mark to market financial instruments*

Sales and business development review

Our major sales team focuses upon value enhancing transformational outsourcing and partnering solutions, where Capita has sustainable competitive advantage and can leverage its unique blend of services and commercial skills. We have made a good start to the year, securing 10 contracts with an aggregate value of £1.6bn in the first 6 months, comprising 76% new business and 24% renewed contracts and representing a win rate of above 2 in 3 for the Group by value.

Major contracts and frameworks announced to date in 2015

Health

- **NHS England Primary Care Support Services (PCSS)** - selected by NHS England as preferred bidder to establish a single provider framework for administrative support functions for primary care across the UK, which has a maximum total value of £1bn. Under the framework, Capita will secure an initial contract to deliver administrative support services for primary care in England, which is anticipated to be valued at up to circa £400m over 7 to 10 years, whilst achieving significant savings for NHS England.
- **Central London Community Healthcare NHS Trust (CLCH)** - signed a contract with CLCH to form a strategic partnership to deliver corporate services including ICT, HR (payroll and recruitment), estates and facilities management, followed by the planned delivery of finance services. The contract is expected to be worth £80m over 10 years, whilst delivering significant budget savings to CLCH.
- **NHS England Support Services Framework** - approved by NHS England to join the Lead Provider Framework for Commissioning Support Services. Clinical Commissioning Groups (CCGs) will be required to re-procure many of their support services by April 2016 in order to comply with EU procurement law. NHS England anticipates that between £3-5bn of administration support services will be procured through the framework.

Science

- **Fera JV and Defra contract** - appointed by the Department for Environment, Food & Rural Affairs (Defra) to form a joint venture to operate the Food and Environment Research Agency (Fera), which is expected to achieve £700m revenue over its first 10 years including a service agreement with Defra and the Health & Safety Executive. Fera provides scientific services to government and commercial customers across the food and agriculture supply chains in the UK and overseas. The formation of the Fera JV, transfer of staff and introduction and implementation of Capita financial and administration systems have all been achieved smoothly and swiftly. Alongside this activity, we have met all key performance indicators in the delivery of services back to Defra under the long-term service agreement and have already generated increased interest from existing and new commercial clients.

Other major contracts and update

- **Sheffield City Council** - extended our existing service delivery contract with Sheffield City Council by 6 years, worth £140m - £170m from January 2016. Capita will continue to deliver the core range of services on behalf of the Council, including ICT, revenues, benefits, HR and payroll and financial business transactions. Capita will also provide additional business change capacity where it will work in partnership with the Council to define and deliver projects designed to raise revenue and generate additional savings over the life of the extended contract.
- We have secured £240m of other contracts, including the extension and renewal of relationships with **British Gas**, the **Home Office** and **Marks & Spencer**.
- Following exchange of contracts, we expect to commence our mortgage servicing contract with **The Co-operative Bank** on 1 August 2015, some 6 months later than originally anticipated.

Bid pipeline

Our bid pipeline shows the total contract value of our major sales bids at a specific point in time, which we disclose 3 times a year. It contains all bids with total contracted revenue worth between £25m and a capped ceiling of £1bn, where we have been short-listed to the last 4 or fewer. The bid pipeline currently stands at £5.4bn (February 2015: £5.1bn), comprised of 30 bids with a weighted average contract length of 8 years, including 97% new business and 3% renewals and extensions. The bid pipeline contains 2 new opportunities in Europe which we have originated since the acquisition of avocis.

The Group is increasing its emphasis on technology enabled business process services and targeting more growth and asset based bid opportunities. We are seeing good activity in both the private sector (61% of the pipeline), particularly in telecoms and financial services, and the public sector (39% of the pipeline), which accounted for the bulk of our contract gains in the first half. We have no material contracts, defined as having forecast annual revenue in excess of 1% of 2014 revenue, up for rebid until 2019.

Generating future organic growth through acquisitions

We make acquisitions to build capability in existing markets, enter new markets and enhance our future organic growth potential, largely focusing upon small to medium sized businesses. We aim to drive value creation for shareholders through our acquisition strategy and seek to achieve a 15% post tax ROCE after integration into the Group.

In the first half of 2015 we invested a total of £279m, excluding deferred and contingent considerations, in acquiring 11 businesses, including:

Market leading mortgage administration software: we are in the process of acquiring **Vertex Mortgage Services (Vertex MS)** for £35m on a cash/debt free basis, the completion of which is subject to approval by the Financial Conduct Authority. Coupling Vertex MS's specialist mortgage administration software with Capita's experience in business process and customer service transformation will position us uniquely to deliver real value in the mortgage market. The acquisition supports our ambition to become the mortgage processing partner of choice for existing mortgage providers and challenger banks.

avocis adds scale and exciting new growth platform in Europe: in February we acquired **avocis**, a leading provider of customer contact management services in Germany, Switzerland and Austria, for €210m (£157m) on a cash/debt free basis. avocis has a strong position in the German speaking regions of Europe serving similar sectors to Capita's UK-based customer management business, with high quality, long term clients particularly in telecoms, e-commerce and utilities. Subsequently, we formed Capita Europe, a new division comprised of avocis, our existing near-shore operation in Poland, tricontes and Scholand & Beiling (acquired January 2015). We are very encouraged by the development of this pipeline of new work, with significant opportunities to grow through both expanding existing relationships and the addition of new clients, with whom a number of discussions have commenced.

Commercialising government assets: in January we acquired **Constructionline**, an on-line supplier pre-qualification service which was previously operated as a concession by Capita, for a cash consideration of £35m. Ownership will enable us to be more commercial, driving growth through increasing market penetration, adding higher value services and expanding into other sectors.

Expanding enterprise wireless networking in IT Services: in May we acquired **Pervasive**, a fast growing IT reseller specialising in enterprise wireless networking and the leading EMEA partner for Aruba, the wireless networking provider owned by HP. This acquisition complements our existing reseller capability and positions us with a broader spectrum of services to support our clients.

Adding value in recruitment and enhancing our HR software: in March we acquired **ThirtyThree**, an employer branding and marketing agency, which enhances our managed services recruitment offering within the Workplace Services division. In May we also acquired **Isys**, a software business which provides time and attendance, HR, workforce scheduling, screening and identity verification solutions.

Group Board

On 30 June 2015 we announced that Carolyn Fairbairn, Non-Executive Director of Capita plc, will be standing down from her position at Capita prior to taking up her new appointment as Director General of the CBI. The Board thanks Carolyn for her valued contribution to Capita, which drew on her broad commercial experience and business acumen, and wish her well in her new role with the CBI. We are currently undertaking a recruitment process to select her successor.

Future prospects

Our good operational, sales and financial performance in the first half positions us well and we continue to expect to deliver low double digit revenue growth in 2015, with a slight increase in organic growth in the second half of the year, following the delayed start of some new contracts. We expect organic growth to accelerate in 2016, supported by the conversion of our bid pipeline.

Capita operates in a large addressable market with scope to increase penetration due to our own competitive advantages and a number of structural factors such as fiscal pressure, digitisation, regulation and changing demographics. With good growth in our existing markets, an increasing footprint in health and new platforms in science and Northern Europe, we are well placed to deliver a combination of sustainable growth, high levels of cash flow and strong return on capital over the medium term.

-Ends-

Half year condensed consolidated income statement
for the 6 months ended 30 June 2015

	Notes	30 June 2015 Underlying £m	30 June 2015 Businesses exited £m	30 June 2015 Other non-underlying £m	30 June 2015 Total £m	30 June 2014 Underlying £m	30 June 2014 Non-underlying £m	30 June 2014 Total £m
Continuing operations:								
Revenue	3	**2,282.7**	**6.2**	**—**	**2,288.9**	2,071.0	—	2,071.0
Cost of sales		**(1,641.9)**	**(9.1)**	**—**	**(1,651.0)**	(1,491.6)	—	(1,491.6)
Gross profit		**640.8**	**(2.9)**	**—**	**637.9**	579.4	—	579.4
Administrative expenses	4,5	**(352.0)**	**(13.0)**	**(102.8)**	**(467.8)**	(319.2)	(77.8)	(397.0)
Operating profit	4,5	**288.8**	**(15.9)**	**(102.8)**	**170.1**	260.2	(77.8)	182.4
Net finance costs	6	**(23.9)**	**—**	**1.6**	**(22.3)**	(22.2)	(7.9)	(30.1)
Loss on disposal	4	**—**	**(1.7)**	**—**	**(1.7)**	—	—	—
Profit before tax		**264.9**	**(17.6)**	**(101.2)**	**146.1**	238.0	(85.7)	152.3
Income tax expense		**(49.0)**	**2.7**	**18.9**	**(27.4)**	(44.0)	16.4	(27.6)
Profit for the period		**215.9**	**(14.9)**	**(82.3)**	**118.7**	194.0	(69.3)	124.7
Attributable to:								
Owners of the Company		**211.9**	**(14.9)**	**(80.0)**	**117.0**	190.1	(67.7)	122.4
Non-controlling interests		**4.0**	**—**	**(2.3)**	**1.7**	3.9	(1.6)	2.3
		215.9	**(14.9)**	**(82.3)**	**118.7**	194.0	(69.3)	124.7
Earnings per share	7							
– basic		**32.03p**	**(2.25)p**	**(12.09)p**	**17.69p**	28.88p	(10.28)p	18.60p
– diluted		**31.86p**	**(2.24)p**	**(12.03)p**	**17.59p**	28.62p	(10.19)p	18.43p

Half year condensed consolidated statement of comprehensive income
for the 6 months ended 30 June 2015

	30 June 2015 £m	30 June 2015 £m	30 June 2014 £m	30 June 2014 £m
Profit for the period		**118.7**		124.7
Other comprehensive expense				
Items that will not be reclassified subsequently to profit or loss				
Actuarial loss on defined benefit pension schemes	**(31.3)**		(28.0)	
Deferred tax effect	**6.3**		5.6	
		(25.0)		(22.4)
Items that will or may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		**(15.9)**		(5.2)
(Loss)/gain on cash flow hedges	**(1.0)**		2.3	
Reclassification adjustments for losses included in the income statement	**1.4**		2.8	
Income tax effect	**(0.1)**		(1.0)	
		0.3		4.1
		(15.6)		(1.1)
Other comprehensive expense for the period net of tax		**(40.6)**		(23.5)
Total comprehensive income for the period net of tax		**78.1**		101.2
Attributable to:				
Owners of the Company		**76.4**		98.9
Non-controlling interests		**1.7**		2.3
		78.1		101.2

Half year condensed consolidated balance sheet
at 30 June 2015

	30 June 2015 £m	31 December 2014 £m
Non-current assets		
Property, plant and equipment	**450.0**	448.8
Intangible assets	**2,839.9**	2,619.4
Financial assets	**145.6**	178.2
Deferred tax asset	**7.3**	12.5
Trade and other receivables	**74.7**	73.5
	3,517.5	3,332.4
Current assets		
Financial assets	**30.0**	14.7
Funds assets	**235.4**	118.2
Trade and other receivables	**1,101.9**	988.1
Cash	**458.7**	458.9
	1,826.0	1,579.9
Total assets	**5,343.5**	4,912.3
Current liabilities		
Trade and other payables	**1,165.3**	1,128.2
Overdrafts	**353.2**	429.8
Financial liabilities	**318.4**	164.8
Funds liabilities	**235.4**	118.2
Provisions	**70.0**	69.6
Income tax payable	**48.1**	42.6
	2,190.4	1,953.2
Non-current liabilities		
Trade and other payables	**44.2**	28.3
Financial liabilities	**1,951.3**	1,780.8
Provisions	**61.1**	42.0
Employee benefits	**230.1**	192.5
	2,286.7	2,043.6
Total liabilities	**4,477.1**	3,996.8
Net assets	**866.4**	915.5
Capital and reserves		
Issued share capital	**13.8**	13.8
Share premium	**500.9**	499.0
Employee benefit trust and treasury shares	**(0.3)**	(0.3)
Capital redemption reserve	**1.8**	1.8
Foreign currency translation reserve	**(20.2)**	(4.3)
Cash flow hedging reserve	**(14.5)**	(14.8)
Retained earnings	**312.1**	354.7
Equity attributable to owners of the Company	**793.6**	849.9
Non-controlling interests	**72.8**	65.6
Total equity	**866.4**	915.5

Included in aggregate financial liabilities is an amount of £1,567.2m (31 December 2014: £1,306.8m) 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 £166.7m (31 December 2014: £185.4m) included in financial assets and £0.4m (31 December 2014: £0.6m) included in financial liabilities. Consequently, this gives an effective liability of £1,400.9m (31 December 2014: £1,122.0m).

Half year condensed consolidated statement of changes in equity

for the 6 months ended 30 June 2015

	Share capital	Share premium	Employee benefit trust & treasury shares	Capital redemption reserve	Retained earnings	Foreign currency translation reserve	Cash flow hedging reserve	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2014	13.8	491.2	(0.4)	1.8	350.4	2.0	(24.1)	834.7	61.6	896.3
Profit for the period	—	—	—	—	122.4	—	—	122.4	2.3	124.7
Other comprehensive income/(expense)	—	—	—	—	(22.4)	(5.2)	4.1	(23.5)	—	(23.5)
Total comprehensive income/(expense) for the period	—	—	—	—	100.0	(5.2)	4.1	98.9	2.3	101.2
Share based payment	—	—	—	—	5.8	—	—	5.8	—	5.8
Income tax deduction on exercise of share options	—	—	—	—	2.0	—	—	2.0	—	2.0
Deferred income tax relating to share based payments	—	—	—	—	1.1	—	—	1.1	—	1.1
Fair value movement in put options of non-controlling interest	—	—	—	—	(4.6)	—	—	(4.6)	—	(4.6)
Shares issued	—	2.9	—	—	—	—	—	2.9	—	2.9
Equity dividends paid	—	—	—	—	(117.2)	—	—	(117.2)	—	(117.2)
At 30 June 2014	13.8	494.1	(0.4)	1.8	337.5	(3.2)	(20.0)	823.6	63.9	887.5
At 1 January 2015	13.8	499.0	(0.3)	1.8	354.7	(4.3)	(14.8)	849.9	65.6	915.5
Profit for the period	**—**	**—**	**—**	**—**	**117.0**	**—**	**—**	**117.0**	**1.7**	**118.7**
Other comprehensive income/(expense)	**—**	**—**	**—**	**—**	**(25.0)**	**(15.9)**	**0.3**	**(40.6)**	**—**	**(40.6)**
Total comprehensive income/(expense) for the period	**—**	**—**	**—**	**—**	**92.0**	**(15.9)**	**0.3**	**76.4**	**1.7**	**78.1**
Share based payment	**—**	**—**	**—**	**—**	**5.4**	**—**	**—**	**5.4**	**—**	**5.4**
Investment in non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6.7**	**6.7**
Put option of non-controlling interest acquired	**—**	**—**	**—**	**—**	**(9.8)**	**—**	**—**	**(9.8)**	**—**	**(9.8)**
Income tax deduction on exercise of share options	**—**	**—**	**—**	**—**	**1.4**	**—**	**—**	**1.4**	**—**	**1.4**
Deferred income tax relating to share based payments	**—**	**—**	**—**	**—**	**2.3**	**—**	**—**	**2.3**	**—**	**2.3**
Fair value movement in put options of non-controlling interests	**—**	**—**	**—**	**—**	**(4.2)**	**—**	**—**	**(4.2)**	**—**	**(4.2)**
Shares issued	**—**	**1.9**	**—**	**—**	**—**	**—**	**—**	**1.9**	**—**	**1.9**
Equity dividends paid	**—**	**—**	**—**	**—**	**(129.7)**	**—**	**—**	**(129.7)**	**(1.2)**	**(130.9)**
At 30 June 2015	**13.8**	**500.9**	**(0.3)**	**1.8**	**312.1**	**(20.2)**	**(14.5)**	**793.6**	**72.8**	**866.4**

Half year condensed consolidated cash flow statement
for the 6 months ended 30 June 2015

	Notes	30 June 2015 £m	30 June 2014 £m
Cash flows from operating activities			
Operating profit on continuing activities before interest and taxation		**170.1**	182.4
Adjustment for non-cash items:			
Depreciation		**43.3**	39.2
Amortisation of intangible assets (treated as depreciation)		**6.3**	3.1
Share based payment expense		**5.4**	5.8
Employee benefits		**(1.2)**	0.1
Loss on disposal of property, plant and equipment		**0.3**	0.7
Adjustment for non-underlying non-cash items:			
Accelerated depreciation on business exit		**1.0**	—
Accelerated amortisation on business exit		**2.2**	—
Working capital derecognised on business exit		**1.3**	—
Amortisation of intangible assets recognised on acquisition		**80.5**	71.1
Contingent consideration		**1.3**	(2.0)
Non-underlying provisions expense		**20.0**	—
Movement in underlying provisions (net)		**3.6**	(0.2)
Movement in receivables and payables		**(36.9)**	(9.3)
Cash generated from operations before non-underlying cash items		**297.2**	290.9
Asset Services settlement provision cash paid	10	**(2.0)**	(0.7)
Business exit provision cash paid	10	**(7.0)**	(10.5)
Cash generated from operations		**288.2**	279.7
Income tax paid		**(41.9)**	(42.0)
Net interest paid		**(20.7)**	(19.8)
Net cash inflow from operating activities		**225.6**	217.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(41.9)**	(55.9)
Purchase of intangible assets		**(15.0)**	(3.1)
Proceeds from sale of property, plant and equipment		**0.2**	0.3
Acquisition of public sector subsidiary partnerships		**(20.0)**	(6.8)
Acquisition of subsidiary undertakings and businesses		**(232.6)**	(219.6)
Debt repaid on acquisition of subsidiary undertakings		**(41.5)**	(17.1)
Cash acquired with subsidiary undertakings		**11.8**	15.7
Cash disposed of with other subsidiary undertakings		**(1.7)**	—
Deferred consideration paid		**(6.9)**	(23.9)
Contingent consideration paid		**(27.7)**	(8.5)
Purchase of financial assets		**(0.2)**	(5.9)
Net cash outflow from investing activities		**(375.5)**	(324.8)
Cash flows from financing activities			
Issue of ordinary share capital		**1.9**	2.9
Dividends paid	8	**(130.9)**	(117.2)
Capital element of finance lease rental payments	11	**(2.7)**	(2.4)
Proceeds on issue of bank loans	11	**80.0**	100.0
Proceeds on issue of bonds	11	**279.5**	—
Repayment of loan note	11	**(0.1)**	(0.2)
Financing arrangement costs		**(1.1)**	—
Net cash inflow/(outflow) from financing activities		**226.6**	(16.9)
Net decrease in cash and cash equivalents		**76.7**	(123.8)
Cash and cash equivalents at the beginning of the period		**29.1**	157.8
Impact of movement in exchange rates	11	**(0.3)**	—
Cash and cash equivalents at 30 June		**105.5**	34.0
Cash and cash equivalents comprise:			
Cash at bank and in hand		**458.7**	538.6
Overdraft		**(353.2)**	(504.6)
Total	11	**105.5**	34.0

Notes to the half year condensed consolidated financial statements
for the 6 months ended 30 June 2015

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 2015 were authorised for issue in accordance with a resolution of the Directors on 28 July 2015.

2 Basis of preparation, judgements and estimates, 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 2015 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct 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 2014, 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 2014 were approved by the Board of Directors on 25 February 2015 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 2015 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

(b) Judgements and estimates

In preparing these half year condensed consolidated financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at the year ended 31 December 2014.

(c) 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 2014, except for the adoption of the following new amendments with an initial date of application of 1 January 2015.

IAS 19 Amendments: Defined Benefit Plans: Employee Contributions IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014, and is not expected to have any material impact on the Group.

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011-2013 Cycle As part of its annual improvements cycles the International Accounting Standards Board amended various standards primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective for annual periods beginning on or after 1 July 2014, did not have any material impact on the Group.

(d) 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 2015. As described on pages 36 to 44 of the Group's Annual Report for 2014, 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 2015 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; counter-party 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 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 "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014", the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they consider it appropriate to 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 2015 and 2014 respectively. The comparative figures have been restated due to a reorganisation of the Group's business segments and a consequent change in the way in which the results of the business are reported to the Group Board.

6 months ended 30 June			**2015**			2014
	Total revenue	**Inter-segment revenue**	**External revenue**	Total revenue	Inter-segment revenue	External revenue
Analysis of segment revenue	**£m**	**£m**	**£m**	£m	£m	£m
Digital & Software Solutions	**287.1**	**(39.6)**	**247.5**	243.7	(32.8)	210.9
Integrated Services	**237.1**	**(26.6)**	**210.5**	204.0	(18.7)	185.3
Local Government, Health & Property	**359.6**	**(33.5)**	**326.1**	360.1	(51.8)	308.3
Workplace Services	**328.3**	**(26.3)**	**302.0**	291.3	(13.5)	277.8
IT Enterprise Services	**338.6**	**(63.5)**	**275.1**	346.7	(63.3)	283.4
Asset Services	**196.7**	**(18.1)**	**178.6**	167.4	(15.0)	152.4
Customer Management & International	**327.7**	**(8.6)**	**319.1**	292.6	(7.1)	285.5
Capita Europe	**82.3**	**(0.2)**	**82.1**	7.0	(0.2)	6.8
Insurance & Benefits Services	**423.2**	**(81.5)**	**341.7**	404.9	(44.3)	360.6
Underlying segment revenue	**2,580.6**	**(297.9)**	**2,282.7**	2,317.7	(246.7)	2,071.0
Non-underlying segment revenue	**6.2**	**—**	**6.2**	—	—	—
Total segment revenue	**2,586.6**	**(297.9)**	**2,288.9**	2,317.7	(246.7)	2,071.0

	Note	**6 months to 30 June 2015**	6 months to 30 June 2014
Analysis of segment profit		**£m**	**£m**
Digital & Software Solutions		**61.1**	51.1
Integrated Services		**23.6**	25.8
Local Government, Health & Property		**35.4**	32.1
Workplace Services		**32.7**	29.0
IT Enterprise Services		**23.1**	21.7
Asset Services		**44.2**	38.4
Customer Management & International		**32.3**	28.5
Capita Europe		**8.4**	0.7
Insurance & Benefits Services		**28.0**	32.9
Total underlying trading result		**288.8**	260.2
Non-underlying trading result	4	**(3.7)**	—
Total trading result		**285.1**	260.2
Non-trading items:			
Intangible amortisation	5	**(80.5)**	(71.1)
Acquisition costs	5	**(8.7)**	(8.7)
Asset Services settlement provision	10	**(12.3)**	—
Business exit provision	4	**(12.2)**	—
Contingent consideration movement	5	**(1.3)**	2.0
Operating profit		**170.1**	182.4
Finance expense (net)	6	**(22.3)**	(30.1)
Loss on business disposal	4	**(1.7)**	—
Profit before tax		**146.1**	152.3
Income tax		**(27.4)**	(27.6)
Profit for the period		**118.7**	124.7

4 Businesses exited

In the 6 months to 30 June 2015, the Group exited some of its small non-core health businesses.

Income statement impact		Non-trading			
	Trading £m	Cash £m	Non-cash £m	Total £m	Total £m
Revenue	**6.2**	**—**	**—**	**—**	**6.2**
Cost of sales	**(9.1)**	**—**	**—**	**—**	**(9.1)**
Gross profit	**(2.9)**	**—**	**—**	**—**	**(2.9)**
Administrative expenses	**(0.8)**	**(7.7)**	**(4.5)**	**(12.2)**	**(13.0)**
Operating loss	**(3.7)**	**(7.7)**	**(4.5)**	**(12.2)**	**(15.9)**
Loss on business disposal	**—**	**(1.7)**	**—**	**(1.7)**	**(1.7)**
Loss before tax	**(3.7)**	**(9.4)**	**(4.5)**	**(13.9)**	**(17.6)**
Taxation	**0.7**	**1.5**	**0.5**	**2.0**	**2.7**
Loss after tax	**(3.0)**	**(7.9)**	**(4.0)**	**(11.9)**	**(14.9)**

Trading revenue and costs represent the trading performance of these businesses in the period to the date of exit.

Non-trading costs include the costs of exiting a number of small non-core health businesses and ongoing stranded costs such as IT, property lease and redundancy payments. It is expected that these expenses will be incurred over the next twelve months.

Included within non-trading administrative expenses in the table above are:

	£m
Provision made in respect of business exit costs	**7.7**
Accelerated depreciation on business exit	**1.0**
Accelerated amortisation on business exit	**2.2**
Working capital derecognised on business exit	**1.3**
Total	**12.2**

The table below summarises the loss on disposal:

	£m
Cash	**1.7**
Total net assets disposed of	**1.7**
Net proceeds received £nil	**—**
Loss on business disposal	**1.7**

5 Administrative expenses

Included within administrative expenses in the other non-underlying column are:

		6 months to 30 June 2015				6 months to 30 June 2014			
		Cash in year	**Cash in future**	**Non-cash**	**Total**	Cash in year	Cash in future	Non-cash	Total
	Notes	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Amortisation of acquired intangibles		**—**	**—**	**80.5**	**80.5**	—	—	71.1	71.1
Contingent consideration movements	12	**—**	**—**	**1.3**	**1.3**	—	—	(2.0)	(2.0)
Asset Services settlement provision	10	**—**	**12.3**	**—**	**12.3**	—	—	—	—
Professional fees regarding acquisitions		**4.1**	**4.1**	**—**	**8.2**	3.2	4.0	—	7.2
Stamp duty paid on acquisitions		**0.5**	**—**	**—**	**0.5**	1.5	—	—	1.5
Total		**4.6**	**16.4**	**81.8**	**102.8**	4.7	4.0	69.1	77.8

6 Net finance costs

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m
Bank interest receivable	**(0.1)**	(0.1)
Interest receivable	**(0.1)**	(0.1)
Bonds	**16.5**	16.0
Finance lease	**0.2**	0.3
Bank loans and overdrafts	**4.1**	3.6
Net interest cost on defined benefit pension schemes	**3.2**	2.4
Interest payable	**24.0**	22.3
Underlying net finance costs	**23.9**	22.2
Fixed rate interest rate swaps – mark to market	**(3.3)**	6.9
Discount unwind on public sector subsidiary partnership payment	**1.1**	1.0
Non-designated foreign exchange forward contracts – mark to market	**0.5**	0.5
Derivatives' counterparty credit risk adjustment – mark to market	**0.2**	(0.3)
Derivatives' own credit risk adjustment – mark to market	**(0.1)**	(0.2)
Non-underlying net finance costs	**(1.6)**	7.9
Total net finance costs	**22.3**	30.1

7 Earnings per share

Basic earnings per share have been calculated using the weighted average number of shares in issue during the period of 661.6m (30 June 2014: 658.2m). The diluted average number of shares is 665.1m (30 June 2014: 664.2m) having adjusted the weighted average number of shares for shares yet to be issued that will be dilutive.

The profits used to calculate the measures are the underlying profit attributable to shareholders of £211.9m (30 June 2014: £190.1m) and the total profit attributable to shareholders of £117.0m (30 June 2014: £122.4m).

As at 24 July 2015, there were 662.3m shares in issue.

8 Dividends

The interim dividend of 10.5p (2014: 9.6p) per share (not recognised as a liability at 30 June 2015) will be payable on 30 November 2015 to ordinary shareholders on the register at the close of business on 23 October 2015. The dividend disclosed in the statement of changes in equity represents the final ordinary dividend of 19.6p (2014: 17.8p) per share as proposed in the 31 December 2014 financial statements and approved at the Group's AGM (not recognised as a liability at 31 December 2014).

9 Business combinations

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

	avocis	Public sector subsidiary partnership	Other acquisitions	Provisional fair value to Group
	£m	£m	£m	£m
Property, plant and equipment	**7.2**	**3.4**	**1.0**	**11.6**
Intangible assets	**105.1**	**10.9**	**31.1**	**147.1**
Trade and other receivables < 1 year	**47.4**	**2.7**	**18.8**	**68.9**
Cash and cash equivalents	**6.4**	**—**	**5.4**	**11.8**
Trade and other payables < 1 year	**(19.8)**	**(1.8)**	**(10.4)**	**(32.0)**
Accruals < 1 year	**(8.4)**	**(1.1)**	**(7.8)**	**(17.3)**
Provisions	**(3.6)**	**—**	**(1.3)**	**(4.9)**
Income tax	**(7.0)**	**—**	**(0.9)**	**(7.9)**
Deferred tax	**(21.5)**	**(2.2)**	**(3.9)**	**(27.6)**
Employee benefits liability	**(4.3)**	**—**	**—**	**(4.3)**
Long term debt	**(39.3)**	**—**	**(2.2)**	**(41.5)**
Net assets	**62.2**	**11.9**	**29.8**	**103.9**
Goodwill arising on acquisition	**75.2**	**14.8**	**68.4**	**158.4**
Non-controlling interest	**—**	**(6.7)**	**—**	**(6.7)**
	137.4	**20.0**	**98.2**	**255.6**
Discharged by:				
Cash consideration paid	**137.4**	**20.0**	**90.6**	**248.0**
Contingent consideration accrued	**—**	**—**	**7.6**	**7.6**
	137.4	**20.0**	**98.2**	**255.6**

The full exercise to determine the fair value of intangible assets is still to be completed, thus the above numbers are provisional. In respect of the acquisitions made in 2015, the Group has agreed to pay the vendors additional consideration dependent on the achievement of performance targets in the periods post acquisition. These performance periods are of up to 3 years in duration and will be settled in cash on their payment date on achieving the performance criteria. The range of the additional consideration payment is estimated to be between £5m and £13m. The Group has included £7.6m as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities by weighting the probability of a range of payments to give an estimate of the final obligation.

Further cash consideration was paid in respect of previous acquisitions of £34.6m.

10 Provisions

	Business exit provision	Asset services settlement provision	Insurance provision	Property provision	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2015	26.5	24.8	22.5	35.4	2.4	111.6
Utilisation	**(7.0)**	**(2.0)**	**(0.8)**	**(2.2)**	**(0.4)**	**(12.4)**
Provided in the period (net)	**7.7**	**12.3**	**5.1**	**—**	**1.9**	**27.0**
Provisions acquired	**—**	**—**	**—**	**4.9**	**—**	**4.9**
At 30 June 2015	**27.2**	**35.1**	**26.8**	**38.1**	**3.9**	**131.1**

The provisions made above have been shown as current or non-current on the balance sheet to indicate the Group's expected timing of the matters reaching conclusion.

Business exit provision: The utilisation of this provision relates to ongoing costs incurred subsequent to the decisions to dispose of or close businesses in previous periods. The additional provision of £7.7m in 2015 relates to costs that will be incurred as a result of the disposal and closure of some small non-core health businesses. The provision is expected to unwind over 2 years.

Asset Services settlement provision relates to two matters:

Arch Cru: The parties to the CF Arch Cru Funds group litigation have entered into a full and final settlement of the proceedings on confidential terms.

Connaught: The potential costs in resolving the matter relating to Connaught Income Series 1 Fund ("The Fund"), of which CFM was the Operator until September 2009, when it was replaced by another Operator company unrelated to Capita (following which CFM had no further involvement with the Fund). The Fund went into liquidation in 2012 and its liquidator has bought a claim against both former Operators. The Financial Conduct Authority (FCA) was supporting the negotiations being undertaken between all parties but on 10 March 2015 confirmed that it had withdrawn from the negotiations and has decided to formally review the activities of both Operators. At this time no conclusion has been reached on whether any wrongdoing has occurred. No further provision has been made in regard to this matter at 30 June 2015. Due to the requirement to await the outcome of the formal review commenced by the FCA, this matter may not be settled until 2016.

During the 6 months to 30 June 2015, the Group utilised £2.0m of the provision in respect of professional fees related to these two matters.

Insurance provision: Made in relation to the Group's professional indemnity, motor and employee liability exposures. 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. In the period, the Group has settled a number of insurance liabilities which it had provided for in previous years. Additionally, it has made provision for new claims and increased or decreased existing provision where more information on the progress of the claim has become available. The Group's exposure is further mitigated by having in place a number of large insurance underwriters.

Property provision: Includes a provision, on a discounted basis, for the difference between the market value of property leases acquired in 2011 with the Ventura and Vertex Private Sector acquisitions 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 24 years.

Other provision: 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.

11 Movement in net debt

	Net debt at 1 January 2015	Acquisitions in 2015	Cash flow movements	Non-cash flow movements	Net debt at 30 June 2015
	£m	£m	£m	£m	£m
Cash+	29.1	—	76.7	(0.3)	105.5
Unsecured loan notes	(0.2)	—	0.1	—	(0.1)
Bonds*	(1,306.8)	—	(279.5)	19.1	(1,567.2)
Currency swaps in relation to US $ denominated bonds*	175.0	—	—	(16.1)	158.9
Interest rate swaps in relation to GBP denominated bonds*	9.8	—	—	(2.4)	7.4
Long term bank loans	(300.0)	—	—	—	(300.0)
Short term bank loans	—	—	(80.0)	—	(80.0)
Acquired debt	—	(41.5)	41.5	—	—
Obligations under finance leases	(11.9)	—	2.7	(0.1)	(9.3)
Underlying net debt	(1,405.0)	(41.5)	(238.5)	0.2	(1,684.8)
Fixed rate interest rate swaps	(63.3)	—	—	3.3	(60.0)
	(1,468.3)	(41.5)	(238.5)	3.5	(1,744.8)

+ Cash comprises cash, cash equivalents and overdrafts.

* The aggregate bond fair value above of £1,567.2m (30 June 2014: £1,232.6m) 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 £1,400.9m (30 June 2014: £1,132.7m).

In January, the Group issued US $228.5m and £67.0m private placement notes and in April a further US $65.0m and £30.0m (combined overall value £279.5m) with a maturity profile of between 7 and 12 years. In June, the Group extended the maturity of the existing £200m Term Loan to January 2017. As at 30 June, the £600m revolving credit facility was unutilised and has been extended to mature in August 2020.

	Net debt at 1 January 2014	Acquisitions in 2014	Cash flow movements	Non-cash flow movements	Net debt at 30 June 2014
	£m	£m	£m	£m	£m
Cash+	157.8	—	(123.8)	—	34.0
Unsecured loan notes	(10.4)	—	0.2	—	(10.2)
Bonds*	(1,267.3)	—	—	34.7	(1,232.6)
Currency swaps in relation to US $ denominated bonds*	125.9	—	—	(33.5)	92.4
Interest rate swaps in relation to GBP denominated bonds*	7.7	—	—	(0.2)	7.5
Long term bank loans	(200.0)	—	(100.0)	—	(300.0)
Acquired debt	—	(17.1)	17.1	—	—
Obligations under finance leases	(17.3)	—	2.6	—	(14.7)
Underlying net debt	(1,203.6)	(17.1)	(203.9)	1.0	(1,423.6)
Fixed rate interest rate swaps	(26.6)	—	—	(6.9)	(33.5)
	(1,230.2)	(17.1)	(203.9)	(5.9)	(1,457.1)

12 Financial instruments

Carrying values and fair values of financial instruments

The following table analyses by classification and category the Group's financial instruments (excluding short term debtors, creditors, fund payables/receivables and cash in hand) that are carried in the financial statements. The values below represent the carrying amounts. The fair values are the same as the carrying values other than six fixed rate bonds totalling £222.0m, included below in the bond value of £1,567.2m, with a carrying value of £222.0m and a fair value of £225.7m.

As at 30 June 2015	**Available -for-sale**	**At fair value through the income statement**	**Loans and receivables**	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets						
Unlisted equity securities	**3.3**	**—**	**—**	**—**	**—**	**3.3**
Investment loan	**—**	**—**	**5.0**	**—**	**—**	**5.0**
Non-designated foreign exchange forward contracts	**—**	**0.6**	**—**	**—**	**—**	**0.6**
Interest rate swaps in relation to GBP denominated bonds	**—**	**—**	**—**	**7.4**	**—**	**7.4**
Currency swaps in relation to US$ denominated bonds	**—**	**—**	**—**	**159.3**	**—**	**159.3**
	3.3	**0.6**	**5.0**	**166.7**	**—**	**175.6**
Financial liabilities						
Overdrafts	**—**	**—**	**—**	**—**	**353.2**	**353.2**
Unsecured loan notes	**—**	**—**	**—**	**—**	**0.1**	**0.1**
Bonds	**—**	**—**	**—**	**—**	**1,567.2**	**1,567.2**
Long term bank loans	**—**	**—**	**—**	**—**	**300.0**	**300.0**
Short term bank loans	**—**	**—**	**—**	**—**	**80.0**	**80.0**
Cash flow hedges	**—**	**—**	**—**	**18.1**	**—**	**18.1**
Non-designated foreign exchange forward contracts	**—**	**2.3**	**—**	**—**	**—**	**2.3**
Currency swaps in relation to US$ denominated bonds	**—**	**—**	**—**	**0.4**	**—**	**0.4**
Contingent consideration	**—**	**—**	**—**	**—**	**37.3**	**37.3**
Deferred consideration	**—**	**—**	**—**	**—**	**16.2**	**16.2**
Obligations under finance leases	**—**	**—**	**—**	**—**	**9.3**	**9.3**
Public sector subsidiary partnership payment	**—**	**—**	**—**	**—**	**55.4**	**55.4**
Put options of non-controlling interests	**—**	**—**	**—**	**—**	**123.4**	**123.4**
Fixed rate interest rate swaps	**—**	**60.0**	**—**	**—**	**—**	**60.0**
	—	**62.3**	**—**	**18.5**	**2,542.1**	**2,622.9**

As at 31 December 2014	Available-for-sale	At fair value through the income statement	Loans and receivables	Derivatives used for hedging	Other financial liabilities	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Unlisted equity securities	2.5	—	—	—	—	2.5
Investment loan	—	—	5.0	—	—	5.0
Interest rate swaps in relation to GBP denominated bonds	—	—	—	9.8	—	9.8
Currency swaps in relation to US$ denominated bonds	—	—	—	175.6	—	175.6
	2.5	—	5.0	185.4	—	192.9
Financial liabilities						
Overdrafts	—	—	—	—	429.8	429.8
Unsecured loan notes	—	—	—	—	0.2	0.2
Bonds	—	—	—	—	1,306.8	1,306.8
Long term bank loans	—	—	—	—	300.0	300.0
Cash flow hedges	—	—	—	18.7	—	18.7
Non-designated foreign exchange forward contracts	—	1.2	—	—	—	1.2
Currency swaps in relation to US$ denominated bonds	—	—	—	0.6	—	0.6
Contingent consideration	—	—	—	—	56.1	56.1
Deferred consideration	—	—	—	—	23.1	23.1
Obligations under finance leases	—	—	—	—	11.9	11.9
Public sector subsidiary partnership payment	—	—	—	—	54.3	54.3
Put options of non-controlling interests	—	—	—	—	109.4	109.4
Fixed rate interest rate swaps	—	63.3	—	—	—	63.3
	—	64.5	—	19.3	2,291.6	2,375.4

The fair value of financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates, except for unlisted equity securities and investment loans. The valuation models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves. Unlisted equity securities and investment loans are held at amortised cost. The Group enters into derivative financial instruments with multiple counterparties, all of which are financial institutions with investment grade credit ratings.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2015, the Group held the following financial instruments measured at fair value:

	30 June 2015 £m	31 December 2014 £m
Assets measured at fair value		
Non-designated foreign exchange forward contracts	**0.6**	—
Interest rate swaps in relation to GBP denominated bonds	**7.4**	9.8
Currency swaps in relation to US$ denominated bonds	**159.3**	175.6
	167.3	185.4
Liabilities measured at fair value		
Bonds	**1,345.2**	1,181.8
Cash flow hedges	**18.1**	18.7
Non-designated foreign exchange forward contracts	**2.3**	1.2
Currency swaps in relation to US$ denominated bonds	**0.4**	0.6
Fixed rate interest rate swaps	**60.0**	63.3
Public sector subsidiary partnership payment	**55.4**	54.3
Contingent consideration	**37.3**	56.1
	1,518.7	1,376.0

During both periods the Group only had Level 2 assets or liabilities measured at fair value apart from contingent consideration, the public sector subsidiary partnership payment and the put options of non-controlling interests which are Level 3 liabilities. It is the Group's policy to recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer occurred. During the 6 months ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

Contingent consideration arises in business acquisitions where the Group has agreed to pay the vendors additional consideration dependent on the achievement of performance targets in the periods post acquisition. These performance periods are of up to 3 years in duration and will be settled in cash on their payment date on achieving the performance criteria. The Group makes provision for such contingent consideration for each acquisition based on an assessment of its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities by weighting the probability of a range of payments to give an estimate of the final obligation. A sensitivity analysis was performed on the expected contingent consideration of £37.3m. The sensitivity analysis performed adjusted the probability of payment of the contingent amounts. A 10% increase in the probability of contingent consideration being paid results in an increase in potential contingent consideration of £3.0m. A 10% decrease in the probability of the contingent consideration being paid results in a decrease in potential contingent consideration of £4.8m.

The public sector subsidiary partnership payment liability is an estimate of the annual preferred payments to be made by Axelos Limited (the partnership formed with the Cabinet Office) to the Cabinet Office in years 4 to 10. This payment is funded by Axelos Limited and is contingent on profits. The fair value has been derived by discounting the expected payment at the Group cost of debt to arrive at its present value. If the discount rate was to increase/decrease by 1% the present value would decrease/increase by £3m.

The put options of the non-controlling interests are measured at amortised cost based on the expected redemption value of the shares that will be paid in cash by the Group. This value is determined by reference to the expected date of exercise of the options, which is then discounted to arrive at a present value. The sensitivity of the valuation to movements in both the discount rate and the cash flows that have been used to calculate it, are as follows: a 10% increase/decrease in the earnings potential of the business results in a £10.0m increase/decrease in the valuation; a 1% increase/decrease in the discount rate applied to the valuation results in a £5.1m decrease/£5.4m increase in the valuation.

The following table shows the reconciliation from the opening balances to the closing balances for level 3 fair values:

	Contingent consideration £m	Subsidiary partnership payment £m	Put options of non-controlling interests £m
At 1 January 2015	**56.1**	**54.3**	**109.4**
Arising from acquisitions in the period	**7.6**	**—**	**9.8**
Income statement – administrative expenses	**1.3**	**—**	**—**
Income statement – finance expense	**—**	**1.1**	**—**
Equity movement - fair value movement in put options	**—**	**—**	**4.2**
Utilised	**(27.7)**	**—**	**—**
At 30 June 2015	**37.3**	**55.4**	**123.4**

13 Capital commitments

At 30 June 2015, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £0.2m (30 June 2014: £0.2m).

14 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.

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

	6 months 30 June 2015	6 months 30 June 2014
	£m	£m
Short term employment benefits	**3.3**	3.1
Post employment benefits	**0.1**	0.1
Share based payments	**3.9**	2.1
	7.3	5.3

Gains on share options exercised in the period by key management personnel totalled £7.1m (30 June 2014: £3.3m).

The following companies are substantial shareholders 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). The number of shares held on 23 July 2015 was as below:

Shareholder	**No. of shares**	**% of voting rights**
Invesco Asset Management	**68,877,348**	**10.41%**
Veritas Asset Management LLP	**48,291,643**	**7.30%**
Woodford Investment Management LLP	**35,060,250**	**5.30%**
BlackRock, Inc	**34,201,181**	**5.14%**
Marathon Asset Management LLP	**22,933,805**	**3.46%**
Legal & General Group Plc	**19,920,066**	**3.01%**

15 Contingent liabilities

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £91.5m (31 December 2014: £86.0m).

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 Conduct Authority.

The names and functions of the Directors of Capita plc are as listed in the Group's Annual Report for 2014. A list of current Directors is maintained on the Group website: www.capita.co.uk.

By order of the Board

A Parker	A N Greatorex
Chief Executive	Group Finance Director
28 July 2015	